



2008
Annual Report

Company History

TAKUMA was founded in 1915 after its founder, Tsunekichi Takuma, invented the TAKUMA Boiler. The company was later incorporated under the name of TAKUMA Boiler Manufacturing Co., Ltd., and in 1972 its name was changed to TAKUMA CO., LTD. Since the company's inception, TAKUMA has maintained its reputation as a leader in developing innovative technologies that have allowed the company to expand its business activities while attracting widespread praise for its achievements.

TAKUMA's core business activities now include the supply of industrial equipment and machinery, general-purpose equipment and machinery, waste treatment plants, and water treatment plants. Continuous independent research and development activities have allowed the company to secure and maintain a leading role in each of these fields.

Environmental protection has become a high-profile issue that can no longer be ignored. Centered on improving the environment, the business activities of TAKUMA have become the focus of increased attention that has raised the profile of the company. TAKUMA will continue to place an emphasis on its research and development activities while striving to create innovative technologies that protect the environment and contribute to society.

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FINANCIAL HIGHLIGHTS

Takuma Co., Ltd. and its Consolidated Subsidiaries

FINANCIAL HIGHLIGHTS

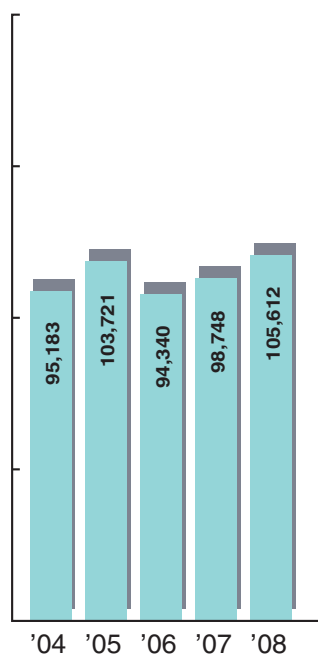
(Years Ended March 31, 2008 and 2007)

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
For the year:			
Net sales	¥ 105,612	¥ 98,748	\$ 1,054,117
Operating loss	(11,787)	(6,760)	(117,647)
Loss before income taxes and minority interests.....	(11,643)	(5,769)	(116,209)
Net loss	(12,826)	(12,713)	(128,016)
As of year-end:			
Total assets	112,627	128,833	1,124,134
Total net assets	45,980	62,904	458,928
Per share data:			
Net loss	¥ (154.02)	¥ (152.40)	\$ (1.54)
Diluted net income	-	-	-
Net assets.....	505.83	712.37	5.05
Cash dividends applicable to the year	5.00	10.00	0.05

Note: U.S.dollar amounts are shown solely for the convenience of readers and are translated at the rate of ¥100.19 to \$1, the exchange rate prevailing as of March 31, 2008.

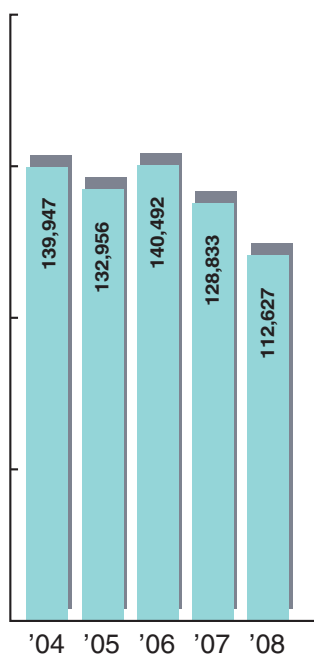
NET SALES

(In millions of Yen)



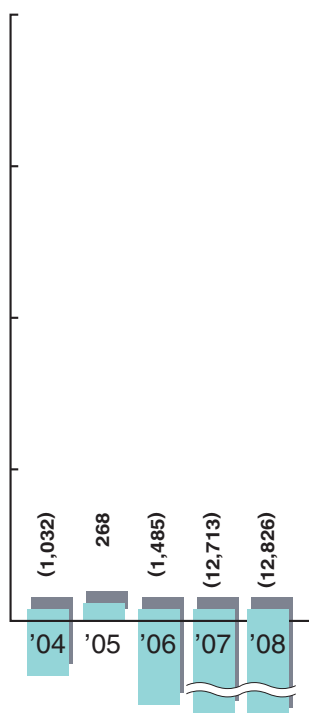
TOTAL ASSETS

(In millions of Yen)



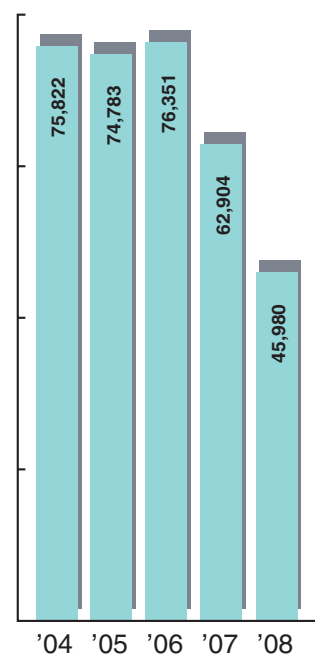
NET INCOME (LOSS)

(In millions of Yen)



TOTAL NET ASSETS

(In millions of Yen)



Note: Net Assets are presented to conform to the 2008 presentation. Net Assets comprise the sum of shareholders' equity as previously defined, and minority interests.

FROM THE PRESIDENT

TAKUMA's long history of contribution to the development of Japanese and overseas industry began in 1912 when Tsunekichi Takuma perfected the TAKUMA Boiler.

The global marketplace has undergone a significant transformation in recent years, as evidenced by such developments as the diversification of energy technologies and growing concerns over the environment. In order to address the challenges created by these developments and to create new business opportunities while further expanding its current business activities, TAKUMA is making concentrated efforts to harness the technical expertise present throughout TAKUMA group companies in an effort to revolutionize the way it develops breakthrough technologies. At the same time, TAKUMA is also focused on leveraging its broad engineering capabilities in an active effort to become a leading provider of comprehensive services for private finance initiatives and public-private partnerships.

The Kyoto Protocol came into force in February 2005, marking the culmination of efforts by nations throughout the global community to combat global warming. TAKUMA welcomes this international drive to reduce carbon dioxide and other greenhouse gas emissions. TAKUMA will endeavor to apply the technical expertise it has gained through years of experience in such fields as biomass power generation in both the Japanese and overseas markets as it intensifies efforts to promote solutions for large-scale projects around the world.

Challenges associated with energy and the environment will shape the direction of development throughout the 21st century. TAKUMA considers its core businesses to be well positioned to develop and provide innovative solutions to these challenges as it increases corporate value and further strengthens its technical expertise and problem-solving capabilities.



A handwritten signature in black ink, appearing to read 'H. Tejima', with a stylized flourish at the end.

Hajime Tejima
President and CEO

STATUS OF BUSINESS ACTIVITIES

1. Overview of Business Performance

(1) Business Performance

During the year ended March 31, 2008 Japan's economy generally showed signs of recovery due to increased levels of corporate investment in equipment and machinery as well as improved employment conditions stimulated by robust corporate earnings. However, the future of Japan's economy has since become increasingly uncertain due to the economic slowdown in the United States of America brought about by the sub-prime mortgage crisis and soaring crude oil prices in the global marketplace.

Despite the increased emphasis placed on sales activities, orders received by TAKUMA CO., LTD. and its consolidated subsidiaries (the Companies) during the year ended March 31, 2008 amounted to 115.344 billion yen, an 8.8% decrease of 11.128 billion yen compared with the total amount for the year ended March 31, 2007. Sales, however, rose to 105.612 billion yen, a 7.0% increase of 6.864 billion yen compared with the total amount for the year ended March 31, 2007. The order backlog also rose to 133.279 billion yen, a 7.9% increase of 9.732 billion yen compared with the total amount for the year ended March 31, 2007.

Despite successful efforts to reduce fixed costs through increased productivity levels and implementation of more effective cost control measures, the Companies recorded an operating loss of 11.787 billion yen and a current term net loss of 12.826 billion yen for the year ended March 31, 2008, due in large part to additional costs associated with an energy from waste (EfW) plant under construction in the United Kingdom that resulted from boiler manufacturing delays, repairs to defective subcontractor work, and consequential delays to work undertaken by following trades.

Business Segment Results

1) Domestic Environment and Energy

Orders received rose significantly to 79.985 billion yen, an 86.0% increase of 36.971 billion yen compared with the total amount for the year ended March 31, 2007 and due primarily to orders received for large waste treatment facility construction work. Sales rose slightly to 51.920 billion yen, a 0.1% increase of 27 million yen compared with the total amount for the year ended March 31, 2007. Cost cutting measures materialized, bringing about operating income of 2.466 billion, a large improvement compared with the 1.077 billion yen operating loss recorded for the year ended March 31, 2007.

2) Overseas Environment and Energy

No major orders were received in the year ended March 31, 2008, during which orders received amounted to 832 million yen, a 98.2% decrease of 46.443 billion yen compared with the total amount for the year ended March 31, 2007. Sales rose to 19.241 billion yen, a 52.4% increase of 6.614 billion yen compared with the total amount for the year ended March 31, 2007, due primarily to progress on work associated with EfW plants under construction in Europe. An operating loss of 12.860 billion yen was recorded as a result of increased costs incurred for work associated with EfW plants under construction in Europe.

STATUS OF BUSINESS ACTIVITIES

3) Package Boiler

Despite efforts to increase market share through an approach based on the delivery of total systems as opposed to stand-alone equipment, orders received fell to 20.268 billion yen, a 6.0% decrease of 1.304 billion yen compared with the total amount for the year ended March 31, 2007. Sales also fell to 20.438 billion yen, a 2.8% decrease of 590 million yen compared with the total amount for the year ended March 31, 2007, and an operating loss of 67 million yen was incurred despite cost reduction efforts.

4) Other Business Segments

Marketing efforts focused on the sale of impregnation equipment, conveyance systems, and specialized equipment used in the semiconductor industry, with orders received falling slightly to 15.415 billion yen, a 0.8% decrease of 132 million yen compared with the total amount for the year ended March 31, 2007. Sales rose to 14.704 billion yen, a 4.1% increase of 584 million yen compared with the total amount for the year ended March 31, 2007, which resulted in an operating profit of 348 million yen.

5) Geographical Segment Results

Japan

Sales reached 95.963 billion yen as a result of progress on work associated with energy plants under construction that were previously recorded in the order backlog, sales of package boilers, operation and maintenance services in Japan, and progress on work associated with EfW plants under construction in Europe. These contributions, however, were not sufficient to offset increased costs associated with EfW plants under construction in Europe, which ultimately resulted in an operating loss of 8.598 billion yen.

Asia

Progress on work associated with energy plants under construction and overhaul work on existing plants resulted in sales of 1.120 billion yen and an operating income of 95 million yen.

Europe

Progress on work associated with EfW plants and biomass power plants under construction resulted in sales of 14.529 billion yen, although these contributions were not sufficient to offset losses arising from certain unprofitable projects, which ultimately resulted in an operating loss of 765 million yen.

(2) Status of Cash Flow

Cash and cash equivalents at March 31, 2008 amounted to 23.938 billion yen, a decrease of 629 million yen compared with the total amount at March 31, 2007.

[Cash Flow from Operating Activities]

Cash flow from operating activities at March 31, 2008 amounted to 1.035 billion yen, an increase of 7.615 billion yen compared with the total amount at March 31, 2007. This increase was due mainly to a 6.752 billion yen increase in the allowance for losses on sales contracts and a 9.925 billion yen increase in notes and accounts receivable and advance received, and was offset by a 5.874 billion yen increase in the loss before income taxes and minority interests.

[Cash Flow from Investing Activities]

Cash flow from investing activities fell to minus 1.479 billion yen, an decrease of 1.426 billion yen compared

with the total amount at March 31, 2008. This decrease was due mainly to a net decrease of 3.385 billion yen in time deposits compared with the total amount at March 31, 2007, and came despite a 1.173 billion yen increase in sales of investment securities and a 426 million yen decrease in disbursement for loans receivable.

[Cash Flow from Financing Activities]

Cash flow from financing activities decreased by 3.395 billion yen to minus 186 million yen compared with the total amount at March 31, 2007. This decrease was due mainly to a net decrease of 3.999 billion yen in short-term bank loans.

