

FINANCIAL INFORMATION

Consolidated Balance Sheets

Takuma Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Current assets:			
Cash and time deposits (Notes 4 and 8)	¥ 16,924	¥ 26,434	\$ 172,290
Marketable securities (Notes 4 and 6)	33	33	336
Notes and accounts receivable:			
Trade	35,764	31,136	364,084
Unconsolidated subsidiaries and affiliated companies	1,040	2,891	10,587
Other	1,131	579	11,514
Less: Allowance for doubtful accounts	(35)	(30)	(356)
	37,900	34,576	385,829
Inventories (Note 5)	6,386	9,621	65,011
Deferred tax assets (Note 15)	680	1,141	6,922
Advanced money	661	397	6,729
Other	1,800	1,354	18,324
Total current assets	64,384	73,556	655,441
Investments and other assets:			
Investment securities (Notes 6, 8 and 9)	10,695	19,518	108,877
Investments in:			
Unconsolidated subsidiaries and affiliated companies (Note 8)	5,304	4,797	53,996
Other	1,287	1,832	13,102
Less: Allowance for doubtful accounts	(644)	(664)	(6,556)
	5,947	5,965	60,542
Deferred tax assets (Note 15)	1,491	997	15,179
Goodwill	3,314	1,609	33,737
Other	475	595	4,835
	21,922	28,684	223,170
Property, plant and equipment:			
Land (Note 8)	4,091	4,090	41,647
Buildings and structures (Note 8)	12,166	11,865	123,852
Machinery, equipment and lease assets (Note 8)	11,742	8,711	119,536
	27,999	24,666	285,035
Less: Accumulated depreciation	(15,163)	(14,279)	(154,362)
	12,836	10,387	130,673
	¥ 99,142	¥ 112,627	\$ 1,009,284

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Current liabilities:			
Short-term loans payable (Notes 8, 9 and 10)	¥ 12,845	¥ 7,870	\$ 130,765
Current portion of long-term debt (Notes 8 and 10)	471	78	4,795
Notes and accounts payable:			
Trade	27,163	27,766	276,525
Unconsolidated subsidiaries and affiliated companies	351	292	3,573
Other	973	794	9,905
	28,487	28,852	290,003
Accrued income taxes (Note 15)	510	462	5,192
Consumption tax payable	167	356	1,700
Accrued expenses	2,770	2,804	28,199
Allowance for losses on sales contracts	1,644	5,477	16,736
Advances received	3,435	8,369	34,969
Allowance for losses on litigation	11,758	-	119,699
Deferred tax liabilities (Note 15)	1	0	10
Other	935	1,937	9,518
Total current liabilities	63,023	56,205	641,586
Long-term debt (Notes 8 and 10)	1,921	794	19,556
Allowance for employees' retirement benefits (Note 11)	5,383	5,374	54,800
Allowance for directors', executive officers', and corporate auditors' retirement benefits ...	278	292	2,830
Deferred tax liabilities (Note 15).....	976	3,239	9,936
Deferred tax liability for revaluation reserve for land (Note 15)	0	279	0
Negative goodwill	1,734	160	17,652
Other	280	304	2,851
Total liabilities	73,595	66,647	749,211
Contingent liabilities (Notes 7, 12 and 18)			
Net assets (Note 13):			
Common stock			
Authorized: 321,840,000 shares			
Issued: 87,799,248 shares.....	13,367	13,367	136,079
Capital surplus	12,408	12,408	126,316
Retained earnings	(375)	14,384	(3,818)
Less: Treasury stock, at cost, 4,039,677 shares in 2009 and 4,034,676 shares in 2008	(3,676)	(3,178)	(37,422)
Total shareholders' equity	21,724	36,981	221,155
Net unrealized holding gain on available-for-sale securities, net of taxes	1,485	4,621	15,117
Net unrealized gain (loss) on hedging derivatives, net of taxes ...	1	(14)	10
Revaluation reserve for land, net of taxes	-	270	-
Foreign currency translation adjustments	(324)	264	(3,298)
Total valuation and translation adjustments	1,162	5,141	11,829
Minority interests in consolidated subsidiaries	2,661	3,858	27,089
Total net assets	25,547	45,980	260,073
	¥ 99,142	¥ 112,627	\$ 1,009,284

