



Annual Report 2008

For the year ended March 31, 2008



DAIKEN CORPORATION

Company Profile

Ever since the founding of the company in September 1945, the core focus of Daiken business has always been the development and provision of materials for residential housing and construction. Daiken has continued corporate activities that cover a broad and diverse range, including the manufacturing and sales of materials for residential housing and construction as well as materials for industrial use, activities that have led Daiken to grow into one of the world's foremost comprehensive manufacturers of building materials.

Through its highly motivated research and development, Daiken is continuously working with the latest materials, concepts and technologies. With a core of technological and material-supply capabilities for building materials, the very basis for the housing field in which Daiken specializes, Daiken shall continue to provide its customers with new generations of technologies and products.



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Financial Highlights

Consolidated

Daiken Corporation and Consolidated Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	<i>Millions of Yen and Thousands of U.S. Dollars</i>			
	2008	2007	2006	2008
Net sales	¥ 166,588	¥ 168,258	¥ 166,273	\$ 1,662,721
Operating income	2,896	5,063	4,394	28,911
Ordinary income	2,613	4,771	4,903	26,083
Net income (loss)	791	(4,338)	2,386	7,903
Net assets	37,053	41,519	44,244	369,834
Total assets	132,875	144,560	140,197	1,326,238

	<i>Yen and U.S. Dollars</i>			
	2008	2007	2006	2008
Net income (loss) per share	¥ 6.07	¥ (33.16)	¥ 18.24	\$ 0.06

Note: The translations into U.S. dollars are based on \$1=¥100.19, the approximate exchange rate on March 31, 2008

Note: Net income (loss) per share is computed based upon the weighted average number of share of common stock outstanding during each fiscal year.

Non-Consolidated

Daiken Corporation
Years ended March 31, 2008, 2007 and 2006

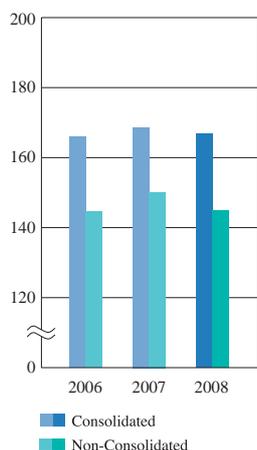
	<i>Millions of Yen and Thousands of U.S. Dollars</i>			
	2008	2007	2006	2008
Net sales	¥ 144,648	¥ 149,836	¥ 144,710	\$ 1,443,737
Operating income	66	1,025	513	662
Ordinary income	1,824	2,465	2,472	18,215
Net income (loss)	27	(5,913)	547	271
Net assets	39,588	44,894	51,857	395,134
Total assets	119,628	131,486	128,852	1,194,014

	<i>Yen and U.S. Dollars</i>			
	2008	2007	2006	2008
Cash dividends per share	¥ 7.50	¥ 7.50	¥ 7.50	\$ 0.07
Net income (loss) per share	0.21	(45.21)	4.18	0.00

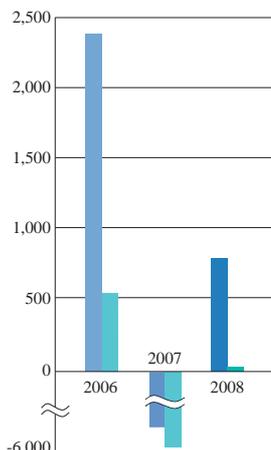
Note: The translations into U.S. dollars are based on \$1=¥100.19, the approximate exchange rate on March 31, 2008

Note: Net income (loss) per share is computed based upon the weighted average number of share of common stock outstanding during each fiscal year.

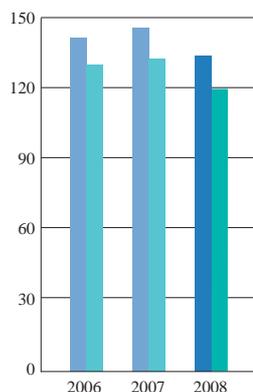
Net sales
(Billions of Yen)



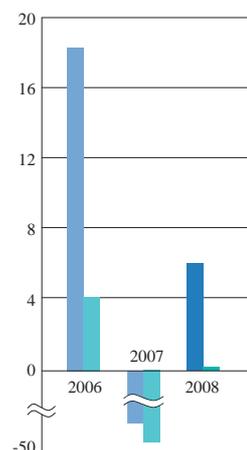
Net income (loss)
(Millions of Yen)



Total assets
(Billions of Yen)



Net income (loss) per share
(Yen)



A Message from the President

We herein present our shareholders and related persons with a report on the consolidated business results for Daiken Corporation in fiscal 2007.