2. Manufacturing Costs, Orders Received and Sales

(1) Manufacturing Costs

Manufacturing costs for each business segment are presented in the table below on an unconsolidated basis. As manufacturing activities undertaken by significant subsidiaries are negligible, the Company's manufacturing costs alone are therefore considered to be a fair representation of the consolidated manufacturing costs for each business segment.

Manufacturing Costs

TAKUMA CO., LTD.

For the years ended March 31, 2007 and 2008

Business Segment	Millions of yen	
	2007	2008
Domestic Environment and Energy	29,541	32,483
Overseas Environment and Energy	17,897	20,494
Package Boiler	722	395
Other	1,994	2,890
Total	50,156	56,262

(Notes)

1. The above amounts represent overall manufacturing costs.
2. Consumption tax is not included in the above amounts.

(2) Orders Received

Orders received are presented on a consolidated basis by business segment in the table below.

Orders Received

TAKUMA CO., LTD. and Consolidated Subsidiaries

For the years ended March 31, 2007 and 2008

Business Segment	Millions of Yen		Millions of Yen	
	2007		2008	
	Orders Received	Order Backlog	Orders Received	Order Backlog
Domestic Environment and Energy	43,014	48,389	79,985	76,455
Overseas Environment and Energy	47,275	63,614	832	45,206
Package Boiler	21,572	4,105	20,268	3,935
Other	15,547	7,454	15,415	8,164
Inter-Segment Orders	(937)	(16)	(1,156)	(481)
Total	126,472	123,547	115,344	133,279

(Notes)

1. Consumption tax is not included in the above amounts.
2. Elements of production within the Package Boiler business segment are undertaken to ensure sufficient supply levels are maintained in order to meet anticipated future demand. The orders received and order backlog categories contain amounts for which it has already been determined to which customer deliveries will be made.
3. Accounting procedures for sales revenue were revised effective from the year ended at March 31, 2008 to include royalty revenue, which was previously included in the technical assistance fee section of other income (expenses). Accordingly, royalty revenue is not included in the above amounts for the year ended at March 31, 2007.

STATUS OF BUSINESS ACTIVITIES

(3) Sales

Sales are presented on a consolidated basis by business segment in the table below.

Sales

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2007 and 2008

Business Segment	Millions of yen	
	2007	2008
Domestic Environment and Energy	51,893	51,920
Overseas Environment and Energy	12,627	19,241
Package Boiler	21,028	20,438
Other	14,120	14,704
Inter-Segment Sales	(922)	(691)
Total	98,748	105,612

(Notes)

1. Consumption tax is not included in the above amounts.
2. Accounting procedures for sales revenue were revised effective from the year ended at March 31, 2008 to include royalty revenue, which was previously included in the technical assistance fee section of other income (expenses). Accordingly, royalty revenue is not included in the above amounts for the year ended at March 31, 2007.

3. Future Outlook

(1) Management Policies

In April 2006 the Companies embarked on a three-year mid-term management plan, the aim of which is to promote the organizational transformation of the Companies and increase earning power in order to establish a revenue base that not only remains stable in today's ever-changing business environment, but also leads to further long-term growth.

The mid-term management plan is based on the following two fundamental strategies:

- Promote group management of the Companies as a means to fully utilize core competences, optimize the group as a whole, and maximize consolidated profits.
- Promote selective and concentrated utilization of management resources.

Positioned within this framework are the following three targets:

- Ensure regulatory requirements are upheld, risk management strengthened, corporate governance maintained and environmental management achieved through promotion of compliance and corporate social responsibility management.
- Undertake a comprehensive review of human, material, financial, and technical resources that form the corporate foundations and maximize these management resources to their fullest by further developing the corporate strengths required to achieve business expansion.
- Adapt to the changing business environment by strengthening cost competitiveness and endeavoring to maximize value for money in order to maintain a competitive advantage through the development and implementation of an optimal business strategy that aims to expand private sector, overseas and solutions businesses.

Business expansion in the European market is dependent upon the further development of corporate strengths as well as the development and implementation of an optimal business strategy. Although significant losses associated with work on an EfW plant under construction in the United Kingdom were

recorded in the year ended March 31, 2008, the European Union Landfill Directive 1999/31/EC has led to a major policy change in favor of EfW as an alternative to landfilling, and consequently the underlying conditions of the European EfW market indicate signs of potential for noticeable growth. In order for the Companies to be successful in maintaining consistent levels of profitability in the European market, it is essential to understand local sales and procurement routes and for any project to be undertaken and managed in accordance with local practices. It is on this premise that German subsidiary KAB TAKUMA has been given the responsibility of managing the European EfW and biomass power generation businesses on behalf of the Companies. KAB TAKUMA's management resources, know-how, and organizational structure will be strengthened further to develop a strategic marketing model aimed at maximizing returns on future projects. Additionally, consideration will also be given to providing additional support to KAB TAKUMA where necessary through the formation of alliances with other companies.

The Companies are committed to restoring profitability and achieving long-term growth through the implementation of fundamental policies outlined in the mid-term management plan and by rapidly responding to the ever-changing business environment.

(2) Anti-Takeover Measures

At its board of directors meeting on April 25, 2007, TAKUMA CO., LTD. (the Company) adopted, with immediate effect, a policy against large volume purchases of its shares by any identifiable shareholder group aiming to obtain voting rights of or exceeding 20%. The policy was approved during the annual shareholder meeting on June 28, 2008 by shareholders representing a majority of the voting rights held by those present. The aim of the policy is to allow for the implementation of defined countermeasures against large volume purchases of the Company's shares when its corporate value and shareholder interests are clearly threatened.

The rules established by the Company for large volume purchases of its shares consist of the following:

- Any entity aiming to undertake a large volume purchase of the Company's shares shall provide all required information to the Company's board of directors prior to such purchase.
- Any large volume purchase of the Company's shares shall commence only after the fixed period of evaluation afforded to the Company's board of directors has passed.

In addition to information provided by entities aiming to undertake large volume purchases of the Company's shares, the opinions held by the Company's board of directors and any relevant counterproposals are also considered to be vital tools that may assist shareholders in ascertaining the viability of share acquisition prices offered by entities aiming to undertake large volume purchases of the Company's shares. In accordance with the rules outlined above, the Company's board of directors will therefore request that any entity aiming to undertake a large volume purchase of the Company's shares provide relevant information, upon receipt of which the Company's board of directors will review and evaluate, subsequent to which it will then issue an official opinion. Moreover, should doing so be deemed necessary, the Company's board of directors will undertake negotiations to achieve improvements to proposals submitted by entities aiming to undertake large volume purchases of the Company's shares and present counterproposals to the Company's shareholders.

STATUS OF BUSINESS ACTIVITIES

In order to protect the Company's shareholder interests and the Company's corporate value, in the event that an entity aiming to undertake a large volume purchase of the Company's shares does not comply with the rules established by the Company, or if an entity complies with the rules but it is determined that a large volume purchase of the Company's shares by such entity would clearly threaten the Company's shareholder interests, the Company may, in accordance with guidance provided by the special committee described below, issue stock purchase warrants with an exercise restriction stating that stock purchase warrants may not be exercised by entities aiming to undertake large volume purchases of the Company's shares. In order to ensure that the rules established by the Company for large volume purchases of its shares are managed properly and that judgment of the Company's board of directors remains rational and fair, a special committee made up of outside experts that is independent from the Company's board of directors has been established. The role of this special committee is to provide the Company's board of directors with advice on the adequacy of information provided by entities aiming to undertake large volume purchases of the Company's shares and the acceptability of invoking countermeasures.

4. Business Risks

Although the Companies continually endeavor to mitigate business risks through organized and systematic measures, the following risks are considered to have the potential of influencing the business performance and financial position of the Companies, as well as investor decisions. References to future risks have been determined as such as of March 31, 2008.

*** Economic Trends**

The business performance and financial position of the Companies have the potential to be influenced by such factors as public and private sector infrastructure investment trends, changes in price competition and market structure brought about by an increase in the number of competitors, fluctuations in raw material costs, and stock market conditions.

*** Geographical Risks**

Overseas operations are accompanied by the potential to be influenced not only by the economic conditions and currency fluctuations of countries and regions in which the Companies conduct business activities, but also by such uncontrollable events as terrorism, war, natural disasters, and epidemics.

*** Safety and Quality**

There is a possibility that the business performance, financial position, and public reputation of the Companies may be influenced by accidents or disasters caused by human error or defective products during manufacturing, installation, operation, and maintenance activities undertaken by the Companies. Additionally, those facilities in particular for which new technologies are introduced run the risk of incurring additional costs that exceed the originally anticipated levels due to the occurrence of unexpected difficulties.

*** Intellectual Property Rights**

The business activities of the Companies may be affected by unlawful infringement by others upon or difficulties experienced in protecting, such intellectual property as patents and trademarks it holds or has

acquired, or alternatively, by measures required to avoid the Companies from infringing upon the intellectual property rights of others.

*** Litigation**

On June 28, 2006 the Japan Fair Trade commission (JFTC) ruled that activities undertaken by the Company in the past associated with the construction of waste incineration plants were in violation of the Japanese Antimonopoly Act. Further to this ruling, the JFTC ordered on March 23, 2007 that the Company make surcharge payments amounting to 4.702 billion yen. The Company objected to the ruling and filed an appeal for its reversal on July 27, 2006. The Company also objected to the surcharge payment order and filed a request for a hearing to be arranged, proceedings for which commenced on May 21, 2007, thus nullifying the binding power of the surcharge payment order. The Company is currently involved in proceedings for eight taxpayer class action suits, the outcomes of which may affect the business performance of the Company in various forms. The details of three of these class action suits are outlined below.

- In the taxpayer class action suit associated with the bidding stage of a tender awarded to Hitachi Zosen Corporation by Fukuoka City for the construction of a waste incineration plant, on April 25, 2006 Fukuoka District Court ordered the Company and four other companies to collectively pay 2.088 billion yen as well as damages for delay. Although an appeal against the decision was filed with Fukuoka High Court, this appeal was later rejected on November 30, 2007, against which a further appeal was filed with the Supreme Court on December 12, 2007.
- In the taxpayer class action suit associated with the bidding stage of a tender awarded to Hitachi Zosen Corporation by Amagasaki City for the construction of a waste incineration plant, on November 16, 2006 Kobe District Court ordered the Company and five other companies to collectively pay 530 million yen as well as damages for delay. An appeal against the decision was filed with Osaka High Court, which overturned the decision on November 30, 2007, in response to which the plaintiffs filed an appeal with the Supreme Court on December 7, 2007.
- In the taxpayer class action suit associated with the bidding stage of a tender awarded to the Company by the Tokyo Metropolitan Government for the construction of a waste incineration plant, on March 20, 2007 the Company was ordered to pay 4.409 billion yen as well as damages for delay, although an appeal against the decision has been filed with Tokyo High Court.

*** Other Factors**

So long as the Companies remain operational, their business performance and financial position may be influenced by such factors as government restrictions, changes in supply chain arrangements, difficulties associated with securing adequate levels of domestic and overseas personnel, and losses of key personnel.

STATUS OF BUSINESS ACTIVITIES

5. Significant Licensing Agreements

(1) Technology Transfer from External Parties

	Licensee	Technology	Date of Agreement	Licensor	Length of Agreement
1	TAKUMA CO., LTD.	Liquid Membrane Water Treatment Process	September 1976	Exxon Mobile Research & Engineering Co. (U.S.A.)	The Company may terminate to declare so
2	TAKUMA CO., LTD.	Continuous Bed Filtration of Liquids	April 1979	Nordic Water Products AB (Sweden)	30 years
3	TAKUMA CO., LTD.	Flotation Water Treatment	December 1987	KWI S.A. (Switzerland)	5 years, thereafter automatically renewed every year
4	TAKUMA CO., LTD.	Ash Recycle and Activation Process	January 1993	Dr. Gernot Staudinger (Austria)	7 years, thereafter automatically renewed every year
5	TAKUMA CO., LTD.	Methane de-Nox Process	June 1994	Gas Technology Institute (U.S.A.)	15 years
6	TAKUMA CO., LTD.	Material Recycling and Separating System	June 1996	Result Technology AG (Switzerland)	10 years, thereafter automatically renewed every 5 years
7	TAKUMA CO., LTD.	Biological Anaerobic Treatment Process for Solid Waste	October 1996	W. Schmid AG (Switzerland)	13 years
8	TAKUMA CO., LTD.	Water Treatment Technology Using Microorganisms Carrier Stabilizer	March 1997	Hitachi Plant Technologies, Ltd. (Japan)	5 years, thereafter automatically renewed every year
9	TAKUMA CO., LTD.	Regenerative Thermal Oxidizer	February 1998	Dürr Systems, Inc. (U.S.A.)	11 years, thereafter automatically renewed every year
10	TAKUMA CO., LTD.	Cyclonic Burner	May 2000	Gas Technology Institute (U.S.A.)	10 years
11	TAKUMA CO., LTD.	Agitators (pierced flat beam type)	July 2007	Lonkwitz Anlagenbau GmbH & Co., KG (Germany)	10 years, thereafter automatically renewed every year

(Notes)

1. In addition to one-time fees paid to the licensor at the time licensing agreements are made, fees based on a fixed percentage of sales are also paid to the licensor.
2. Upon their expiration, a comprehensive review of licensing agreements covering such aspects as technological value and degree of demand will be undertaken to determine whether the agreements are to be renewed.