Consolidated Statements of Operations

Takuma Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Net sales (Note 17)	¥ 104,931	¥ 105,612	\$ 1,068,217
Cost of sales (Notes 14 and 17)	87,023	99,032	885,910
Gross profit	17,908	6,580	182,307
Selling, general and administrative expenses (Notes 14 and 17)	17,195	18,367	175,048
Operating income (loss) (Note 17)	713	(11,787)	7,259
Other income (expenses):			
Interest and dividend income	653	729	6,648
Interest expense	(179)	(124)	(1,822)
Amortization of negative goodwill	170	1	1,730
Foreign currency exchange gain	168	434	1,710
Gain on sales of investment securities	952	99	9,691
Loss on valuation of investment securities	(513)	(702)	(5,222)
Write-down of investments in unconsolidated subsidiaries and affiliated companies	-	(33)	-
Gain on disposal of property, plant and equipment	57	20	580
Loss on disposal of property, plant and equipment	(95)	(166)	(967)
Equity in earnings (losses) of affiliated companies	4	(205)	41
Provision for doubtful accounts	33	17	336
Additional retirement payments (Note 11)	-	(41)	-
Provision for losses on litigation	(11,758)	-	(119,699)
Compensation for liquidated damage for delay	(3,429)	-	(34,908)
Other, net	(690)	115	(7,024)
	(14,627)	144	(148,906)
Loss before income taxes and minority interests	(13,914)	(11,643)	(141,647)
Income taxes (Note 15):			
Current	870	836	8,857
Deferred	(410)	256	(4,174)
	460	1,092	4,683
Minority interests in income of consolidated subsidiaries	177	91	1,802
Net loss	¥ (14,551)	¥ (12,826)	\$ (148,132)
		Yen	U.S.dollars (Note 1)
Per share:			
Net loss	¥ (175.30)	¥ (154.02)	\$ (1.78)
Diluted net income	-	-	-
Cash dividends applicable to the year	-	5.00	-

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Takuma Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2008

	Millions of Yen												
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total share-holders' equity	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	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets	
Balance as of March 31, 2007	¥ 13,367	¥ 12,408	¥ 27,796	¥ (3,177)	¥ 50,394	¥ 8,188	¥ 3	¥ 270	¥ 468	¥ 8,929	¥ 3,581	¥ 62,904	
Cash dividends (¥7.50 per share) ...	-	-	(619)	-	(619)	-	-	-	-	-	-	(619)	
Net loss	-	-	(12,826)	-	(12,826)	-	-	-	-	-	-	(12,826)	
Increase due to increase in number of consolidated subsidiaries	-	-	33	-	33	-	-	-	-	-	-	33	
Purchase of treasury stock	-	-	-	(1)	(1)	-	-	-	-	-	-	(1)	
Sales of treasury stock	-	0	-	0	0	-	-	-	-	-	-	0	
Other changes during the year, net	-	-	-	-	-	(3,567)	(17)	-	(204)	(3,788)	277	(3,511)	
Balance as of March 31, 2008	¥ 13,367	¥ 12,408	¥ 14,384	¥ (3,178)	¥ 36,981	¥ 4,621	¥ (14)	¥ 270	¥ 264	¥ 5,141	¥ 3,858	¥ 45,980	
Cash dividends (¥2.50 per share) ...	-	-	(207)	-	(207)	-	-	-	-	-	-	(207)	
Net loss	-	-	(14,551)	-	(14,551)	-	-	-	-	-	-	(14,551)	
Purchase of treasury stock	-	-	-	(2)	(2)	-	-	-	-	-	-	(2)	
Sales of treasury stock	-	(0)	(1)	2	1	-	-	-	-	-	-	1	
Change in equity in consolidated subsidiaries	-	-	-	(498)	(498)	-	-	-	-	-	-	(498)	
Unification of accounting policies of foreign subsidiaries (Note 3)	-	-	(0)	-	(0)	-	-	-	-	-	-	(0)	
Other changes during the year, net	-	-	-	-	-	(3,136)	15	(270)	(588)	(3,979)	(1,197)	(5,176)	
Balance as of March 31, 2009	¥ 13,367	¥ 12,408	¥ (375)	¥ (3,676)	¥ 21,724	¥ 1,485	¥ 1	¥ -	¥ (324)	¥ 1,162	¥ 2,661	¥ 25,547	

	Thousands of U.S.dollars (Note 1)											
Balance as of March 31, 2008	\$136,079	\$126,316	\$146,441	\$(32,350)	\$376,486	\$ 47,036	\$ (149)	\$ 2,750	\$ 2,682	\$ 52,319	\$ 39,274	\$468,079
Cash dividends (\$0.03 per share) ...	-	-	(2,107)	-	(2,107)	-	-	-	-	-	-	(2,107)
Net loss	-	-	(148,132)	-	(148,132)	-	-	-	-	-	-	(148,132)
Purchase of treasury stock	-	-	-	(22)	(22)	-	-	-	-	-	-	(22)
Sales of treasury stock	-	(0)	(16)	27	11	-	-	-	-	-	-	11
Change in equity in consolidated subsidiaries	-	-	-	(5,077)	(5,077)	-	-	-	-	-	-	(5,077)
Unification of accounting policies of foreign subsidiaries (Note 3)	-	-	(4)	-	(4)	-	-	-	-	-	-	(4)
Other changes during the year, net	-	-	-	-	-	(31,919)	159	(2,750)	(5,980)	(40,490)	(12,185)	(52,675)
Balance as of March 31, 2009	\$136,079	\$126,316	\$(3,818)	\$(37,422)	\$221,155	\$ 15,117	\$ 10	\$ -	\$ (3,298)	\$ 11,829	\$ 27,089	\$260,073

See accompanying notes.