Business Progress and Results

For the consolidated business results for the year in review, we achieved sales totaling ¥166,588 million (a decrease of 1.0% compared with the previous year), an ordinary income of ¥2,613 million (a decrease of 45.2% compared with the previous year), and a net income of ¥791 million (the net loss for the previous year was ¥4,338 million).

The global economy was steady during the first half of the year in review, but in the second half, there was a slowdown in the US economy due to the subprime loan problem, and the continuing sharp increases in crude oil prices which have continued from the previous year have deeply affected the actual global economy. For the Japanese economy as well, the effects of increases in material and energy prices brought about by the sharp increases in crude oil prices, as well as the effects of the strong yen, are resulting in a gradual decline in corporate earnings, bringing the economy to a standstill. As for the residential housing industry, sharp increases in material prices, including crude oil, petro-chemical products, and plywoods, have continued from the previous year, and revisions to the Building Standards Law in June 2007 have brought about a sharp decrease in the number of new housing starts. This has created a severe business environment for the industry.

Under these conditions, the Daiken Group is starting to

construct a business structure that does not rely solely on new housing starts, and we are also working to strengthen our business related to eco-friendly materials that can be used as plywood substitutes, including insulation board, Dai-Lotone, MDF, Dailite, and hard board. We are creating new markets by expanding sales and developing applications for the remodeling market and the commercial market. In parallel with these efforts, we are also promoting reforms to our profit structure, such as the establishment of new manufacturing facilities (biomass boilers) that are not affected by crude oil prices.

Through these efforts, we have been steadily expanding our eco-materials business, but have been unable to avoid the effects of decreasing profits brought about by increasing costs and toughening competition.

Aiming to Be a Pioneer Resource Cycling Company

We can anticipate that the business environment will continue to be unpredictable. Under such conditions, the Daiken Group shall continue to take “environmentally-based production” that is friendly to both the earth and humankind as its key concept as we expand applications for eco-materials, the DNA of the Daiken Group, and continue to develop demand for our products in fields other than residential housing.

This year marks the 50th anniversary of the start of our production of insulation board (product name: Daiken Board) that efficiently uses wood resources without waste. This year, we are putting even greater

effort into eco-materials that use recycled materials and previously untapped materials as the primary raw materials, and into expanding sales for various types of products that utilize these eco-materials. Thus, we are aiming to further establish our corporate presence and business results as a pioneer resource cycling company.

As a follow-up to our insulation board, Daiken is also working to develop environmentally friendly fundamental materials that use recycled materials and previously untapped materials as the primary materials. These include MDF (product name: Tec-wood) and volcanic silicate and mineral fiber laminated board (product name: Dailite).

In parallel with this material development, the Daiken Group is also striving to realize ideal residential living environments that provide safety, peace of mind, and comfort, always taking the lead in efforts to improve residential housing quality. Based on the eco-materials and spatial performance that we have been fostering over many years, the Daiken Group aims to create the types of comfortable residential housing that society demands.

Issues and Policies for the Current Fiscal Year

We can anticipate that there will be a further deceleration of the economy in Japan due to a slowdown of the US economy and long-term sharp rises in crude oil prices. Although the number of new housing starts has not decreased as it did in the previous year, the level remains low, at the 1.1 million home level. Further sharp increases in crude oil prices and plywood prices are expected

in the current term, so the business environment will likely become even more severe.

Under such conditions, our Group is working to construct a business structure that does not rely solely on new housing starts, and to further promote reforms to our profit structure. Specifically, we are utilizing the experiences and expertise we have fostered through our alliances with TOTO and YKK AP to put even greater effort into increasing demand in the remodeling market, for which future growth is expected. We are also creating and expanding engineering business and non-residential housing markets, such as store and facility markets, and are strengthening our efforts to develop overseas markets in countries such as China and India.

In regard to demand for new housing starts, we are working from a base of eco-material products and high functionality products, utilizing the business strengths of the Group to aggressively develop new customers and expand markets.

Conversely, although considerable increases in raw material costs are expected, we are working to establish suitable selling prices for some of our products, to aggressively promote overseas procurement, to achieve cost reductions in various areas, and to implement rationalization measures in order to absorb these cost increases.