(2) Technology Transfer to External Parties

	Licensor	Technology	Date of Agreement	Licensee	Length of Agreement
1	TAKUMA CO., LTD.	N-type Palm Wastes Fired Water Tube Boiler	September 1982	P.T. Super Andalas Steel (Indonesia)	15 years, thereafter automatically renewed every year
2	TAKUMA CO., LTD.	Absorption Chiller Heater	August 1992	Kyungdong Navien Co., Ltd. (Korea)	13 years, thereafter automatically renewed every year
3	TAKUMA CO., LTD.	Vacotin Heater	July 1995	Kyungdong Navien Co., Ltd. (Korea)	10 years, thereafter automatically renewed every year
4	TAKUMA CO., LTD.	Dust Elimination Technology in Exhaust Gas Treatment Systems Using Impulse Waves	November 2005	Nihon Spindle Manufacturing Co., Ltd. (Japan)	10 years, thereafter automatically renewed every year
5	TAKUMA CO., LTD.	Coal Firing Boiler	June 2007	P.T. Panca Mandiri Essencia (Indonesia)	10 years, thereafter automatically renewed every year

(Notes)

1. In addition to one-time fees received at the time licensing agreements are made, fees based on a fixed percentage of sales made by the licensee are also received.

6. Research and Development

Led by the technology centers consolidated within the Engineering Division, and in conjunction with external research organizations and universities, the research and development activities of the Companies are focused on strengthening and transmitting its technical capabilities, improving core technologies and developing new products.

Within the Engineering Division reside the Planning Center, the Technical Center, and the Project Center. The Planning Center contains the Technology Planning Department and Tokyo Technology Planning Department. The Technical Center contains the Technology Development Department, the Mechanical Design and Engineering Department, and the Energy and Environment Research Center. The Project Center contains technical departments related to the various fields in which the Company is active. Together, these organizations aim to strengthen technical capabilities and accelerate the development of new products.

Research and development expenses for the year ended 31 March, 2008 amounted to 767 million yen. Significant research and development activities for each business segment are outlined below.

(1) Domestic and Overseas Environment and Energy

1) A demonstration test was undertaken on a sewage sludge gasification and power generation system with the aim of establishing a high-efficiency biomass power generation system that utilizes mixed combustion of gases produced from gasification of sewage sludge and natural gas. The test was successful in achieving 2,000 hours of continuous operation, thus bringing commercialization of the technology one step closer to realization.

The test was part of a joint research project with New Energy and Industrial Technology Development Organization (NEDO) and Tokyo Gas Co., Ltd.

2) A demonstration test was undertaken on an energy recovery technology that utilizes alkaline pretreatment-hydrogen-methane fermentation of distilled spirit lees with the aim of utilizing biomass resources and reducing the impact on the environment. The test was successful in achieving initially anticipated results and further demonstration tests are continuing with the aim of realizing improved energy recovery rates.

The test was part of a joint research project with the New Energy and Industrial Technology Development Organization (NEDO).

3) Demonstration tests continue with gasification of woody biomass and methanol synthesis. The Company has developed a new proprietary tar decomposition catalyst for use with gasification while at the same time also established a biomass gas purification technology. With regard to methanol synthesis, the company has developed a new proprietary catalyst reactor and methanol synthesis catalyst, both of which are now one step closer to commercialization.

4) A demonstration test was undertaken on water-cooled grate technology for incineration of waste with high calorific values, the results for which are promising and have brought the technology one step closer to being used in practical applications.

STATUS OF BUSINESS ACTIVITIES

- 5) A demonstration test was undertaken on advanced wastewater treatment technology that utilizes unique bacteria with the aim of developing a wastewater de-nitrification system that is energy efficient, space efficient and reduces the impact on the environment. The results of the test are promising and further research is scheduled with an eye to commercialization.
- 6) A demonstration test was undertaken on a new filtration technology that filters and purifies wastewater simultaneously. The results of the test are promising and have thus brought commercialization of the technology one step closer to realization.
The test was part of a joint research project with Aichi-Mizutomidori Pu. Corp.
- 7) Demonstration tests were undertaken at multiple sewage treatment plants to develop a low power consumption rotating drum type thickener that achieves highly efficient sewage sludge condensing. The technology has been commercialized and added to the Company's water treatment item.
- 8) A highly advanced sewage treatment technology based on advanced oxidation process is currently being developed with the aim of being able to break down hard-biodegradable material such as environment endocrine disruptors and disinfect viruses.
- 9) Research continues on optimization of combustion and fluidity through the application of thermal fluid simulation technologies. A waste incineration plant operation monitoring and control system using these technologies has been developed.

Research and development expenses attributable to the domestic and overseas environment and energy business segments total 662 million yen.

(2) Package Boiler

The focus of research and development activities for the package boiler business segment is centered on the development of highly efficient through-flow boilers and Vacotin heaters that have a reduced impact on the environment.

Research and development expenses attributable to the package boiler business segment amount to 91 million yen.

(3) Other Business Segments

Research and development expenses attributable to other business segments amount to 14 million yen.

7. Analysis of Financial Standing and Business Performance

(1) Financial Standing

The financial policy of the Companies is to sustain adequate levels of liquidity, while securing funding for business activities and maintaining a financially sound balance sheet.

Total assets as of March 31, 2008 amounted to 112.627 billion yen, a 12.6% decrease of 16.206 billion yen compared with the total a year earlier. Total current assets as of March 31, 2008 amounted to 73.556 billion yen, a 9.7% decrease of 7.898 billion yen compared with the total a year earlier. Investments and other assets as of March 31, 2008 amounted to 28.684 billion yen, a 24.3% decrease of 9.218 billion yen compared with the total a year earlier. Property, plant and equipment as of March 31, 2008 amounted to 10.387 billion yen, a 9.6% increase of 910 million yen compared with the total a year earlier.

The primary factor attributable to the decrease in total current assets is the 18.0% decrease of 7.591 billion yen in notes and accounts receivable to 34.576 billion yen during the year ended March 31, 2008. The primary factor attributable to the decrease in investments and other assets is the 27.3% decrease of 7.342 billion yen in investment securities to 19.518 billion yen during the year ended March 31, 2008, which was caused by fluctuation in stock prices that resulted in lower current values.

Total liabilities as of March 31, 2008 amounted to 66.647 billion yen, a 1.1% increase of 718 million yen compared with the total a year earlier. Total current liabilities as of March 31, 2008 amounted to 56.205 billion yen, a 3.7% increase of 1.987 billion yen compared with the total a year earlier. Total non-current liabilities as of March 31, 2008 amounted to 10.442 billion yen, a 10.8% decrease of 1.269 billion yen compared with the total a year earlier.

The primary factors attributable to the increase in total current liabilities are that, although notes and accounts payable experienced a 20.0% decrease of 7.230 billion yen to 28.852 billion yen, advances received experienced a 58.1% increase of 3.077 billion yen to 8.369 billion yen and the allowance for losses on sales contracts experienced a 937.3% increase of 4.949 billion yen to 5.477 billion yen, a major share of these increases having been associated with overseas projects. The primary factors attributable to the decrease in total non-current liabilities are that, although long-term debt increased 770 million yen to 794 million yen, deferred tax liabilities experienced a 40.7% decrease of 2.224 billion yen to 3.239 billion yen.

Total net assets including minority interests in consolidated subsidiaries as of March 31, 2008 amounted to 45.980 billion yen, a 26.9% decrease of 16.924 billion yen compared with the total a year earlier.

The primary factors attributable to the decrease in total net assets are that retained earnings experienced a 48.3% decrease of 13.412 billion yen to 14.384 billion yen as a result of the net loss recorded for the year ended March 31, 2008 and the net unrealized holding gain on available-for-sale securities, net of taxes, experienced a 43.6% decrease of 3.567 billion yen to 4.621 billion yen. As a result, the equity capital ratio decreased from 46.0% to 37.4% and net assets per share decreased from 712.37 yen to 505.83 yen.

STATUS OF BUSINESS ACTIVITIES

(2) Business Performance

During the year ended March 31, 2008 the domestic environment and energy business segment received orders for large waste treatment facility construction projects as well as orders for operation and maintenance services associated with existing facilities. Despite efforts to strengthen the foundations on which to expand overseas operations, the overseas environment and energy business segment did not receive any orders for large projects. The package boiler business segment, amidst severe price competition, redoubled its efforts to increase market share through an approach based on the delivery of total systems as opposed to stand-alone equipment. Other business segments focused primarily on the sale of impregnation equipment, conveyance systems, and specialized equipment used in the semiconductor industry.

Total orders received for the year ended March 31, 2008 amounted to 115.344 billion yen, an 8.8% decrease of 11.128 billion yen compared with the total amount for the year ended March 31, 2007.

Due much in part to the contribution of the overseas environment and energy business segment, net sales for the year ended March 31, 2008 amounted to 105.612 billion yen, a 7.0% increase of 6.864 billion yen compared with the total amount for the year ended March 31, 2007. Gross profit amounted to 6.580 billion yen, which when set off with selling, general, and administrative expenses of 18.367 billion yen, resulted in an operating loss of 11.787 billion yen. Although there was a positive difference of 144 million yen between other income and other expenses, the end result was a loss before income taxes and minority interests of 11.643 billion yen, and after taking into consideration current income taxes and deferred income taxes, as well as minority interests in the income (losses) of consolidated subsidiaries, a net loss of 12.826 billion yen.

The net loss per share was 154.02 yen and the equity capital loss rate was 25.3%. Details of business segment sales and operating income are contained within the Status of Business Activities section.

COMPANY AND PRODUCTS



COMPANY AND PRODUCTS

Technological Innovation for the Benefit of the Global Community

TAKUMA's long history of achievement and innovation began over seventy years ago when it manufactured boilers for the naval shipping industry. TAKUMA has since applied its technological expertise to promote and diversify the company's business activities. Of particular note is TAKUMA's boiler technology, which has evolved to become the cornerstone of power generation systems used in energy from waste (EfW) plants. TAKUMA has won notable acclaim from various organizations for its untiring efforts as a pioneer in the environmental technology sector.

The future growth of any company in the 21st century is dependent upon its ability to care for the environment. As a company that considers the environment to be its business, TAKUMA is committed to upholding the company policy to value technology, humanity, and the Earth, while concentrating its efforts on the provision of superior industrial and general-purpose equipment and machinery as well as waste and water treatment facilities.

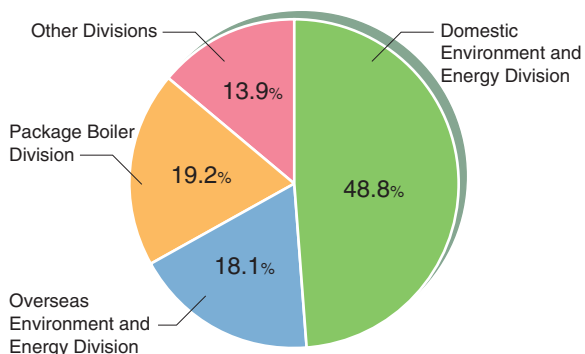
Activities associated with the industrial equipment and machinery business are focused on the development and design of energy systems such as power generation plants, industrial waste treatment plants, co-generation systems, and impregnation equipment.