Consolidated Statements of Cash Flows

Takuma Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Loss before income taxes and minority interests	¥ (13,914)	¥ (11,643)	\$ (141,647)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation	1,021	1,194	10,394
Amortization of goodwill	450	287	4,581
Write-down of investments in unconsolidated subsidiaries and affiliated companies	-	33	-
Loss on disposal of property, plant and equipment	38	146	387
Compensation for liquidated damage for delay	3,429	-	34,908
Gain on sales of investment securities	(952)	(99)	(9,691)
Loss on valuation of investment securities	513	702	5,222
Additional retirement payments	-	41	-
Decrease in allowance for doubtful accounts	(8)	(7)	(81)
Increase (decrease) in allowance for losses on sales contracts	(3,572)	4,946	(36,364)
Provision for loss on litigation	11,758	-	119,699
Decrease in pension benefit obligation	(5)	(4)	(51)
Interest and dividend income	(653)	(729)	(6,648)
Interest expense	179	124	1,822
Equity in earnings (losses) of affiliated companies	(4)	205	(41)
Net decrease (increase) in notes and accounts receivable and advance received	(10,100)	11,373	(102,820)
Decrease (increase) in inventories	2,952	(457)	30,052
Increase in consumption tax receivable	(277)	(16)	(2,820)
Decrease (increase) in other current assets	(822)	47	(8,368)
Net increase (decrease) in notes and accounts payable and advance money	263	(5,834)	2,677
Decrease in consumption tax payable	(180)	(183)	(1,832)
Decrease (increase) in other current liabilities	(986)	760	(10,038)
Other	(708)	17	(7,207)
Subtotal	(11,578)	903	(117,866)
Interest and dividend received	791	840	8,053
Interest paid	(190)	(103)	(1,934)
Income taxes paid	(992)	(564)	(10,099)
Additional retirement payments	-	(41)	-
Compensation for damage payments	(2,835)	-	(28,861)
Net cash provided by (used in) operating activities	(14,804)	1,035	(150,707)
Cash flows from investing activities:			
Net decrease (increase) in time deposits	1,787	(1,183)	18,192
Purchase of property, plant and equipment	(213)	(1,089)	(2,168)
Sales of property, plant and equipment	31	272	316
Purchase of intangible fixed assets	(99)	(128)	(1,008)
Purchase of investment securities	(447)	(128)	(4,551)
Sales of investment securities	2,833	1,250	28,840
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,905)	-	(19,393)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,341	-	13,652
Disbursement for loans receivable	(2,740)	(1,273)	(27,894)
Collection of loans receivable	1,370	306	13,947
Other	719	494	7,319
Net cash provided by (used in) investing activities	2,677	(1,479)	27,252
Cash flows from financing activities:			
Net increase in short-term bank loans	5,531	585	56,307
Proceeds from long-term debt	300	23	3,054
Payment of long-term debt	(255)	(151)	(2,596)
Purchase of treasury stock	(2)	(1)	(20)
Sales of treasury stock	1	1	10
Payment of cash dividends to the Company's shareholders	(206)	(619)	(2,097)
Payment of cash dividends to minority shareholders	(31)	(24)	(316)
Other	(4)	-	(41)
Net cash provided by (used in) financing activities	5,334	(186)	54,301
Effect of exchange rate changes on cash and cash equivalents	(890)	(171)	(9,060)
Net decrease in cash and cash equivalents	(7,683)	(801)	(78,214)
Cash and cash equivalents at beginning of year (Note 4)	23,938	24,567	243,693
Cash and cash equivalents of newly consolidated subsidiary	-	172	-
Cash and cash equivalents at end of year (Note 4)	¥ 16,255	¥ 23,938	\$ 165,479

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 Financial Instruments 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. However, as described in Note 3 (c), necessary adjustments are made upon consolidation. The accompanying consolidated financial statements have been restructured and translated into English 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 Japanese Financial Instruments 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 are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 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").

As for the Campo Recycle Plaza Co., Ltd., in accordance with the fact that it has become the Company's subsidiary, due to the additional acquisition of stocks for the fiscal year ended March 31, 2009, its status has been changed from equity method affiliate to consolidated subsidiary.

In addition, as for the Central Conveyor Co., Ltd, it has been excluded from the scope of consolidation due to the Company's selling its stocks for the fiscal year ended March 31, 2009.

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.

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.

As for the amortization of goodwill and negative goodwill, we reasonably estimate the effective duration and amortize evenly during said period. However, in the case of its amount being de-minimis, the amortization is conducted in full during the fiscal year of occurrence.

(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 nor 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. Available-for-sale 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 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

Merchandise and finished goods are stated at cost by the moving average method (with regard to the amount of the balance sheet, the method of write-down in the carrying value based on the decreased related profitability). Work in process is stated at cost as determined by the identified cost method (with regard to the amount of the balance sheet, the method of write-down in the carrying value based on the decreased related profitability). Materials and supplies are stated at cost by the average method (with regard to the amount of the balance sheet, the method of write-down in the carrying value based on the decreased related profitability).