We hope that we may continue to look forward to the support and encouragement of all of our shareholders.

June 2008

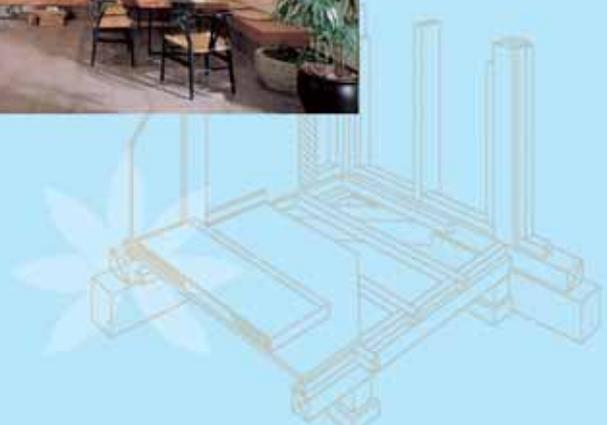


Ryoji Sawaki

Ryoji Sawaki,
Representative Director, President
Chief Executive Officer

Housing & Building Materials

Housing & Construction Work



Housing and Building Materials Related Business

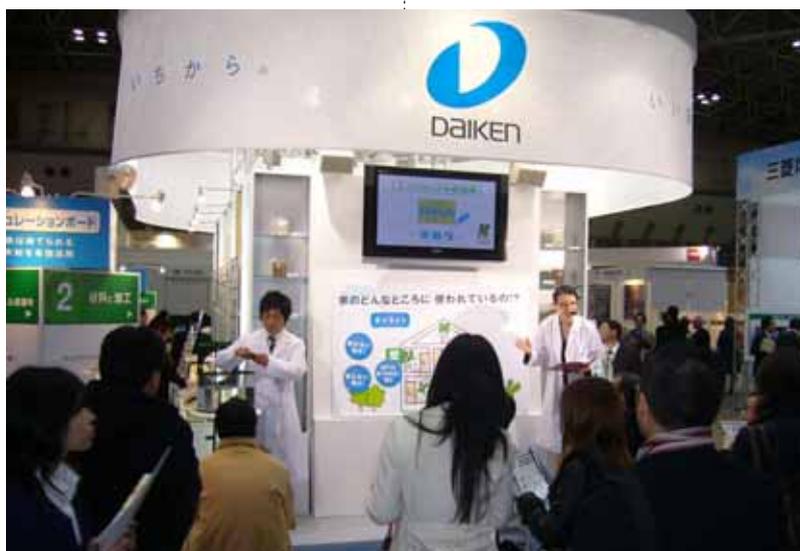
Net sales in this field for the year in review totaled ¥140,223 million (a decrease of 1.8% compared with the previous year), and operating income totaled ¥2,423 million (a decrease of 49.2% compared with the previous year).

In the residential housing industry, we faced cost increases due to the sharply rising prices of raw materials such as plywood and crude oil, and the rising prices of secondary materials. The number of new housing starts also declined, creating even stronger marketing competition. As a result, the market environment has been one in which profits have been severely constrained.

In regard to business related to eco-materials used as substitutes for plywood, Daiken acquired Kaihatsu Board Corporation in April 2007 (in April 2008, the company name was changed to Aizu Daiken Corporation). With this acquisition, we were able to increase our supply of insulation board (IB), resulting in an increase in sales of 16% compared with the previous year. The sales of MDF, a plywood substitute for which there is increasing demand, and for which price revisions have been implemented, also increased by 9%. As for Dailite, although the number of new housing starts has decreased, we could achieve nearly the same level of sales as the previous year by promoting the use of load bearing face

materials by builders who look at the importance on anti-earthquake performance and durability, and by introducing a new product, “Sarariart”, a humidity regulating wall material made with Dailite.

In June 2007, Daiken also began operating biomass boilers at Okayama Daiken Corporation and Takahagi Daiken Corporation, manufacturing bases for eco-materials, in an effort to reduce energy-related costs and decrease the emission of greenhouse gases. As a result, Daiken could achieve



The Daiken booth at the Eco-Products 2007 Eco Style Fair
Daiken participated in the Eco-Products 2007 Eco Style Fair, which was held on the three days from December 13 to 15, 2007, at Tokyo Big Sight. More than 165,000 people visited the fair, including business representatives, general consumers, and representatives from environmental NPO and NGO groups. The fair provided an excellent venue for Daiken to promote the environmental efforts being made by the company.