The general-purpose equipment and machinery line-up consists of such compact, energy-efficient, and environmentally friendly products as the Vacotin vacuum hot water heater, EQOS steam boiler, and thermal oil heater.

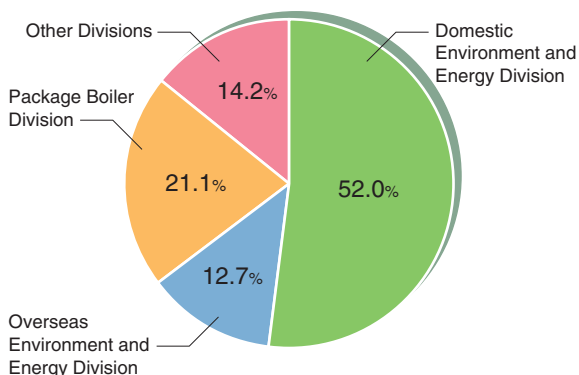
TAKUMA's EfW plants, bulky waste processing facilities, and recycling plants not only set new standards in environmental protection but also achieve efficient treatment of waste and produce heat that can be utilized in both commercial and industrial applications.

Sales Breakdown by Division (On Consolidated Basis)

● Year Ended March 31, 2008

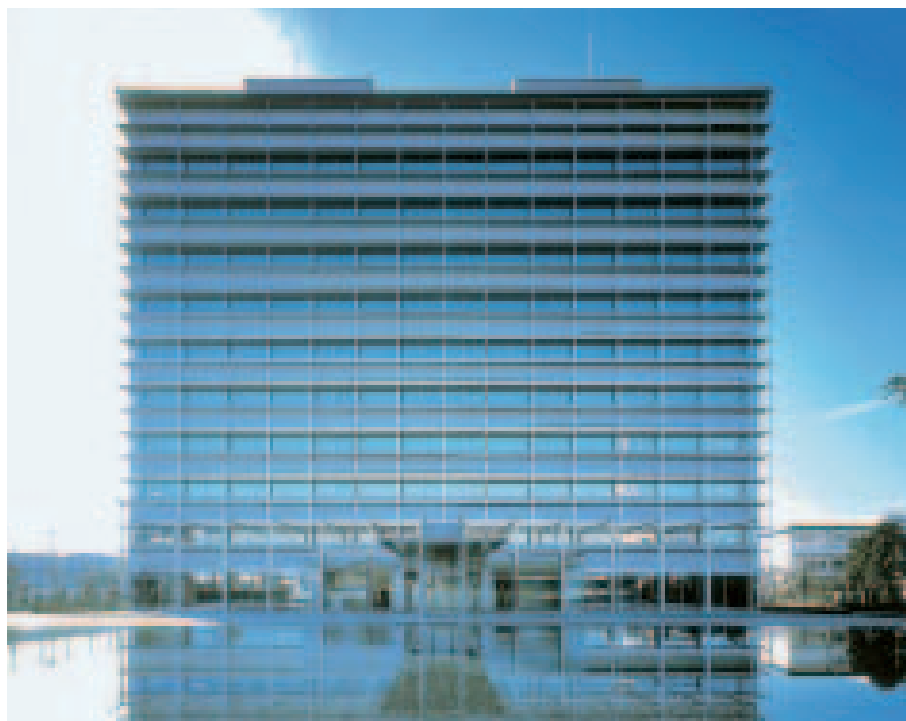


● Year Ended March 31, 2007



TAKUMA also has a prominent presence in the water treatment field with its sewage treatment, wastewater treatment, sewage treatment, and water purification plants. The company takes a multi-faceted approach to designing such facilities while aiming to develop effective solutions to such challenges as utilization of polluted water and to use cutting-edge technologies to create new materials and antibacterial plastics.

TAKUMA is also expanding its overseas business activities through the export of equipment and machinery, technology licensing agreements, and technical cooperation alliances with companies in Europe, the United States of America, and Asia. Exports currently account for approximately five percent of total sales, the majority of which is represented by the supply of boiler and EfW plants to customers throughout Southeast Asia. The rapid pace of development demonstrated by countries in this region has led to numerous environmental challenges TAKUMA considers its extensive range of technological solutions will prove invaluable in resolving and thus ensure the preservation of the environment and future livelihood of the global community.



Takuma Building (completed in December 1995)

COMPANY AND PRODUCTS

WASTE TREATMENT PLANTS

One major challenge posed by today's consumption-based society is the excessive generation of waste. TAKUMA's EfW plants are an efficient and environmentally friendly solution that can be utilized to effectively divert waste from being sent to landfill facilities. TAKUMA also develops, designs, and builds recycling facilities that convert waste into useful materials.

In 1963 TAKUMA introduced the first municipal waste incineration plant to Japan designed for fully mechanical and continuous operation, thus providing an effective solution to the problems associated with the management of the enormous volumes of waste generated daily. TAKUMA has since gone on to develop a diverse portfolio of waste treatment technologies such as bulky waste shredders and crushers, incinerator ash melting plants, recycling plants, and district heating systems that utilize excess heat.



Amagasaki Clean Center (Amagasaki, JAPAN)



Shiroishi Incineration Plant (Sapporo, JAPAN)



Shin-koto Incineration Plant (Tokyo, JAPAN)

WATER TREATMENT PLANTS

Water treatment is relevant not only to the prevention of pollution in oceans, rivers, and lakes, but also to the preservation of the Earth's limited fresh water supply. TAKUMA water treatment technologies have been developed, designed, and manufactured to deliver the most efficient and environmentally friendly water treatment systems available.

TAKUMA offers an extensive range of water treatment plants such as wastewater treatment, sewage treatment, and sewage sludge incineration facilities. Other products include reclaimed wastewater utilization systems, incinerator ash recycling systems, and water purification systems for use in boilers and high-tech industry applications.



Continuous up-flow sand filter



Demonstration plant of sewage sludge gasification and power generation

COMPANY AND PRODUCTS

INDUSTRIAL EQUIPMENT AND MACHINERY

TAKUMA has developed and refined its expertise in combustion and thermal technologies through many years of designing and manufacturing boilers, and is continually in search of new ideas that can be utilized to create new innovative plants and equipment.

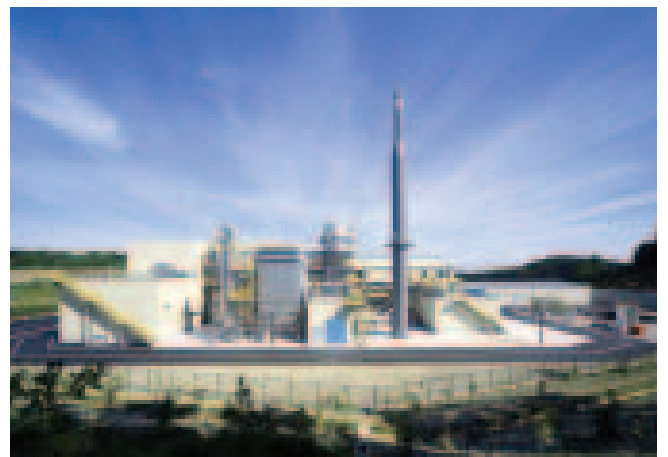
TAKUMA is a leading manufacturer of steam and hot water boilers that are used throughout the world in a wide variety of industrial applications. In particular, TAKUMA boiler power plants are not only efficient and economical, but are also able to accommodate a diverse array of fuel sources, including waste heat. Industrial waste treatment plants from TAKUMA are designed to incorporate comprehensive treatment systems that utilize thermal energy to safely recycle and transform industrial waste into non-hazardous materials. TAKUMA impregnation equipment is equipped with dryers and curing ovens that utilize radiant heat to ensure the successful production of high quality prepregs for use in circuit boards. TAKUMA's rotary-type regenerative thermal oxidizer is an advanced, compact, and energy efficient system that is ideal for preventing emissions of the volatile organic compounds and odorous and hazardous substances contained in exhaust gas. Additionally, cost-effective gas turbine co-generation technology from TAKUMA has received attention as a promising new energy supply system.



Biomass Boiler for Power Generation



Regenerative Thermal Oxidizer



Industrial Waste Treatment Plant with Power Generator

GENERAL-PURPOSE EQUIPMENT AND MACHINERY

TAKUMA promotes research and development of new thermal technologies based on innovative designs that are user friendly and manufactured in accordance with the highest quality control standards.

Extensive research of vacuum technology crystallized in the Vacotin heater, which has proven to be a safe, economical and durable product. TAKUMA's hybrid hot water supply system, which has been integrated with a CO₂ heat pump, has achieved lower running costs.

Other leading products in this field include the EQOS steam boiler, a water tube boiler built for both industrial and general applications, as well as the Thermoheater, which is capable of achieving high temperatures even under normal pressure due to its high heat-transfer capacity.

The quiet, energy efficient Smoke Tube RE boiler emits low levels of nitrogen oxide and is able to effectively accommodate load fluctuations. The NPO-C package water tube boiler is energy efficient and environmentally friendly.



Vacotin heater



EQOS system generator



Thermoheater

COMPANY AND PRODUCTS

OPERATION AND MAINTENANCE SERVICES

The safe and effective operation and maintenance of large-scale waste and sewage treatment plants demands high levels of professional expertise due to the sophisticated components and equipment inherent of such facilities.

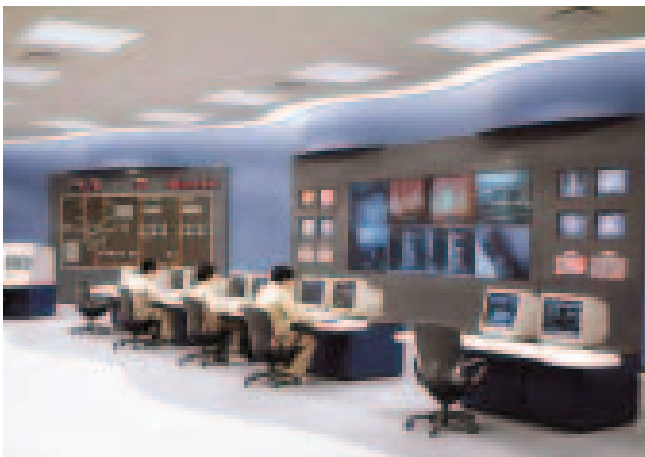
In order to ensure facilities supplied to its clients are maintained at highly efficient operational levels, TAKUMA offers comprehensive solutions that include support by professionally trained operation and maintenance technicians. These technicians are highly knowledgeable of the minute details associated with the facilities they take responsibility for, which allows them to successfully operate and maintain the facilities at optimal conditions, thus ensuring highly efficient operation and prolonged plant service life.

RESEARCH AND DEVELOPMENT

The global marketplace is ever changing, with social trends and technological innovation, in particular, evolving at increasingly rapid paces. It is therefore essential for businesses not only to understand, but to also have the ability to respond quickly and effectively to such changing market conditions. Research and development activities focused on core technology research, product development, and production are a key component to meeting these challenges.

The continual aims of research and development activities at TAKUMA are to create unique and superior technologies for use in each of the company's business segments and to undertake any experiments, feasibility tests, and demonstration projects required to verify the technical and commercial viability of these new technologies.

Research and development activities at TAKUMA began with the invention of the TAKUMA Boiler and have since expanded to include practical applications of new technologies in the energy, consumer, and environmental technology sectors. TAKUMA has always been and will continue to remain committed to maintaining its focus on technology, humanity and the Earth.