As for the inventories possessed for the ordinary marketing purposes, the cost method was formerly applied; however, in accordance with the application of the 'Financial Accounting Standards on Valuation of Inventory' (Statement No. 9 Accounting Standards dated July 5, 2006 by the Accounting Standards Board of Japan), since the current consolidated fiscal year, they have been calculated via the cost method (with regard to the amount of the balance sheet, the method of write-down in the carrying value based on the decreased related profitability).

Due to this change, operating income have decreased by ¥81 million (\$825 thousand) and increased loss before income taxes and minority interests by the same amount, for the fiscal year ended March 31, 2009.

The effect on segment information of this change is disclosed in Note 17.

(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.

In addition, lease assets are depreciated using the straight-line method over the lease term with an assumption of no residual value.

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 respectively, for the fiscal year ended March 31, 2008.

The effect on segment information of this change is disclosed in Note 17.

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 respectively, for the fiscal year ended March 31, 2008.

The effect on segment information of this change is disclosed in

Note 17.

With regard to machinery and equipment, in accordance with the change in legal working lifespan due to amendments of the Corporation Tax Act in fiscal 2008, the Company and its domestic consolidated subsidiaries have changed such durable lives for the fiscal year ended March 31, 2009.

There is little effect on operating income and loss before income taxes and minority interests of adopting of the new standard and guidance.

(h) 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.

(i) Allowance for losses on litigation

The estimated amount of losses recognized as required is allocated by estimating possible losses that we may assume in future in order to prepare for any losses caused by lawsuits about the violation of the Japanese antimonopoly Act about the construction of waste incineration plants.

(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, 2009 and 2008 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 cutoff payment of directors' retirement allowance in accordance with the tenure of office up to the shareholder general meeting closing.

Accordingly, the amount ¥304 million required for directors' retirement allowance payment is recorded as "other" of liabilities as of March 31, 2008.

(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, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Net sales	¥ 32,052	¥ 29,001	\$ 326,295
Gross income (loss)	1,413	(9,999)	14,389

(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 pre-tax 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 uses 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).

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not re-measured at market value.

(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 2009 presentation.

3. Changes in accounting policies

(a) 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 for the fiscal year ended March 31, 2008.

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 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 17.

(b) Accounting standard for leases

As for finance leases where the ownership of the leased assets is not transferred to the lessee, the accounting method according to ordinary leases had formerly been applied; however, for the fiscal year ended March 31, 2009, in accordance with the application of the 'Financial Accounting Standards on Leases' (Statement No. 13 Accounting Standards dated June 17, 1993 by the First Committee of Business Accounting Council, revision dated March 30, 2007 by the Accounting Standards Board of Japan), as well as the 'Guidance for Accounting Standards on Leases' (Guidance No. 16 Guidance for Accounting Standards dated January 18, 1994 by the Accounting System Committee at the Japanese Institute of Certified Public Accountants, revision dated March 30, 2007 by the Accounting Standards Board of Japan), the accounting method for ordinary sales transactions has been applied.

In addition, for finance leases where the ownership of the leased assets is not transferred to the lessee and whereby its start-up date is before the initial year of application, the application of the accounting method for ordinary leases is continued.

There is no effect on operating income and loss before income taxes and minority interests of adopting of the new standard and guidance.

(c) The 'Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements'

The Company have applied the 'Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements' (Statement No. 18 the Practical Issues Task Force dated May 17, 2006 by the Accounting Standards Board of Japan) since the current consolidated fiscal year and made the necessary modification for consolidated accounting.

There is little effect on operating income and loss before income taxes and minority interests of adopting of the new standard and guidance.

4. Amounts of cash and cash equivalents

Amounts of cash and cash equivalents as of March 31, 2009 and 2008 were reconciled with cash and time deposits as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Cash and time deposits	¥ 16,924	¥ 26,434	\$ 172,290
Time deposits with maturities exceeding three months from the date of acquisition	(700)	(2,526)	(7,126)
Short-term highly liquid investments with maturities not exceeding three months	31	30	315
Total: Cash and cash equivalents	¥ 16,255	¥ 23,938	\$ 165,479

5. Inventories

Inventories are summarized as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Merchandise and finished goods	¥ 1,002	¥ 1,200	\$ 10,201
Work in process	3,595	6,422	36,598
Materials and supplies	1,789	1,999	18,212
Total: Inventories	¥ 6,386	¥ 9,621	\$ 65,011

6. Securities

(a) Acquisition costs, book values of available-for-sale securities with available fair values as of March 31, 2009 and 2008 were as follows:

As of March 31, 2009	Millions of Yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 4,118	¥ 7,429	¥ 3,311
Debt securities	27	27	0
Subtotal	4,145	7,456	3,311
Securities with book values not exceeding acquisition costs:			
Equity securities	3,854	2,992	(862)
Subtotal	3,854	2,992	(862)
Total	¥ 7,999	¥ 10,448	¥ 2,449