The Daiken booth at Nikkei Sumai-no-reform (Interior Reform) Fair 2007
The Daiken booth used living space exhibitions to present remodeling ideas for end users.



Biomass boiler that went into operation at Okayama Daiken Corporation in May 2007

a higher reduction, approximately 16%, than the target set by the Kyoto protocol for greenhouse gas emission (a reduction of 6% compared with 1990) in 2007, and this reduction was even achieved one year earlier than the corresponding period (fiscal 2008 to 2012).

In the area of home furnishing and equipment such as doors and storage units, Daiken has been able to maintain nearly the same level of sales as the previous year by introducing new products such as products designed specifically for apartments and condominiums, the "Relief Art Series" that uses "Uzukuri" tone

sheets, "Stylish Furniture MiSEL" system storage units that provide ideal storage for large-screen flat-panel televisions and which can be used in various combinations.

In the area of interior materials, flooring materials in particular, Daiken has strengthened its marketing and sales of the high-functionality flooring materials, products in which we specialize, and we have also begun marketing "Donauart Slim 6T", an environmentally friendly flooring material that greatly minimizes the load placed on the environment thanks to the use of a special MDF material developed by Daiken. In these ways, Daiken

has been working to strengthen its lineup of products that meet market needs, allowing Daiken to maintain sales at nearly the same level as the previous year.

Business efforts have focused on the expansion of sales of "Kabe-Taisho", an earthquake proofing modification product for the remodeling market, and we have also been working to develop new sales channels that target remodeling specialists. As a result, we realized a large increase in sales in the area of remodeling business, 26%, compared with the previous year.



Donauart Slim 6T
An environmentally friendly flooring material made with special MDF eco-material.



Stylish Furniture MiSEL
This storage system makes it possible to plan functional and stylish storage within your living space.



Relief Art Series
This new series of wooden interior building material has the look and feel of real wood.

Housing and Construction Work Related Business

Net sales in this field for the year in review totaled ¥26,364 million (an increase of 3.3% compared with the previous year), and operating income totaled ¥473 million (an increase of 78.3% compared with the previous year).

Our construction work related business was supported by a

favorable apartment and condominium market, and an increase in orders for interior finish work in apartments and condominiums resulted in a large increase in sales. In the area of housing construction, however, a decrease in orders for custom-built housing resulted in a decrease in sales.



Tokyo Metropolitan Government Building



Sendai Airport, Miyagi



MARUI Department Store, Osaka

Consolidated Balance Sheets

Daiken Corporation and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
ASSETS			
Current assets:			
Cash and deposits	¥ 12,100	¥ 16,563	\$ 120,774
Notes and accounts receivable—trade	28,660	30,699	286,057
Inventories	20,455	22,271	204,162
Partly-finished work	2,755	3,442	27,505
Deferred tax assets	879	976	8,782
Other	2,821	2,894	28,164
Allowance for doubtful accounts	(93)	(121)	(935)
Total current assets	67,579	76,724	674,512
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures	12,495	12,696	124,715
Machinery, equipment and vehicles	13,624	12,362	135,985
Land	15,833	13,925	158,031
Construction in progress	670	1,160	6,693
Other	1,302	1,129	13,004
Total property, plant and equipment	43,926	41,272	438,430
Intangible assets			
Goodwill	1,558	1,455	15,553
Software	379	308	3,789
Other	200	274	2,005
Total Intangible assets	2,138	2,037	21,348
Investments and other assets			
Investment securities	11,239	17,372	112,183
Long-term loans receivable	287	288	2,869
Prepaid pension cost	3,723	4,337	37,166
Deferred tax assets	1,734	89	17,307
Other	2,747	3,494	27,420
Allowance for doubtful accounts	(569)	(1,053)	(5,688)
Total investments and other assets	19,162	24,527	191,258
Total Noncurrent assets	65,227	67,836	651,037
Deferred assets	69	—	689
Bond issuance cost	69	—	689
Total assets	¥ 132,875	¥ 144,560	\$ 1,326,238