Control room for waste incineration plant



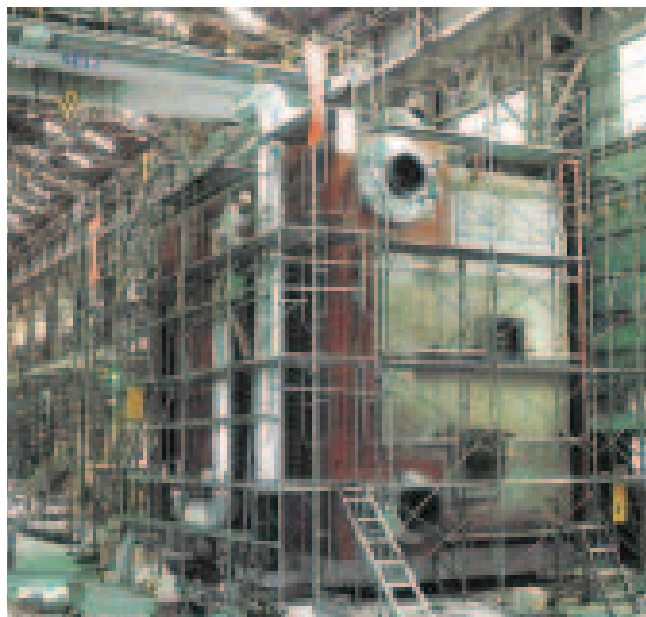
Energy and Environment Research Center

HARIMA FACTORY

The Harima Factory opened in 1942 as TAKUMA's main production base, and has manufacturing facilities for large machinery like boilers, continuous up-flow sand filters, and incinerator stokers, as well as a plant dedicated to producing small heat exchangers. It also has packaging and maintenance facilities for co-generation gas turbines, as well as laboratories for a variety of research and development. Our products enjoy a reputation for quality and reliability among customers not only in Japan, but also in Korea, China, Russia, Southeast Asia, Europe, and Africa, along with many other countries and regions. In addition to our wealth of experience and advanced processing technologies, we have in recent years set up procurement bases internationally, allowing us to supply the needs of a wide range of customers.



Harima Factory



The Scene of Assembling Package Boiler



Drum of Water Tube Boiler



Gas Turbine Co-Generation Package

FINANCIAL INFORMATION

Consolidated Balance Sheets

Takuma Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2008 and 2007

ASSETS	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and time deposits (Notes 4 and 7)	¥ 26,434	¥ 25,901	\$ 263,839
Marketable securities (Notes 4 and 5)	33	33	329
Notes and accounts receivable:			
Trade	31,136	39,481	310,770
Unconsolidated subsidiaries and affiliated companies	2,891	2,146	28,855
Other (Note 7)	579	569	5,779
Less: Allowance for doubtful accounts	(30)	(29)	(299)
	34,576	42,167	345,105
Inventories	9,621	9,125	96,028
Deferred tax assets (Note 14)	1,141	1,188	11,388
Advanced money.....	397	1,671	3,962
Other	1,354	1,369	13,514
Total current assets	73,556	81,454	734,165
Investments and other assets:			
Investment securities (Notes 5 and 7)	19,518	26,860	194,810
Investments in:			
Unconsolidated subsidiaries and affiliated companies (Note 7)	4,797	5,696	47,879
Other (Note 10)	1,832	2,359	18,285
Less: Allowance for doubtful accounts.....	(664)	(671)	(6,627)
	5,965	7,384	59,537
Deferred tax assets (Note 14).....	997	948	9,951
Other	2,204	2,710	21,998
	28,684	37,902	286,296
Property, plant and equipment:			
Land (Notes 7 and 8).....	4,090	4,095	40,822
Buildings and structures (Note 7)	11,865	10,182	118,425
Machinery and equipment	8,711	9,993	86,945
Construction in progress	-	227	-
	24,666	24,497	246,192
Less: Accumulated depreciation	(14,279)	(15,020)	(142,519)
	10,387	9,477	103,673
	¥112,627	¥ 128,833	\$ 1,124,134

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2008	2007	2008
Current liabilities:			
Short-term bank loans (Notes 7 and 9)	¥ 7,870	¥ 7,285	\$ 78,551
Current portion of long-term debt (Notes 7 and 9)	78	99	779
Notes and accounts payable:			
Trade	27,766	34,126	277,133
Unconsolidated subsidiaries and affiliated companies	292	852	2,914
Other	794	1,104	7,925
	<u>28,852</u>	<u>36,082</u>	<u>287,972</u>
Accrued income taxes (Note 14)	462	472	4,611
Consumption tax payable	356	533	3,553
Accrued expenses	2,804	3,038	27,987
Allowance for losses on sales contracts	5,477	528	54,666
Advances received	8,369	5,292	83,531
Deferred tax liabilities (Note 14)	0	1	0
Other	1,937	888	19,334
Total current liabilities	56,205	54,218	560,984
Long-term debt (Notes 7 and 9)	794	24	7,925
Allowance for employees' retirement benefits (Note 10)	5,374	5,417	53,638
Allowance for directors', executive officers', and corporate auditors' retirement benefits..	292	526	2,914
Deferred tax liabilities (Note 14)	3,239	5,463	32,329
Deferred tax liability for revaluation reserve for land (Notes 8 and 14) ...	279	279	2,785
Negative goodwill	160	-	1,597
Other	304	2	3,034
Total liabilities	66,647	65,929	665,206
Contingent liabilities (Notes 6, 11 and 17)			
Net assets (Note 12):			
Common stock			
Authorized: 321,840,000 shares			
Issued: 87,799,248 shares	13,367	13,367	133,417
Capital surplus	12,408	12,408	123,845
Retained earnings	14,384	27,796	143,567
Less: Treasury stock, at cost	(3,178)	(3,177)	(31,720)
Net unrealized holding gain on available-for-sale securities, net of taxes	4,621	8,188	46,122
Unrealized gain (loss) on hedging derivatives, net of taxes	(14)	3	(140)
Revaluation reserve for land, net of taxes (Note 8)	270	270	2,695
Foreign currency translation adjustments	264	468	2,635
Minority interests in consolidated subsidiaries.....	3,858	3,581	38,507
Total net assets	45,980	62,904	458,928
	<u>¥ 112,627</u>	<u>¥ 128,833</u>	<u>\$ 1,124,134</u>

Consolidated Statements of Operations

Takuma Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2008	2007	2008
Net sales (Note 15)	¥ 105,612	¥ 98,748	\$ 1,054,117
Cost of sales (Notes 13 and 15)	99,032	87,152	988,442
Gross profit	6,580	11,596	65,675
Selling, general and administrative expenses (Notes 13 and 15)	18,367	18,356	183,322
Operating loss (Note 15)	(11,787)	(6,760)	(117,647)
Other income (expenses):			
Interest and dividend income	729	544	7,276
Interest expense	(124)	(42)	(1,238)
Amortization of negative goodwill	1	-	10
Foreign currency exchange gain	434	212	4,332
Gain on sales of investment securities	99	10	988
Loss on valuation of investment securities	(702)	(48)	(7,007)
Write-down of investments in unconsolidated subsidiaries and affiliated companies	(33)	(96)	(329)
Gain on disposal of property, plant and equipment	(146)	(71)	(1,457)
Technical assistance fee	-	550	-
Equity in earnings (losses) of affiliated companies	(205)	213	(2,046)
Provision for doubtful accounts	17	4	170
Additional retirement payments (Note 10)	(41)	(75)	(409)
Loss on violation of the antimonopoly law	-	(70)	-
Other, net	115	(140)	1,148
	144	991	1,438
Loss before income taxes and minority interests	(11,643)	(5,769)	(116,209)
Income taxes (Note 14):			
Current	836	877	8,344
Deferred	256	6,116	2,555
	1,092	6,993	10,899
Minority interests in income (losses) of consolidated subsidiaries	91	(49)	908
Net loss	¥ (12,826)	¥ (12,713)	\$ (128,016)
		Yen	U.S.dollars (Note 1)
Per share:			
Net loss	¥ (154.02)	¥ (152.40)	\$ (1.54)
Diluted net income	-	-	-
Cash dividends applicable to the year	5.00	10.00	0.05

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Takuma Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2008 and 2007

	Millions of Yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on available-for-sale securities, net of taxes	Unrealized gain (loss) on hedging derivatives, net of taxes	Revaluation reserve for land, net of taxes	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets	
Balance as of March 31, 2006.....	¥ 13,367	¥ 12,409	¥ 41,320	¥ (2,835)	¥ 8,119	¥ -	¥ 270	¥ 54	¥ 3,647	¥ 76,351	
Cash dividends (¥10.00 per share) ..	-	-	(809)	-	-	-	-	-	-	(809)	
Net loss	-	-	(12,713)	-	-	-	-	-	-	(12,713)	
Purchase of treasury stock	-	-	-	(365)	-	-	-	-	-	(365)	
Sales of treasury stock	-	(1)	(2)	23	-	-	-	-	-	20	
Net changes during the year	-	-	-	-	69	3	-	414	(66)	420	
Balance as of March 31, 2007.....	¥ 13,367	¥ 12,408	¥ 27,796	¥ (3,177)	¥ 8,188	¥ 3	¥ 270	¥ 468	¥ 3,581	¥ 62,904	
Cash dividends (¥7.50 per share)	-	-	(619)	-	-	-	-	-	-	(619)	
Net loss	-	-	(12,826)	-	-	-	-	-	-	(12,826)	
Increase due to increase in number of consolidated subsidiaries.....	-	-	33	-	-	-	-	-	-	33	
Purchase of treasury stock	-	-	-	(1)	-	-	-	-	-	(1)	
Sales of treasury stock	-	0	-	0	-	-	-	-	-	0	
Net changes during the year	-	-	-	-	(3,567)	(17)	-	(204)	277	(3,511)	
Balance as of March 31, 2008.....	¥ 13,367	¥ 12,408	¥ 14,384	¥ (3,178)	¥ 4,621	¥ (14)	¥ 270	¥ 264	¥ 3,858	¥ 45,980	

	Thousands of U.S.dollars (Note 1)										
Balance as of March 31, 2007	\$ 133,417	\$ 123,845	\$ 277,433	\$ (31,710)	\$ 81,724	\$ 30	\$ 2,695	\$ 4,671	\$ 35,742	\$ 627,847	
Cash dividends (\$0.07 per share)	-	-	(6,178)	-	-	-	-	-	-	(6,178)	
Net loss	-	-	(128,016)	-	-	-	-	-	-	(128,016)	
Increase due to increase in number of consolidated subsidiaries.....	-	-	328	-	-	-	-	-	-	328	
Purchase of treasury stock.....	-	-	-	(10)	-	-	-	-	-	(10)	
Sales of treasury stock.....	-	0	-	0	-	-	-	-	-	-	
Net changes during the year	-	-	0	-	(35,602)	(170)	-	(2,036)	2,765	(35,043)	
Balance as of March 31, 2008.....	\$ 133,417	\$ 123,845	\$ 143,567	\$ (31,720)	\$ 46,122	\$ (140)	\$ 2,695	\$ 2,635	\$ 38,507	\$ 458,928	

See accompanying notes.

Consolidated Statements of Cash Flows

Takuma Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Loss before income taxes and minority interests	¥ (11,643)	¥ (5,769)	\$ (116,209)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation	1,194	1,023	11,917
Amortization of goodwill	287	339	2,865
Write-down of investments in unconsolidated subsidiaries and affiliated companies ..	33	96	329
Loss on disposal of property, plant and equipment.....	146	71	1,457
Gain on sales of investment securities	(99)	(10)	(988)
Loss on valuation of investment securities	702	48	7,007
Additional retirement payments	41	75	409
Decrease in allowance for doubtful accounts.....	(7)	(33)	(70)
Decrease in allowance for losses on sales contracts	4,946	(1,806)	49,366
Decrease in pension benefit obligation	(4)	(408)	(40)
Interest and dividend income	(729)	(544)	(7,276)
Interest expense	124	42	1,238
Equity in earnings (losses) of affiliated companies	205	(213)	2,046
Net decrease in notes and accounts receivable and advance received	11,373	1,448	113,514
Decrease (increase) in inventories	(457)	1,627	(4,561)
Decrease (increase) in consumption tax receivable	(16)	282	(160)
Increase (decrease) in other current assets.....	47	(341)	469
Net decrease in notes and accounts payable and advance money	(5,834)	(2,581)	(58,229)
Increase (decrease) in consumption tax payable	(183)	364	(1,827)
Increase in other current liabilities	760	250	7,586
Loss on violation of the antimonopoly law	-	70	-
Other	17	256	170
Subtotal	903	(5,714)	9,013
Interest and dividend received	840	631	8,384
Interest paid	(103)	(37)	(1,028)
Income taxes paid	(564)	(1,385)	(5,629)
Additional retirement payments	(41)	(75)	(409)
Net cash provided by (used in) operating activities	1,035	(6,580)	(10,331)
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(1,183)	2,202	11,808
Purchase of property, plant and equipment	(1,089)	(1,253)	(10,869)
Sales of property, plant and equipment	272	23	2,715
Purchase of intangible fixed assets	(128)	(244)	(1,278)
Purchase of investment securities	(128)	(289)	(1,278)
Sales of investment securities	1,250	77	12,476
Investments in unconsolidated subsidiaries and affiliated companies	-	(145)	-
Disbursement for loans receivable	(1,273)	(1,699)	(12,706)
Collection of loans receivable	306	1,272	3,054
Other	494	3	4,931
Net cash used in investing activities	(1,479)	(53)	(14,763)
Cash flows from financing activities:			
Net increase in short-term bank loans	585	4,584	5,839
Proceeds from long-term debt	23	-	230
Payment of long-term debt	(151)	(214)	(1,507)
Purchase of treasury stock	(1)	(366)	(10)
Sales of treasury stock	1	43	10
Payment of cash dividends to the Company's shareholders	(619)	(809)	(6,178)
Payment of cash dividends to minority interests	(24)	(29)	(240)
Net cash provided by (used in) financing activities	(186)	3,209	(1,856)
Effect of exchange rate changes on cash and cash equivalents	(171)	343	(1,707)
Net decrease in cash and cash equivalents	(801)	(3,081)	(7,995)
Cash and cash equivalents at beginning of year (Note 4)	24,567	27,648	245,204
Cash and cash equivalents of newly consolidated subsidiary	172	-	1,717
Cash and cash equivalents at end of year (Note 4)	¥ 23,938	¥ 24,567	\$ 238,926

See accompanying notes.