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, 2009	Thousands of U.S.dollars		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	\$ 41,922	\$ 75,629	\$ 33,707
Debt securities	275	275	0
Subtotal	42,197	75,904	33,707
Securities with book values not exceeding acquisition costs:			
Equity securities	39,234	30,459	(8,775)
Subtotal	39,234	30,459	(8,775)
Total	\$ 81,431	\$ 106,363	\$ 24,932

(b) Book values of available-for-sale securities with no fair values as of March 31, 2009 and 2008 were mainly consisted of as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Non-listed equity securities	¥ 149	¥ 1,271	\$ 1,517
Corporate bonds	100	100	1,018
Debt security investment trust which equivalent to cash	30	30	305

(c) Available-for-sale securities sold for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Total sales amount	¥ 2,836	¥ 1,250	\$ 28,871
Gains	198	126	2,015
Losses	93	27	947

(d) Maturities of available-for-sale securities as of March 31, 2009 and 2008 were as follows:

As of March 31, 2009	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Debt securities	¥ -	¥ 27	¥ -	¥ -
Corporate bonds	-	100	-	-
Others	-	-	-	-
Total	¥ -	¥ 127	¥ -	¥ -

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

As of March 31, 2009	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
Debt securities	\$ -	\$ 275	\$ -	\$ -
Corporate bonds	-	1,018	-	-
Others	-	-	-	-
Total	\$ -	\$ 1,293	\$ -	\$ -

7. Lease

(a) Finance lease

The Companies are obligated under several 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, 2009 and 2008 were ¥131 million (\$1,334 thousand) and ¥202 million, respectively.

If such finance leases were capitalized including interest as of March 31, 2009 and 2008, they would be recorded in the consolidated balance sheets as follows:

	Millions of Yen					
	2009			2008		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Machinery and equipment	¥ 530	¥ 312	¥ 218	¥ 884	¥ 519	¥ 365
Other assets	43	32	11	122	95	27
Total	¥ 573	¥ 344	¥ 229	¥ 1,006	¥ 614	¥ 392

	Thousands of U.S.dollars		
	2009		
	Acquisition cost	Accumulated depreciation	Book value
Machinery and equipment	\$ 5,395	\$ 3,176	\$ 2,219
Other assets	438	326	112
Total	\$ 5,833	\$ 3,502	\$ 2,331

If depreciation expense on such finance leases was incurred for the years ended March 31, 2009 and 2008, the amounts would be ¥131 million (\$1,334 thousand) and ¥202 million, respectively.

The scheduled future payments of such lease obligations, including interest, as of March 31, 2009 and 2008, were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
	Due within one year	¥ 83	¥ 147
Due after one year	146	245	1,486
Total	¥ 229	¥ 392	\$ 2,331

(b) Operating lease

The scheduled future payments of non-cancelable operating lease, including interest, as of March 31, 2009 and 2008, were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
	Due within one year	¥ 1	¥ -
Due after one year	2	-	20
Total	¥ 3	¥ -	\$ 30

8. Pledged assets

The following assets were pledged to secure short-term loans payable, long-term debt, notes discounted and fulfillment of a contract as of March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
	Land	¥ 2,707	¥ 1,244
Buildings and structures	3,813	1,154	38,817
Machinery, and equipment	1,312	-	13,356
Securities	3,850	14	39,194
Time deposits as construction contract guarantee	167	162	1,700
Cash and time deposits	133	104	1,354
Total	¥ 11,982	¥ 2,678	\$ 121,979

9. Investment securities for lending

The investment securities included marketable securities worth ¥5,553 million (\$56,531 thousand), lending as stated by the master agreement regarding the stock lending. In addition, deposit receipts regarding such transactions were included in short-term bank loans of current liability, which was ¥3,420 million (\$34,816 thousand).

10. Short-term loans payable and long-term debt

Short-term loans payable outstanding were generally represented by bank overdrafts bearing interest at average rates of 1.6% and 1.3% per annum as of March 31, 2009 and 2008, respectively.

Long-term debt as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Loans from banks and other financial institutions due 2009 interest at rates of 1.1% to 3.0% per annum in 2009 and 2008:			
Secured	¥ 1,121	¥ 745	\$ 11,412
Unsecured	1,271	127	12,939
	2,392	872	24,351
Less: Current portion.....	(471)	(78)	(4,795)
	¥ 1,921	¥ 794	\$ 19,556

The aggregate annual maturities of long-term debt as of March 31, 2009 were summarized below:

Years ending March 31,	Millions of Yen	Thousands of U.S.dollars
2010	¥ 471	\$ 4,795
2011	596	6,067
2012	245	2,494
2013	210	2,138
2014	392	3,991
2015 and thereafter	478	4,866

11. 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, 2009 and 2008 consist of the following:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Projected benefit obligation	¥ 11,662	¥ 12,207	\$ 118,721
Fair value of plan assets	(6,203)	(7,487)	(63,147)
Unfunded projected benefit obligation	5,459	4,720	55,574
Unrecognized prior service cost	1,349	1,562	13,733
Less: unrecognized actuarial differences	(1,425)	(908)	(14,507)
Prepaid pension expenses	-	-	-
Allowance for employees' retirement benefits	¥ 5,383	¥ 5,374	\$ 54,800