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2008	2007	2008
LIABILITIES			
Current liabilities:			
Notes and accounts payable—trade	¥ 20,608	¥ 25,048	\$ 205,693
Short-term loans payable	14,180	10,530	141,532
Current portion of long-term loans payable	4,139	4,052	41,314
Current portion of bonds	—	5,000	—
Accounts payable—other	26,063	35,018	260,140
Income taxes payable	466	806	4,653
Accrued consumption taxes	317	298	3,170
Provision for bonuses	1,492	1,810	14,901
Allowance for restructuring costs and losses	60	820	605
Other	3,591	4,053	35,847
Total current liabilities	70,920	87,435	707,857
Noncurrent liabilities:			
Bonds payable	5,000	—	49,905
Long-term loans payable	12,897	8,873	128,732
Deferred tax liabilities	1,993	1,529	19,893
Provision for product warranties	190	282	1,904
Provision for retirement benefits	3,548	3,633	35,413
Provision for directors' retirement benefits	—	341	—
Negative goodwill	150	127	1,503
Other	1,121	821	11,193
Total Noncurrent liabilities	24,901	15,606	248,546
Total liabilities	95,822	103,041	956,403
NET ASSETS			
Shareholders' equity:			
Common stock	13,150	13,150	131,251
Capital surplus	11,850	11,851	118,281
Retained earnings	9,468	9,658	94,505
Treasury stock	(287)	(25)	(2,872)
Total shareholders' equity	34,181	34,634	341,166
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	310	4,378	3,101
Deferred gains or losses on hedges	(12)	11	(123)
Foreign currency translation adjustment	26	3	266
Total valuation and translation adjustments	324	4,392	3,243
Minority interests	2,547	2,493	25,424
Total net assets	37,053	41,519	369,834
Total liabilities and net assets	¥ 132,875	¥ 144,560	\$ 1,326,238

Consolidated Statements of Income

Daiken Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Net sales	¥ 166,588	¥ 168,258	\$ 1,662,721
Cost of sales	127,419	127,746	1,271,781
Gross profit	39,168	40,512	390,939
Selling, general and administrative expenses	36,271	35,449	362,028
Operating income	2,896	5,063	28,911
Non-operating income:			
Interest and dividends income	261	206	2,612
Other	721	758	7,197
Non-operating expenses:			
Interest expenses	599	451	5,985
Other	666	805	6,652
Ordinary income	2,613	4,771	26,083
Extraordinary income	1,654	149	16,514
Extraordinary loss	1,409	5,809	14,070
Income (loss) before income taxes	2,858	(889)	28,526
Income taxes	1,767	3,066	17,637
Minority interests in income	299	383	2,986
Net income (loss)	¥ 791	¥ (4,338)	\$ 7,903

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Consolidated Statements of Changes in Net Assets

Daiken Corporation and Consolidated Subsidiaries
Year ended March 31, 2008

	Millions of Yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	¥13,150	¥11,850	¥9,657	¥ (25)	¥34,633	¥4,377	¥11	¥ 2	¥4,391	¥2,493	¥41,518
Dividends from surplus			(980)		(980)						(980)
Net income			791		791						791
Purchase of treasury stock				(262)	(262)						(262)
Disposal of treasury stock		0		0	0						0
Net changes of items other than shareholders' equity						(4,066)	(23)	23	(4,066)	53	(4,013)
Balance at March 31, 2008	¥13,150	¥11,850	¥9,468	¥(287)	¥34,181	¥ 310	¥(12)	¥ 26	¥ 324	¥2,547	¥37,053

	Thousands of U.S. Dollars										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	\$131,251	\$118,281	\$ 96,393	\$ (250)	\$345,675	\$43,693	\$ 113	\$ 28	\$43,836	\$24,887	\$414,399
Dividends from surplus			(9,791)		(9,791)						(9,791)
Net income			7,903		7,903						7,903
Purchase of treasury stock				(2,624)	(2,624)						(2,624)
Disposal of treasury stock		0		3	3						3
Net changes of items other than shareholders' equity						(40,592)	(237)	237	(40,592)	537	(40,055)
Balance at March 31, 2008	\$131,251	\$118,281	\$ 94,505	\$(2,872)	\$341,166	\$ 3,101	\$(123)	\$ 266	\$ 3,243	\$25,424	\$369,834