Notes to Consolidated Financial Statements

Takuma Co., Ltd. and Consolidated Subsidiaries

1. Basis of presenting financial statements

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

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets for 2006) from the consolidated financial statements of Takuma Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 18 significant subsidiaries (the "Companies"). All significant inter-company transactions and unrealized profits among the Companies have been eliminated in consolidation. Investments in certain significant affiliates, which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, other than consolidated subsidiaries, are accounted for by the equity method after the elimination of unrealized inter-company profits. 8 year straight line depreciation has been applied for goodwill depreciation while amount-wise depreciation on small amounts is selected in the year of occurrence, 5 year straight line depreciation for negative goodwill depreciation too. Accounting standard of address country has been applied for goodwill of depreciation consolidated overseas subsidiary. Investments in the remaining unconsolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements. Therefore, such investments are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from those unconsolidated subsidiaries and affiliated companies is recognized only when the Companies receive dividends therefrom.

(b) Foreign currency translation

Revenue and expense are translated at the rates of exchange prevailing when transactions are made. Assets and liabilities denominated in foreign currencies are generally translated into each reporting currency at the rate of foreign exchange prevailing at the balance sheet dates and the resulting translation gains or losses are included in earnings.

Financial statements of a consolidated overseas subsidiary are translated into Japanese yen at the year-end rate, except that net assets accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company. The resulting translation adjustments are shown as "Foreign currency translation adjustments", a separate component of net assets.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily-available deposits and short-term investments with maturities of not exceeding three months from the date of acquisition which have high liquidity and low risk of price fluctuation.

(d) Securities

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market value are stated at fair market value, and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(e) Allowance for doubtful accounts

The Company and its domestic subsidiaries adopt the policy of providing the allowance for doubtful accounts by estimating individually uncollectible amounts and by applying percentage based on collection experience to the remaining.

(f) Inventories

Work in process is stated at cost as determined by the identified cost method. Materials and supplies are stated at cost by the average method.

(g) Property, plant and equipment

Property, plant and equipment are depreciated using the declining balance method over the estimated useful lives of the assets. However, buildings acquired after March 31, 1998, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 60 years for buildings and structures and from 2 to 20 years for machinery, equipment and other. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on and after April 1, 2007 in accordance with the revision of Japanese Corporate Tax Law.

Due to this change, operating loss and loss before income taxes and minority interests have increased by ¥39 million (\$389 thousand) respectively.

The effect on segment information of this change is disclosed in Note 15.

Pursuant to an amendment to the Japanese Corporate Tax Law, effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have started to depreciate the remaining balance of the assets over a 5 year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the pre-revision Tax law.

Due to this change, operating loss and loss before income taxes and minority interests have increased by ¥41 million (\$409 thousand) respectively.

The effect on segment information of this change is disclosed in Note 15.

(h) Accounting for leases

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

(i) Allowance for losses on sales contracts

Among sales orders of the Companies on hand at balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order by a wide margin, allowance for losses on sales contracts is recognized at the estimated aggregate amount of such losses.

(j) Allowance for employees' retirement benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans. Under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies provided allowance for employees' severance and retirement benefits as of March 31, 2008 and 2007 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet dates.

Actuarial gains or losses are recognized in expense using straight-line method over 10 years commencing with the following period. Prior service costs are recognized in expense using straight-line method over 10 years from when incurred.

(k) Allowance for directors', executive officers', and corporate auditors' retirement benefits

Directors, executive officers, and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. The Companies provided allowance for directors', executive officers', and corporate auditors' retirement benefits computed on the assumption that all directors, executive officers, and corporate auditors retired at the balance sheet date.

Full amount of payment required under internal regulations had so far been earmarked in preparation for retirement benefit payment for directors (including operating officers). However, at the board of directors meeting held on May 17, 2007 the Company abolished the directors' retirement allowance system, and the ordinary shareholder general meeting held on June 28, 2007 resolved on cut-off payment of directors' retirement allowance in accordance with the tenure of office up to the shareholder general meeting closing.

Accordingly, the amount ¥304 million (\$3,034 thousand) required for directors' retirement allowance payment is recorded as "other" of liabilities.

(l) Revenue recognition

Net sales from contracts are recognized at the time the contracts are completed, except that net sales for projects with construction lasting more than one year and contract amount over ¥1,000 million are recognized using the percentage-of-completion method.

Net sales and gross profit recognized on the percentage-of-completion method for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Net sales	¥ 29,001	¥ 24,874	\$ 289,460
Gross loss	(9,999)	(518)	(99,800)

(m) Income taxes

The Companies are subject to corporation tax, inhabitants tax and enterprise tax, which are based on taxable income. The Companies recognize the tax effects of the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income of each of the Companies, with certain adjustments required for tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(n) Net income and cash dividends per share

Net income per share is computed based on the weighted average number of common stock outstanding during each period. Diluted net income per share is computed by the assumption that all convertible bonds were converted into common stock at the beginning of each period.

Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(o) Derivatives and hedge accounting

The Companies generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet

certain hedging criteria, the Companies generally defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are recognized.

The Company and its consolidated subsidiaries use currency forward contract to hedge its accounts receivable and accounts payable denominated in foreign currencies against foreign exchange risk that comes from foreign currency transactions (mainly U.S. dollars).

And consolidated subsidiaries uses interest rate swaps to hedge the risk of interest rate on bank loans. Consolidated subsidiaries adopts the exception processing about interest rate swaps because it meets the requirement.

(p) Valuation of assets and liabilities of consolidated subsidiaries
In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

(q) Reclassifications

Certain prior year amounts have been reclassified to conform to 2008 presentation. Also, as described in Note 3, the consolidated balance sheet for 2007 has been adapted to conform to new presentation rules of 2008.

3. Changes in accounting policies

Accounting standard for presentation of net assets in the balance sheet

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

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises three sections, which are the assets, liabilities, and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests, as applicable, and the shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared to previous presentation. The net assets section includes unrealized gains/losses on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains/losses on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Minority interests are included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present minority interests in the liabilities section and between the non-current liabilities and the shareholders' equity sections.

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥59,320 million (\$502,499 thousand) would have been presented.

Accounting standard for statement of changes in net assets

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

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

Change in the accounting policy concerning the rental income from real estate

The rental income from real estate was accounted for amount of sales previously. Effective from the fiscal year ended March 31, 2007, however, the Companies changed its accounting policy so that such income should be included in the other income and that the cost incurred for such income that was included in the cost of sales should be included in the other expenses.

The reason for this change is that our real estate business has become no profit-oriented business anymore because a part of our fixed assets concerned was sold out in the fiscal year ended March 31, 2006 and because of other smaller matters. Due to this change, the sales amount, cost of sales and gross profit on sales have decreased by ¥61 million (\$609 thousand), ¥30 million (\$299 thousand) and ¥31 million (\$309 thousand) respectively, and other income has increased by ¥31 million (\$309 thousand) respectively, from those comparable figures accounted in accordance with the conventional accounting policy. But this change does not affect the loss before income taxes and minority interests.

The effect on segment information of this change is disclosed in Note 15.

Change in the accounting policy concerning the royalty revenue

Royalty revenue the Company receives from technology receivers had so far been included in "technical assistance fee" of other income. This was revised for inclusion in net sales effective from the current business year.

The reason for this change is to present the Company's operating result more appropriately. This is because the importance of this royalty revenue has increased as a result of promotion of technology receiver exploitation under the policy of implementing the operating strategies of providing technology and securing fixed profit as royalty in overseas business.

Due to this change, as compared with the previous method, net sales and gross profit have increased by ¥683 (\$6,817 thousand) million, and operating loss has decreased by the same amount with no effect on loss before income taxes and minority interests.

The effect on segment information of this change is disclosed in Note 15.

4. Amounts of cash and cash equivalents

Amounts of cash and cash equivalents as of March 31, 2008 and 2007 were reconciled with cash and time deposits as follows:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Cash and time deposits.....	¥ 26,434	¥ 25,901	\$ 263,839
Time deposits with maturities exceeding three months from the date of acquisition.....	(2,526)	(1,364)	(25,212)
Short-term highly liquid investments with maturities not exceeding three months.....	30	30	299
Total: Cash and cash equivalents.....	¥ 23,938	¥ 24,567	\$ 238,926

5. Securities

(a) Acquisition costs, book values of available-for-sale securities with available fair values as of March 31, 2008 and 2007 were as follows:

As of March 31, 2008	Millions of Yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 7,612	¥ 15,788	¥ 8,176
Debt securities	27	27	0
Others	700	743	43
Subtotal	8,339	16,558	8,219
Securities with book values not exceeding acquisition costs:			
Equity securities	1,830	1,449	(381)
Others	162	143	(19)
Subtotal	1,992	1,592	(400)
Total	¥ 10,331	¥ 18,150	¥ 7,819

As of March 31, 2007	Millions of Yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 9,193	¥ 23,048	¥ 13,855
Debt securities	26	27	1
Others	712	845	133
Subtotal	9,931	23,920	13,989
Securities with book values not exceeding acquisition costs:			
Equity securities	698	601	(97)
Others	151	142	(9)
Subtotal	849	743	(106)
Total	¥ 10,780	¥ 24,663	¥ 13,883

As of March 31, 2008	Thousands of U.S.dollars		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	\$ 75,976	\$ 157,581	\$ 81,605
Debt securities	269	269	0
Others	6,987	7,416	429
Subtotal	83,232	165,266	82,034
Securities with book values not exceeding acquisition costs:			
Equity securities	18,265	14,463	(3,802)
Others	1,617	1,427	(190)
Subtotal	19,882	15,890	(3,992)
Total	\$ 103,114	\$ 181,156	\$ 78,042

(b) Book values of available-for-sale securities with no fair values as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Non-listed equity securities	¥ 1,271	¥ 2,200	\$ 12,686
Corporate bonds	100	-	998
Debt security investment trust which equivalent to cash	30	30	299

(c) Available-for-sale securities sold for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Total sales amount	¥ 1,250	¥ 77	\$ 12,476
Gains	126	16	1,257
Losses	27	6	269

(d) Maturities of available-for-sale securities as of March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
<u>As of March 31, 2008</u>				
Debt securities	¥ -	¥ 27	¥ -	¥ -
Corporate bonds	-	100	-	-
Others	-	-	-	-
Total	¥ -	¥ 127	¥ -	¥ -

	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
<u>As of March 31, 2007</u>				
Debt securities	¥ -	¥ 27	¥ -	¥ -
Others	-	-	-	-
Total	¥ -	¥ 27	¥ -	¥ -

	Thousands of U.S.dollars			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
<u>As of March 31, 2008</u>				
Debt securities	\$ -	\$ 269	\$ -	\$ -
Corporate bonds	-	998	-	-
Others	-	-	-	-
Total	\$ -	\$ 1,267	\$ -	\$ -

6. Lease

(a) Finance lease

The Companies are obligated under several non-cancellable finance leases without transfer of ownership. Total expenses for non-capitalized finance leases, which are accounted for in the same manner as operating leases, for the years ended March 31, 2008 and 2007 were ¥202 million (\$2,016 thousand) and ¥188 million, respectively.