Included in the consolidated statements of operations for the years ended March 31, 2009 and 2008 were severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Service costs – benefits earned during the year	¥ 675	¥ 798	\$ 6,872
Interest cost on projected benefit obligation	210	225	2,138
Expected return on plan assets	(248)	(271)	(2,525)
Amortization of actuarial differences	207	136	2,107
Amortization of prior service cost	(213)	(140)	(2,168)
Additional retirement payments and others	-	232	-
Employees' retirement benefit expenses	¥ 631	¥ 980	\$ 6,424

The discount rates used by the Companies are mainly 2.0% for the years ended March 31, 2009 and 2008, respectively. The rates of expected return on plan assets used by the Companies are mainly 4.0% for the years ended March 31, 2009 and 2008, 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.

12. Contingent liabilities

The Companies were contingently liable under guarantees for bank loans of affiliated companies and other companies as of March 31, 2009 and 2008 amounting to ¥5,271 million (\$53,660 thousand) and ¥2,569 million, respectively.

Also, the Companies were contingently liable for notes discounted as of March 31, 2009 and 2008 amounting to ¥222 million (\$2,260 thousand) and ¥10 million, respectively.

13. Net assets

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 Japanese Corporate Law ("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 Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit, and also can be capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

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.

14. 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, 2009 and 2008 were ¥516 million (\$5,253 thousand) and ¥767 million, respectively.

15. 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, 2009 and 2008.

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, 2009 and 2008 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, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 2,147	¥ 2,171	\$ 21,857
Allowance for losses on sales contracts	479	1,773	4,876
Accrued cost of sales	435	773	4,429
Unrealized profits	873	1,199	8,887
Accrued bonuses to employees	595	698	6,057
Provision for loss on litigation	4,778	-	48,641
Loss carryforward for tax purposes	14,673	10,306	149,374
Other	1,775	1,789	18,070
Total deferred tax assets	25,755	18,709	262,191
Valuation allowance	(23,145)	(16,024)	(235,621)
Net deferred tax assets	¥ 2,610	¥ 2,685	\$ 26,570
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(959)	(3,176)	(9,763)
Valuation difference in land of consolidated subsidiary	(160)	(161)	(1,629)
Net unrealized gains on revaluated land	-	(279)	-
Other	(297)	(449)	(3,023)
Total deferred tax liabilities	(1,416)	(4,065)	(14,415)
Net deferred tax assets (liabilities)	¥ 1,194	¥ (1,380)	\$ 12,155

16. Related party transactions

The Company owned 89 per cent of voting rights of Iwate-Kenhoku Clean Co., Ltd., 51 per cent of voting rights of Energy Mate Co., Ltd., 50 per cent of voting rights of Campo Recycle Plaza Co., Ltd., and 40 per cent of voting rights of Ichihara New Energy Co., Ltd.

Iwate-Kenhoku Clean Co., Ltd. and Energy Mate Co., Ltd. were unconsolidated subsidiaries and Ichihara New Energy Co., Ltd. was affiliated company as of March 31, 2009 and 2008.

Campo Recycle Plaza Co., Ltd. was affiliated company before the additional acquisition of stocks for the fiscal year ended March 31, 2009.

The transactions amounts were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Iwate-Kenhoku Clean Co., Ltd.			
Acceptances and guarantees	¥ 3,185	¥ -	\$ 32,424

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Energy Mate Co., Ltd.			
Lending of the capital	¥ 280	¥ -	\$ 2,850
Collection of the capital	399	51	4,062
Loans receivable	1,342	1,461	13,662

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Campo Recycle Plaza Co.,Ltd.			
Lending of the capital	¥ 1,267	¥ 1,162	\$ 12,898
Loans receivable	2,929	1,662	29,818

	Millions of Yen		Thousands of U.S.dollars
	2009	2008	2009
Ichihara New Energy Co.,Ltd.			
Acceptances and guarantees	¥ 1,000	¥ 319	\$ -

Terms of transactions are determined under general market condition.

As for the loans receivable for Energy Mate Co., Ltd., the allowance for doubtful accounts is posted in terms of the estimated amounts considered uncollectible.

As for the Campo Recycle Plaza Co., Ltd., in accordance with the fact that it has become a Takuma subsidiary, due to the additional acquisition of stocks during the current consolidated fiscal year, its status has been changed from equity method affiliate to consolidated subsidiary.

With this change, its inclusion as a related party has become inappropriate.

Therefore, the above transacted amount indicates that during the period that the company was considered a related party, while the end of year balance states the amount at the time it had become a non-related party.