Consolidated Statements of Cash Flows

Daiken Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Cash flows from operating activities			
Income (loss) before income taxes	¥ 2,858	¥ (889)	\$ 28,526
Depreciation and amortization	3,927	3,258	39,204
Impairment loss	–	81	–
Loss on valuation of land for sale	–	4,546	–
Amortization of bond issuance cost	1	–	11
Loss on retirement of noncurrent assets	130	180	1,306
Gain on sales of noncurrent assets	(6)	(5)	(68)
Loss on sales of investment securities	–	137	–
Loss on valuation of investment securities	195	107	1,948
Gain on sales of investment securities	(890)	(1)	(8,892)
Loss on valuation of golf club memberships	–	2	–
Amortization of goodwill	125	76	1,257
Decrease in allowance for doubtful accounts	(509)	(25)	(5,085)
Increase (decrease) in provision for bonuses	(328)	54	(3,280)
Increase (decrease) in allowance for restructuring costs and losses	(759)	620	(7,581)
Increase (decrease) in provision for product warranties	(90)	23	(906)
Increase (decrease) in provision for retirement benefits	553	46	5,527
Increase (decrease) in provision for directors' retirement benefits	(353)	(326)	(3,532)
Interest and dividends income	(261)	(206)	(2,612)
Interest expenses	599	451	5,985
Foreign exchange gains	(4)	(212)	(40)
Equity in earnings of affiliates	(64)	(52)	(645)
Decrease (increase) in notes and accounts receivable-trade	3,128	(4,471)	31,230
Decrease (increase) in inventories	2,552	(2,521)	25,472
Decrease in consumption taxes refund receivable	35	194	351
Increase (decrease) in notes and accounts payable-trade	(13,492)	8,595	(134,672)
Increase in accrued consumption taxes	19	36	194
Other	248	219	2,481
Subtotal	(2,386)	9,917	(23,818)
Interest and dividends income received	262	203	2,618
Interest expenses paid	(600)	(452)	(5,996)
Income taxes paid	(1,052)	(2,225)	(10,501)
Net cash provided by (used in) operating activities	(3,776)	7,443	(37,697)
Cash flows from investing activities			
Payments into time deposits	(2)	–	(19)
Purchase of investment securities	(1,276)	(1,880)	(12,742)
Proceeds from sales of investment securities	1,177	978	11,748
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(630)	–	(6,288)
Purchase of property, plant and equipment	(4,490)	(3,643)	(44,819)
Proceeds from sales of property, plant and equipment	59	28	592
Other	595	25	5,948
Net cash provided by (used in) investment activities	(4,566)	(4,492)	(45,579)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	1,147	(587)	11,457
Proceeds from long-term loans payable	8,561	5,000	85,447
Repayment of long-term loans payable	(4,604)	(4,648)	(45,957)
Proceeds from issuance of bonds	4,929	–	49,204
Redemption of bonds	(5,000)	–	(49,905)
Purchase of treasury stock	(262)	(1)	(2,624)
Cash dividends paid	(980)	(981)	(9,791)
Cash dividends paid to minority shareholders	(91)	(47)	(909)
Other	0	0	3
Net cash provided by (used in) financing activities	3,699	(1,264)	36,924
Effect of exchange rate changes on cash and cash equivalents	(2)	6	(22)
Net increase (decrease) in cash and cash equivalents	(4,646)	1,693	(46,374)
Cash and cash equivalents at beginning of the fiscal year	16,523	14,830	164,917
Increase in cash and cash equivalents from newly consolidated subsidiary	181	–	1,812
Cash and cash equivalents at end of the fiscal year	¥ 12,058	¥ 16,523	\$ 120,355

Notes Related to Consolidated Financial Statements

Daiken Corporation and Consolidated Subsidiaries
March 31, 2008

Summary of significant accounting policies

1. Inventories

Inventories of the Company and its consolidated subsidiaries are stated principally at cost, as determined by the moving average method. For the partly-finished work, a separate method is applied to the cost basis.

2. Securities

Held-to-maturity securities are carried and calculated by the amortized cost method (straight-line method). Marketable securities classified as other securities are carried at fair value, based on market prices on settlement date of accounts, with any changes in unrealized holding gain or loss directly charged to net assets. Cost of securities sold is calculated principally by the moving average method.

3. Method of calculating the depreciation of important assets to be amortized

1) Property, plant and equipment

At Daiken Corporation and its domestic consolidated subsidiaries, the depreciation is primarily computed by the declining-balance method, with the exception of buildings (excluding attached fittings and structures) acquired on or after April 1, 1998, the depreciation of which is computed by the straight-line method. The foreign consolidated subsidiaries use the straight-line method to calculate depreciation.