If such finance leases were capitalized including interest as of March 31, 2008 and 2007, they would be recorded in the consolidated balance sheets as follows:

	Millions of Yen					
	2008			2007		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Machinery and equipment	¥ 884	¥ 519	¥ 365	¥ 808	¥ 402	¥ 406
Other assets	122	95	27	112	69	43
Total	¥ 1,006	¥ 614	¥ 392	¥ 920	¥ 471	¥ 449

	Thousands of U.S.dollars		
	2008		
	Acquisition cost	Accumulated depreciation	Book value
Machinery and equipment	\$ 8,823	\$ 5,180	\$ 3,643
Other assets	1,218	948	270
Total	\$ 10,041	\$ 6,128	\$ 3,913

If depreciation expense on such finance leases was incurred for the years ended March 31, 2008 and 2007, the amounts would be ¥202 million (\$2,016 thousand) and ¥188 million, respectively.

The scheduled future payments of such lease obligations, including interest, as of March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
	Due within one year	¥ 147	¥ 166
Due after one year	245	283	2,446
Total	¥ 392	¥ 449	\$ 3,913

7. Pledged assets

The following assets were pledged to secure short-term bank loans, long-term debt, notes discounted and fulfilment of a contract as of March 31, 2008 and 2007:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
	Land	¥ 1,244	¥ 1,087
Buildings and structures	1,154	342	11,518
Long-term loans receivable	-	160	-
Securities	14	69	140
Time deposits as construction contract guarantee	162	60	1,617
Cash and time deposits	104	-	1,038
Others	-	2	-
Total	¥ 2,678	¥ 1,720	\$ 26,729

8. Revaluation reserve for land

Pursuant to “Law concerning Revaluation Reserve for Land” (the Law), enacted March 31, 1998, and partial revision to the Law on March 31, 2001, land held by one of the consolidated subsidiaries has been revalued. As the result, the applicable income tax portion of related unrealized gain was reported “Deferred tax liability for revaluation reserve for land” in liabilities section, and the related unrealized gain (net of applicable income tax) was recognized in “Minority interests in consolidated subsidiaries” and “Revaluation reserve for land” in Net assets section.

	Millions of Yen
Book value of land before revaluation	¥ 259
Book value of land after revaluation	826
Date of revaluation March 31, 2002	

As of March 31, 2008, the fair market value of land was below the book value of land after revaluation by ¥50 million (\$499 thousand).

9. Short-term bank loans and long-term debt

Short-term bank loans outstanding were generally represented by bank over drafts bearing interest at average rates of 1.3% and 1.1% per annum as of March 31, 2008 and 2007, respectively.

Long-term debt as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Loans from banks and other financial institutions due 2009 interest at rates of 2.3% to 4.5% per annum in 2008 and 2007:			
Secured	¥ 745	¥ 122	\$ 7,436
Unsecured	127	1	1,268
	872	123	8,704
Less: Current portion.....	(78)	(99)	(779)
	¥ 794	¥ 24	\$ 7,925

The aggregate annual maturities of long-term debt as of March 31, 2008 were summarized below:

Years ending March 31,	Millions of Yen	Thousands of U.S.dollars
2009	¥ 78	\$ 779
2010	55	549
2011	80	798
2012	59	589
2013	60	599
2014 and thereafter	540	5,390

10. Allowance for employees' retirement benefits

The liabilities for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2008 and 2007 consist of the following:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Projected benefit obligation.....	¥ 12,207	¥ 12,867	\$ 121,839
Fair value of plan assets	(7,487)	(8,108)	(74,728)
Unfunded projected benefit obligation	4,720	4,759	47,111
Unrecognized prior service cost	1,562	970	15,590
Less: unrecognized actuarial differences	(908)	(332)	(9,063)
Prepaid pension expenses	-	20	-
Allowance for employees' retirement benefits.....	¥ 5,374	¥ 5,417	\$ 53,638

Included in the consolidated statements of operations for the years ended March 31, 2008 and 2007 were severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Service costs – benefits earned during the year.....	¥ 798	¥ 704	\$ 7,965
Interest cost on projected benefit obligation	225	209	2,246
Expected return on plan assets	(271)	(259)	(2,705)
Amortization of actuarial differences	136	125	1,357
Amortization of prior service cost	(140)	(140)	(1,397)
Additional retirement payments and others	232	75	2,316
Employees' retirement benefit expenses	¥ 980	¥ 714	\$ 9,782

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2008 and 2007, respectively. The rates of expected return on plan assets used by the Companies are mainly 4.0% for the year ended December 31, 2008 and 2007, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized in expense using the straight-line method over 10 years from when incurred. Actuarial gains or losses are recognized in expense using the straight-line method over 10 years commencing with the succeeding period.

11. Contingent liabilities

The Companies were contingently liable under guarantees for bank loans of affiliated companies and other companies as of March 31, 2008 and 2007 amounting to ¥2,569 million (\$25,641 thousand) and ¥2,319 million, respectively.

Also, the Companies were contingently liable for notes discounted as of March 31, 2008 and 2007 amounting to ¥10 million (\$100 thousand) and ¥482 million, respectively.

On August 13, 1999 the Japan Fair Trade Commission (JFTC) issued a cease and desist order to the Company and four other companies for activities related to the construction of waste incineration plants that were determined by the JFTC to be in violation of the Japanese Antimonopoly Act.

Although the Company objected to the cease and desist order and motioned for its withdrawal during subsequent JFTC hearings, the JFTC ruled on June 27, 2006 that the order stood. The Company objected to this ruling and filed an appeal for its reversal with the Tokyo High Court on July 27, 2006, a decision on which is currently pending.

Further to the above ruling and in accordance with Section 48-2 (1) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (before amendment), the JFTC ordered surcharge payments to be made by the Company and four other companies on March 23, 2007, with the amount attributable to the Company amounting to ¥4,703 million (\$46,941 thousand).

The Company objected to the surcharge payment order and filed a request with the JFTC on April 17, 2007 for a hearing to be arranged. Pursuant to Section 49-3 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (before amendment), the surcharge payment order has lost its binding power because the arrangements commenced.

On March 20, 2007 the Company was ordered by the Tokyo District Court to pay damages of ¥4,410 million (\$44,016 thousand) to the Tokyo Metropolitan Government in a lawsuit filed by the residents of Tokyo on July 14, 2000 in which the company was accused of violating the Japanese Antimonopoly Act during the bidding stage of a tender awarded to the company in 1994 by the Tokyo Metropolitan Government to build a waste incineration plant.

Additional damages will also be applied to the above payment at a rate of 5% per annum for the period dating back to July 14, 1994 and continuing until payment is received.

The Company objected to the ruling and filed an appeal for its reversal on April 4, 2007, a decision on which is currently pending.

12. Net assets

As described in Note 3, net assets section includes shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, and minority interests.

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

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

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

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

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

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

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

The appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations. See Note 17.

13. Research and development expenses

Research and development expense is charged to income as incurred. Such amount included in cost of sales, and selling, general and administrative expenses for the years ended March 31, 2008 and 2007 were ¥767 million (\$7,655 thousand) and ¥1,127 million, respectively.

14. Income taxes

The Companies are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 40.6% for the years ended March 31, 2008 and 2007.

The information of the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement is not provided for the years ended March 31, 2008 and 2007 because of the loss before income taxes and minority interests for the years.

Components of the Companies' deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 2,171	¥ 2,158	\$ 21,669
Allowance for losses on sales contracts	1,773	202	17,696
Accrued cost of sales	773	1,011	7,715
Unrealized gain on sale of fixed assets	1,199	1,199	11,967
Accrued bonuses to employees	698	750	6,967
Operating loss carryforward for tax purposes	10,306	6,393	102,864
Other	1,789	1,459	17,856
Total deferred tax assets	18,709	13,172	186,734
Valuation allowance	(16,024)	(10,225)	(159,936)
Net deferred tax assets	¥ 2,685	¥ 2,947	\$ 26,798
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(3,176)	(5,679)	(31,700)
Valuation difference in land of consolidated subsidiary	(161)	(160)	(1,607)
Net unrealized gains on revaluated land	(279)	(279)	(2,785)
Other	(449)	(436)	(4,481)
Total deferred tax liabilities	(4,065)	(6,554)	(40,573)
Net deferred tax assets	¥ (1,380)	¥ 3,607	\$ (13,775)

15. Segment information

(a) Business segment information

Business segment information for the years ended March 31, 2008 and 2007 were as follows:

Year ended March 31, 2008	Millions of Yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Other	Total	Elimination and Corporate	Consolidated
Sales:							
Outside customers	¥ 51,899	¥ 19,152	¥ 19,960	¥ 14,601	¥ 105,612	¥ -	¥ 105,612
Intersegment	21	89	478	103	691	(691)	-
Total	51,920	19,241	20,438	14,704	106,303	(691)	105,612
Operating expenses	49,454	32,101	20,505	14,356	116,416	983	117,399
Operating income (loss)	¥ 2,466	¥ (12,860)	¥ (67)	¥ 348	¥ (10,113)	¥ (1,674)	¥ (11,787)
Identifiable assets, depreciation expense and capital expenditure:							
Assets	¥ 39,541	¥ 7,769	¥ 15,881	¥ 12,283	¥ 75,474	¥ 37,153	¥ 112,627
Depreciation	734	177	505	65	1,481	-	1,481
Capital expenditure	198	44	563	30	835	-	835

Millions of Yen

Year ended March 31, 2007	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Other	Total	Elimination and Corporate	Consolidated
Sales:							
Outside customers	¥ 51,851	¥ 12,531	¥ 20,325	¥14,041	¥ 98,748	¥ -	¥ 98,748
Intersegment	43	96	704	80	923	(923)	-
Total	51,894	12,627	21,029	14,121	99,671	(923)	98,748
Operating expenses	52,971	15,844	21,900	13,765	104,480	1,028	105,508
Operating income (loss)	<u>¥ (1,077)</u>	<u>¥ (3,217)</u>	<u>¥ (871)</u>	<u>¥ 356</u>	<u>¥ (4,809)</u>	<u>¥ (1,951)</u>	<u>¥ (6,760)</u>
Identifiable assets, depreciation expense and capital expenditure:							
Assets	¥ 47,159	¥ 10,185	¥ 18,197	¥11,648	¥ 87,189	¥ 41,644	¥128,833
Depreciation	740	169	378	78	1,365	(3)	1,362
Capital expenditure	325	141	1,031	23	1,520	-	1,520

Thousands of U.S.dollars

Year ended March 31, 2008	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Other	Total	Elimination and Corporate	Consolidated
Sales:							
Outside customers	\$ 518,006	\$ 191,157	\$199,221	\$145,733	\$1,054,117	\$ -	\$1,054,117
Intersegment	210	888	4,771	1,028	6,897	(6,897)	-
Total	518,216	192,045	203,992	146,761	1,061,014	(6,897)	1,054,117
Operating expenses	493,602	320,402	204,661	143,288	1,161,953	9,811	1,171,764
Operating income (loss)	<u>\$ 24,614</u>	<u>\$(128,357)</u>	<u>\$ (669)</u>	<u>\$ 3,473</u>	<u>\$ (100,939)</u>	<u>\$(16,708)</u>	<u>\$ (117,647)</u>
Identifiable assets, depreciation expense and capital expenditure:							
Assets	\$ 394,660	\$ 77,543	\$158,509	\$122,597	\$ 753,309	\$370,825	\$1,124,134
Depreciation	7,326	1,767	5,040	649	14,782	-	14,782
Capital expenditure	1,976	439	5,619	299	8,333	-	8,333

Corporate expenses included in operating expenses and not allocated to segment in 2008 and 2007 were general affairs department expenses of the Company amounting to ¥2,159 million (\$21,549 thousand) and ¥2,167 million, respectively.

Assets under the elimination and corporate in 2008 and 2007 were ¥49,645 million (\$495,509 thousand) and ¥51,809 million, respectively, include principally cash and time deposits, marketable securities (current) and investment securities (non-current) of the Company.

Change in segmentation of business segment and changes in accounting policy

Although the Companies formerly classified its business into the four segments of Machinery, Environmental Control Plants, Operation and Maintenance, and Real Estate, the Companies classified its business into the four segments of Domestic Environment and Energy, Overseas Environment and Energy, Package Boiler, and Other from the year ended March 31, 2007.