17. Segment information

(a) Business segment information

Business segment information for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31, 2009	Millions of Yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Other	Total	Elimination and Corporate	Consolidated
Sales:							
Outside customers	¥ 58,477	¥ 14,668	¥ 19,218	¥ 12,568	¥ 104,931	¥ -	¥ 104,931
Intersegment	19	34	527	6	586	(586)	-
Total	58,496	14,702	19,745	12,574	105,517	(586)	104,931
Operating expenses	54,133	16,859	19,616	12,769	103,377	841	104,218
Operating income (loss)	¥ 4,363	¥ (2,157)	¥ 129	¥ (195)	¥ 2,140	¥ (1,427)	¥ 713
Identifiable assets, depreciation expense and capital expenditure:							
Assets	¥ 46,413	¥ 10,664	¥ 15,435	¥ 8,990	¥ 81,502	¥ 17,640	¥ 99,142
Depreciation	789	142	485	55	1,471	-	1,471
Capital expenditure	304	58	163	25	550	-	550

Millions of Yen

Year ended March 31, 2008	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

Thousands of U.S.dollars

Year ended March 31, 2009	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Other	Total	Elimination and Corporate	Consolidated
Sales:							
Outside customers	\$ 595,307	\$ 149,323	\$ 195,643	\$ 127,944	\$ 1,068,217	\$ -	\$ 1,068,217
Intersegment	194	346	5,365	61	5,966	(5,966)	-
Total	595,501	149,669	201,008	128,005	1,074,183	(5,966)	1,068,217
Operating expenses	551,084	171,627	199,694	129,991	1,052,396	8,562	1,060,958
Operating income (loss)	\$ 44,417	\$ (21,958)	\$ 1,314	\$ (1,986)	\$ 21,787	\$ (14,528)	\$ 7,259
Identifiable assets, depreciation expense and capital expenditure:							
Assets	\$ 472,493	\$ 108,561	\$ 157,131	\$ 91,520	\$ 829,705	\$ 179,579	\$ 1,009,284
Depreciation	8,032	1,446	4,937	560	14,975	-	14,975
Capital expenditure	3,095	590	1,659	255	5,599	-	5,599

Corporate expenses included in operating expenses and not allocated to segment in 2009 and 2008 were general affairs department expenses of the Company amounting to ¥1,931 million (\$19,658 thousand) and ¥2,159 million, respectively.

Assets under the elimination and corporate in 2009 and 2008 were ¥33,043 million (\$336,384 thousand) and ¥49,645 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

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 and operating income by the same amount in the segment of Domestic Environment and Energy, and increased net sales by ¥485 million in the segment of Overseas Environment and Energy, and by ¥12 million in the segment of Package Boiler, and decreased operating loss by the same amount respectively for the fiscal year ended March 31, 2008.

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 in the segment of Domestic Environment and Energy, and by ¥0 million in the segment of Other, and decreased operating income by the same amount respectively, and increased operating expense by ¥0 million in the segment of Overseas Environment and Energy and by ¥33 million in the segment of Package Boiler and increased operating loss by the same amount respectively for the fiscal year ended March 31, 2008.

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 prerevision Tax law. Due to this change, as compared with the previous method, operating expenses have increased by ¥28 million in the segment of Domestic Environment and Energy, and by ¥5 million in the segment of Other, and decreased operating income by the same amount respectively, and increased operating expense by ¥6 million in the segment of Overseas Environment and Energy and by ¥1 million in the segment of Package Boiler and increased operating loss by the same amount respectively for the fiscal year ended March 31, 2008.

As for the inventories possessed for the ordinary marketing purposes, the cost method was formerly applied; however, in accordance with the

application of the 'Financial Accounting Standards on Valuation of Inventory' (Statement No. 9 Accounting Standards dated July 5, 2006 by the Accounting Standards Board of Japan), since the current consolidated fiscal year, they have been calculated via the cost method (with regard to the amount of the balance sheet, the method of write-down in the carrying value based on the decreased related profitability).

Due to this change, as compared with the previous method, operating expenses have increased by ¥3 million (\$31 thousand) in the segment of Domestic Environment and Energy, and by ¥72 million (\$733 thousand) in the segment of Package Boiler, and decreased operating income by the same amount respectively, and increased operating expense by ¥6 million (\$61 thousand) in the segment of Other, and increased operating loss by the same amount respectively for the fiscal year ended March 31, 2009.

(b) Geographic segment information

Geographic segment information for the years ended March 31, 2009 and 2008 were as follows:

Millions of Yen						
Year ended March 31, 2009	Japan	Asia	Europe	Total	Elimination and Corporate	Consolidated
Sales:						
Outside customers	¥ 96,964	¥ 500	¥ 7,467	¥ 104,931	¥ -	¥ 104,931
Intersegment	37	124	507	668	(668)	-
Total	97,001	624	7,974	105,599	(668)	104,931
Operating expenses	92,636	570	9,973	103,179	1,039	104,218
Operating income (loss)	¥ 4,365	¥ 54	¥ (1,999)	¥ 2,420	¥ (1,707)	¥ 713
Assets	¥ 80,121	¥ 1,177	¥ 4,538	¥ 85,836	¥ 13,306	¥ 99,142

Millions of Yen						
Year ended March 31, 2008	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