The principal estimated useful lives are as follows:

Buildings and structures	mainly 3 to 60 years
Machinery, equipment and vehicles	mainly 4 to 15 years

2) Intangible assets

At Daiken Corporation and its domestic consolidated subsidiaries, the depreciation of intangible assets is computed by the straight-line method. The foreign consolidated subsidiaries use the straight-line method to calculate depreciation in conformity with the accounting principles generally accepted in their corresponding countries. Expenditures related to computer software for internal use are amortized by the straight-line method over their estimated useful life in the company, a 5-year period.

4. Provisions and allowances

1) Allowance for doubtful accounts

In order to prepare irrecoverable accounts such as accounts and loans receivable, provisions for doubtful accounts are generally made on the basis of historical default rates. Claims whose possibility of collection is deemed doubtful are provided for in the expected uncollectible amounts, giving due consideration to the specific circumstances.

2) Provision for bonuses

In order to prepare primarily for the payment of bonuses to employees, provisions are based on the expected amounts of payment.

3) Allowance for restructuring costs and losses

In order to prepare for losses on business restructuring, provisions are made based on the estimated costs and losses at the term end.

4) Provision for product warranties

In order to prepare primarily for the payment of expenses expected to occur after the delivery of products, provisions for estimated repairing costs during the term of warranty are made.

5) Provision for retirement benefits

Provisions for employees' retirement benefits are made in the amount deemed necessary at the term end, based on estimated retirement obligations and plan assets. (Regarding the company pension plan, a prepaid pension expense has been appropriated, as the value of the pension plan assets exceeds the amount of the retirement benefit obligation as adjusted for unrecognized prior service cost and net unrecognized actuarial gain or loss.)

Prior service cost is amortized in the year in which the gain or loss is recognized by the straight-line method over the estimated average remaining years of service of the eligible employees (mainly 3 years).

Net unrecognized actuarial gain or loss is amortized commencing the fiscal year following the consolidated fiscal year in which the gain or loss was recognized by the straight-line method over the estimated average remaining years of service of the eligible employees (mainly 10 years).

5. Leases

Finance leases, other than those for which the ownership of the leased asset is to transfer to the lessee, are accounted for by a method similar to that applicable to ordinary operating leases.

6. Consumption tax

Consumption taxes and local consumption taxes withheld and/or paid are not included in the accompanying statements of operations.

7. Depreciation of goodwill and negative goodwill

Consolidation goodwill related to Kaihatsu Board Co., Ltd. is amortized by the straight-line method over 5 years. The depreciation for other subsidiaries is computed by the straight-line method over 20 years.

Notes Related to Consolidated Balance Sheets

1. Accumulated depreciation of property, plant and equipment

¥ 59,084 million

2. Assets pledged as collateral

Buildings and structures	¥ 2,085 million
Machinery, equipment and vehicles	¥ 3,408 million
Land	¥ 2,788 million
Other current assets	¥ 780 million
Other noncurrent assets	¥ 293 million

Total ¥ 9,357 million

Loans corresponding to the above	
Short-term loans payable	¥ 855 million
Current portion of long-term loans payable	¥ 240 million
Long-term loans payable	¥ 634 million

3. Guarantee obligations

For purchasers of houses from our consolidated subsidiaries (Bridge loans for housing loans) ¥ 15 million

For purchasers of land from the Company ¥ 10 million

Total ¥ 25 million

4. Contingent liabilities

Liability for redemption following liquidation of credit ¥ 2,901 million

5. In order to efficiently raise working capital, the Company concluded overdraft contracts and loan commitment contracts with four of our financial institutions.

The unexecuted loan balances related to such overdraft contracts and loan commitment contracts at the term end are as follows:

Maximum overdraft amount and the total amount of loan commitment ¥ 13,200 million

Executed loan amounts —

Total ¥ 13,200 million

Notes Related to Consolidated Statements of Income

1. Primary selling, general and administrative expenses

Transportation and storage expenses	¥11,413 million
Transfer to allowance for doubtful accounts	¥ 14 million
Salaries and allowances	¥ 7,748 million
Transfer to provision for bonuses	¥ 873 million
Transfer to provision for product warranties	¥ 66 million
Expenses for retirement benefits	¥ 1,004 million

2. Research and development costs

Research and development costs are included in the cost of general and administrative expenses and the cost of production for the year ended March 31, 2008, totaling ¥1,657 million.

DAIKEN CORPORATION

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