In consideration of the expansion of overseas business operations, the Companies reviewed the segmentation of business segment in order to more properly report the business segment information.

As stated in Note 3, the rental income from real estate was accounted for amount of sales previously. Effective from the fiscal year ended March 31, 2007, however, the Companies changed its accounting policy so that such income should be included in the other income and that the cost incurred for such income that was included in the cost of sales should be included in the other expenses.

As stated in Note 3, Royalty revenue the Company receives from technology receivers had so far been included in "technical assistance fee" of other income. This was revised for inclusion in net sales effective from the current business year.

Due to this change, as compared with the previous method, net sales have increased by ¥185 million (\$1,846 thousand) and operating income by the same amount in the segment of Domestic Environment and Energy, and increased net sales by ¥485 million (\$4,841 thousand) in the segment of Overseas Environment and Energy, and by ¥12 million (\$120 thousand) in the segment of Package Boiler, and decreased operating loss by the same amount respectively for the current consolidated fiscal year.

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on and after April 1, 2007 in accordance with the revision of Japanese Corporate Tax Law. Due to this change, as compared with the previous method, operating expenses have increased by ¥4 million (\$40 thousand) in the segment of Domestic Environment and Energy, and by ¥0 million (\$0 thousand) in the segment of Other, and decreased operating income by the same amount respectively, and increased operating expense by ¥0 million (\$0 thousand) in the segment of Overseas Environment and Energy and by ¥33 million (\$329 thousand) in the segment of Package Boiler and increased operating loss by the same amount respectively for the current consolidated fiscal year.

Pursuant to an amendment to the Japanese Corporate Tax Law, effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have started to depreciate the remaining balance of the assets over a 5 year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the pre-revision Tax law. Due to this change, as compared with the previous method, operating expenses have increased by ¥28 million (\$279 thousand) in the segment of Domestic Environment and Energy, and by ¥5 million (\$50 thousand) in the segment of Other, and decreased operating income by the same amount respectively, and increased operating expense by ¥6 million (\$60 thousand) in the segment of Overseas Environment and Energy and by ¥1 million (\$10 thousand) in the segment of Package Boiler and increased operating loss by the same amount respectively for the current consolidated fiscal year.

(b) Geographic segment information

Geographic segment information for the years ended March 31, 2008 was as follows:

Year ended March 31, 2008	Millions of Yen					
	Japan	Asia	Europe	Total	Elimination and Corporate	Consolidated
Sales:						
Outside customers	¥ 95,952	¥ 964	¥ 8,696	¥ 105,612	¥ -	¥ 105,612
Intersegment	11	156	5,833	6,000	(6,000)	-
Total	95,963	1,120	14,529	111,612	(6,000)	105,612
Operating expenses	104,561	1,025	15,294	120,880	(3,481)	117,399
Operating income (loss)	¥ (8,598)	¥ 95	¥ (765)	¥ (9,268)	¥ (2,519)	¥ (11,787)
Assets	¥ 71,957	¥ 1,125	¥ 4,512	¥ 77,594	¥ 35,033	¥ 112,627

Year ended March 31, 2008	Thousands of U.S.dollars					
	Japan	Asia	Europe	Total	Elimination and Corporate	Consolidated
Sales:						
Outside customers	\$ 957,700	\$ 9,622	\$ 86,795	\$1,054,117	\$ -	\$1,054,117
Intersegment	110	1,557	58,219	59,886	(59,886)	0
Total	957,810	11,179	145,014	1,114,003	(59,886)	1,054,117
Operating expenses	1,043,627	10,231	152,650	1,206,508	(34,744)	1,171,764
Operating income (loss)	\$ (85,817)	\$ 948	\$ (7,636)	\$ (92,505)	\$ (25,142)	\$ (117,647)
Assets	\$ 718,205	\$ 11,229	\$ 45,034	\$ 774,469	\$ 349,666	\$1,124,134

Information for geographic segment for the years ended March 31, 2007 is not disclosed due to geographic segment sales in overseas being not material compared to consolidated sales.

Corporate expenses included in operating expenses and not allocated to segment in 2008 was general affairs department expenses of the Company amounting to ¥2,159 million (\$21,549 thousand).

Assets under the elimination and corporate in 2008 was ¥49,645 million (\$495,509 thousand), respectively, include principally cash and time deposits, marketable securities (current) and investment securities (non-current) of the Company.

(c) Overseas sales

Overseas sales for the years ended March 31, 2008 and 2007 were as follows:

Year ended March 31, 2008	Millions of Yen			
	Asia	Europe	Other areas	Total
Overseas sales	¥ 4,414	¥ 16,171	¥ 42	¥ 20,627
Net sales				105,612
Ratio of overseas sales to net sales	4.2%	15.3%	0.0%	19.5%

Year ended March 31, 2007	Millions of Yen			
	Asia	Europe	Other areas	Total
Overseas sales	¥ 7,366	¥ 6,414	¥ 4	¥ 13,784
Net sales				98,748
Ratio of overseas sales to net sales	7.5%	6.5%	0.0%	14.0%

Year ended March 31, 2008	Thousands of U.S.dollars			
	Asia	Europe	Other areas	Total
Overseas sales	\$ 44,056	\$ 161,404	\$ 419	\$ 205,879
Net sales				1,054,117

As stated in Note 3, the royalty revenue was accounted for amount of the other income previously. Effective from the fiscal year ended March 31, 2008, however, the Companies changed its accounting policy so that such income should be included in sales. Due to this change, as compared with the previous method, overseas sales in Asia have increased by ¥497 million (\$4,961 thousand) for the current consolidated fiscal year.

16. Related party transactions

The Company owns 51 per cent of voting rights of Energy Mate Co., Ltd., and 50 per cent of voting rights of Campo Recycle Plaza Co., Ltd. The Company collects Energy Mate Co., Ltd. the capital, and lends Campo Recycle Plaza Co., Ltd. the capital.

The transactions amounts were as follows:

Energy Mate Co., Ltd.	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Lending of the capital	¥ -	¥ 319	\$ -
Collection of the capital	51	-	509
Loans receivable	1,461	1,511	14,582

Campo Recycle Plaza Co.,Ltd.	Millions of Yen		Thousands of U.S.dollars
	2008	2007	2008
Lending of the capital	¥ 1,162	¥ -	\$ 11,598
Loans receivable	1,662	-	16,588

Terms of transactions are determined under general market condition.

17. Subsequent event

On June 27, 2008, the shareholders of the Company approved the following appropriations:

Cash dividends	Millions of Yen		Thousands of U.S.dollars
	¥	209	\$ 2,086

Independent Auditors' Report

To the Shareholders and Board of Directors of Takuma Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Takuma Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Takuma Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

- (1) As discussed in Note 3 to the consolidated financial statements, effective April 1, 2006, the Companies changed the accounting policy concerning the rental income from real estate.
- (2) As discussed in Note 15 to the consolidated financial statements, effective April 1, 2006, the Companies changed the segmentation of business segment.
- (3) As discussed in Note 3 to the consolidated financial statements, effective April 1, 2007, the Companies changed the accounting policy concerning the royalty revenue.
- (4) As discussed in Note 11 to the consolidated financial statements, the Company objected to the cease and desist order issued by Japan Fair Trade Commission to be in violation of the Japanese Antimonopoly Act, and filed an appeal for its reversal with Tokyo High Court, a decision on which is currently pending.
- (5) As discussed in Note 11 to the consolidated financial statements, the Company objected to the ruling ordered by Tokyo District Court to pay damages to Tokyo Metropolitan Government due to violation of the Japanese Antimonopoly Act, and filed an appeal for its reversal, a decision on which is currently pending.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 27, 2008

COMPANY INFORMATION

GENERAL

Corporate Name	: TAKUMA CO., LTD.
Head Office	: 2-2-33 Kinrakuji-cho, Amagasaki, Hyogo 660-0806, Japan
Capitalization	: 13,367,457,968yen
Common Stock	: Listed on the First Section of the Tokyo Stock Exchange
Business Lines	: Design and manufacture of boilers, industrial machinery, anti-pollution plants, environmental control plants, air-conditioning and sanitary equipment; execution and management of site works of plants

EXECUTIVE OFFICERS, DIRECTORS AND AUDITORS

Hajime Tejima, President and CEO	Takaaki Kato, Director and Executive Officer
Nobuyoshi Yamahara, Director and Senior Managing Executive Officer	Joji Hashimoto, Director and Executive Officer
Tsutomu Tanaka, Director and Managing Executive Officer	Kouhei Ikeda, Executive Officer
Shizuo Kataoka, Director and Managing Executive Officer	Masahide Nishigaki, Executive Officer
Takao Kajiyama, Managing Executive Officer	Yasuaki Kataoka, Executive Officer
Norio Endo, Executive Officer	Yasuyuki Moriura, Executive Officer
Hiroyuki Takahashi, Executive Officer	Shozo Iwanaga, Auditor
Shigehiro Shibakawa, Executive Officer	Isamu Tanaka, Auditor
Yuson Wakimoto, Executive Officer	Yasuhiro Himeno, Auditor

PERMITS, LICENSES, AND CERTIFICATIONS

Head office, branches, and offices :

- Licensed to perform construction work (Special 17, No. 6129: issued by the Office of the Minister of Land, Infrastructure, and Transport)
- Registered as a Class I architect (No. 201793: issued by the Office of the Governor of Hyogo Prefecture)
- Quality management system certified in compliance with ISO 9001 (November 1997)

Harima Factory :

- Licensed to manufacture boilers, pressure vessels and cranes (issued by the Japanese Ministry of Health, Labour and Welfare)
- Licensed to manufacture boilers and Class 1 pressure vessels (issued by Nippon Kaiji Kyokai)
- Approved for manufacture of refrigerators (issued by the Office of the Governor of Hyogo Prefecture)
- Qualified for fabrication of thermal power plant equipments based on the law of Ministry of Economy, Trade and Industry
- Qualified for fabrication of vessels based on the Designated Equipment Inspection Regulations of the High Pressure Gas Control law (inspected by KHK Service Co., Ltd.)
- Qualified for Non-governmental product certification standard for welds of electrical facilities (Thermal Power)
- Quality management system certified in compliance with ISO 9001 (November 1997)
- Environmental management system certified in compliance with ISO 14001 (January 1999)

TECHNICAL LICENSE AGREEMENTS

Licensors:

Exxon Mobile Research & Engineering Co. (U.S.A.)

Liquid Membrane Water Treatment Process

Nordic Water Products AB (Sweden)

Continuous Bed Filtration of Liquids

KWI S.A. (Switzerland)

Flotation Water Treatment

Dr. Gernot Staudinger (Austria)

Ash Recycle and Activation Process

Gas Technology Institute (U.S.A.)

Methane de-NOx Process

Cyclonic Burner

Result Technology AG (Switzerland)

Material Recycling and Separating System

W. Schmid AG (Switzerland)

Biological Anaerobic Treatment Process for Solid Waste

Dürr Systems, Inc. (U.S.A.)

Regenerative Thermal Oxidizer

Hitachi Plant Technologies, Ltd. (Japan)

Water Treatment Technology Using Microorganisms

Carrier Stabilizer

Lonkwitz Anlagenbau GmbH & Co., KG (Germany)

Agitators (pierced flat beam type)

Licensees:

P.T. Super Andalas Steel (Indonesia)

N-Type Palm Wastes Fired Water Tube Boiler

Kyungdong Navien Co., Ltd. (Korea)

Absorption Chiller Heater

Vacotin Heater

Nihon Spindle Manufacturing Co., Ltd. (Japan)

Dust Elimination Technology in Exhaust Gas Treatment

Systems Using Impulse Waves

P.T. Panca Mandiri Essencia (Indonesia)

Coal Firing Boiler

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Sun Plant Co., Ltd.

Itopia Nihonbashi SA Bldg., 1-2-10 Horidome-cho, Nihonbashi, Chuo-ku, Tokyo 103-0012, Japan
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Kankyo Sol-Tech Co., Ltd.

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Takuma System Control Co., Ltd.

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Hokkaido Sanitary Maintenance Co., Ltd.

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Bioener ApS

Banemarksvej 50 C,2 DK-2605 Broendby, Denmark

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