Thousands of U.S.dollars						
Year ended March 31, 2009	Japan	Asia	Europe	Total	Elimination and Corporate	Consolidated
Sales:						
Outside customers	\$ 987,112	\$ 5,090	\$ 76,015	\$ 1,068,217	\$ -	\$ 1,068,217
Intersegment	377	1,262	5,161	6,800	(6,800)	-
Total	987,489	6,352	81,176	1,075,017	(6,800)	1,068,217
Operating expenses	943,052	5,803	101,527	1,050,382	10,576	1,060,958
Operating income (loss)	\$ 44,437	\$ 549	\$ (20,351)	\$ 24,635	\$ (17,376)	\$ 7,259
Assets	\$ 815,647	\$ 11,982	\$ 46,198	\$ 873,827	\$ 135,458	\$ 1,009,284

Corporate expenses included in operating expenses and not allocated to segment in 2009 and 2008 were general affairs department expenses of the Company amounting to ¥1,931 million (\$19,658 thousand) and ¥2,159 million, respectively.

Assets under the elimination and corporate in 2009 and 2008 were ¥33,043 million (\$336,384 thousand) and ¥49,645 million, respectively, include principally cash and time deposits, marketable securities (current) and investment securities (non-current) of the Company.

As for the inventories possessed for the ordinary marketing purposes, the cost method was formerly applied; however, in accordance with the application of the 'Financial Accounting Standards on Valuation of Inventory' (Statement No. 9 Accounting Standards dated July 5, 2006 by the Accounting Standards Board of Japan), since the current consolidated fiscal year, they have been calculated via the cost method (with regard to the amount of the balance sheet, the method of write-down in the carrying value based on the decreased related profitability).

Due to this change, as compared with the previous method, operating expenses have increased by ¥81 million (\$825 thousand) in the segment of Japan, and decreased operating income by the same amount respectively for the fiscal year ended March 31, 2009.

(c) Overseas sales

Overseas sales for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31, 2009	Millions of Yen			
	Asia	Europe	Other areas	Total
Overseas sales	¥ 2,333	¥ 13,664	¥ 36	¥ 16,033
Net sales				104,931
Ratio of overseas sales to net sales	2.3%	13.0%	0.0%	15.3%

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, 2009	Thousands of U.S.dollars			
	Asia	Europe	Other areas	Total
Overseas sales	\$ 23,750	\$ 139,102	\$ 367	\$ 163,219
Net sales				1,068,217

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 for the current consolidated fiscal year.

18. Subsequent event

On June 26, 2009, the shareholders of the Company approved no dividends from surplus.

Merger with Consolidated Subsidiary

The Company merged with its former consolidated subsidiary, Takuma Plant Co., Ltd. on April 1, 2009.

1) Information regarding combining entities

a) Combining entities

Existing entity: Takuma Co., Ltd. (the Company)

Merged entity: Takuma Plant Co., Ltd. (Consolidated Subsidiary of the Company)

b) Business description of the combined company

Installation, test run and adjustment, periodical maintenance, building operations for general plant facilities, including municipal solid waste incineration plants, bulk waste treatment facilities, recyclable recovery facilities, a wide range of boiler plants and dismantlement for incinerations

c) Legal form of combination of the companies

Merger establishing the Company as a surviving company, with Takuma Plant Co., Ltd. as an expired company

In addition, as this is a simplified merger for the Company, as specified in Paragraph 3, Clause 796 of the Law, while a short form merger for Takuma Plant Co., Ltd., as specified in Paragraph 1, Clause 784 of the Law, no general shareholders' meetings have been held at either company.

d) Company name after combination

Takuma Co., Ltd.

e) Summary of transactions, including the purpose thereof

As a construction subsidiary of the Company, Takuma Plant Co., Ltd. had been engaging in the supervision of construction work for waste treatment and boiler plants mainly constructed by the Company by allocating a number of qualified personnel to supervise construction.

As part of the promotion of the group management, which is our basic strategy, thanks to this merger, we consider ourselves well positioned to achieve the effective utilization of human resources within the group, while increasing business efficiency as well as cost reduction, along with preparing for the recovery in demand in the waste treatment plant market, by ensuring the deployment of qualified personnel, such as supervisors, in the supervision of construction work.

2) Summary of the accounting method, which will be implemented

Based on the 'Accounting Standards for Business Combinations' (Statement No. 21 Accounting Standards dated October 31, 2003 by the Business Accounting Council, final revision dated December 26, 2008 by the Accounting Standards Board of Japan, as well as 'Guidance for Accounting Standards for Business Combinations and Separations' (Guidance No. 10 Guidance for Accounting Standards, final revision dated December 26, 2008 by the Accounting Standards Board of Japan), the accounting method of the 'Transactions under Common Control' should be applied.

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, 2009 and 2008, 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, 2009 and 2008, 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, 2007, the Companies changed the accounting policy concerning the royalty revenue.
- (2) As discussed in Note 18 to the consolidated financial statements as a subsequent event, Takuma Co., Ltd. merged with its former consolidated subsidiary, Takuma Plant Co., Ltd. on April 1, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 26, 2009