

KBK

FINANCIAL STATEMENTS **2007**

A MESSAGE FROM THE MANAGEMENT

This report covers Kyokuto Boeki Kaisha, Ltd. (KBK)'s 87th business period—from April 1, 2006, through March 31, 2007—herein referred to as fiscal 2007.

During fiscal 2007, the Japanese economy continued a gradual expansion despite concerns about the impact of sluggish export growth owing to economic deceleration overseas and such factors as inventory adjustment pressures in the IT field. The expansion was supported by such trends as a sustained rise in private-sector capital investment against the backdrop of strong corporate revenues and robust personal consumption.

Amid these conditions, the KBK Group further accelerated the business structure reforms it is making in accordance with the *KBK Wisdom 60 A* medium-term management plan, thereby moving further forward with its transformation into an aggressive company in which each employee is consistently proactive. In its core aerospace and automobile-related operations, for example, the Group worked to bolster its marketing capabilities and build stronger profit structures. At the same time, the Group dynamically moved to address new challenges by creating flexible organizations for undertaking new operations in various fields, such as business related to ubiquitous computing and medical therapy, while further stepping up its proactive efforts to form operational and capital alliances with other companies with respect to activities that include business in overseas markets.

As a result, the Group recorded growth in sales of plastics to automobile manufacturers in North America, sales of coating materials to automobile manufacturers in China, and overall sales of aircraft-related equipment. Those positive factors were partially offset by decreases in sales of thermal electric power generation plant control equipment and public-sector-use equipment, restraining consolidated net sales to ¥94,146 million, down 4.3% from the level in fiscal 2006.

Profitability

Gross profit increased 12.3%, to ¥6,976 million, reflecting the strength of aircraft-related equipment operations and of business related to coating materials and resins within plastics-related operations. Consequently, operating income rose ¥756 million, to ¥870 million. This, along with such factors as equity in profit of affiliates, caused recurring income to surge to ¥1,183 million. Reflecting a tax adjustment associated with an ¥846-million loss on the transfer of LITS Co., Ltd., net income of ¥984 million was reported, an improvement of ¥1,367 million from the ¥382-million net loss in the previous year.


Fund Procurement and Capital Investment

The Group did not undertake major fund procurement or capital investment activities during fiscal 2007.

Future Tasks

Regarding prospective business conditions, the U.S. economy is expected to benefit from rapid export growth against the backdrop of dollar depreciation and strong conditions in overseas economies, but there is concern regarding the possibility of a deceleration in the United States' real economic growth rate due to such factors as a large drop in housing demand owing to an interest rate rise. In the eurozone economy, levels of manufacturing activity and orders are continuing to rise, sustaining the strong performance in the corporate sector. This and additional firm growth in personal consumption are expected to maintain the overall robustness of domestic demand. In Asia outside Japan, continued economic growth centered on China and India is anticipated, but there is concern regarding the possibility that economic overheating will cause a temporary slackening of the region's growth tempo.

Japan's economic conditions are expected to gradually strengthen as exports grow in response to economic expansion overseas, private-sector capital investment remains firm, and personal consumption rises against the



Shinya Araki

President and Chief Executive Officer

backdrop of increasing personal income. On the other hand, it is believed that attention must be focused on the question of when the current expansionary period, which began in January 2001, will shift from deceleration to recession, owing to such factors as concerns regarding deceleration in the U.S. economy due to continued adjustments in the U.S. housing market, the difficulty of forecasting prospective trends in the Chinese economy, and expectations that Japan will increase its consumption tax rate and the Bank of Japan (BOJ) will further raise interest rates.

Although these economic conditions are opaque in numerous respects, the KBK Group will continue to steadily implement its *KBK Wisdom 60 A* medium-term management plan, which calls for measures to progressively reform the Group's business structure and expand its business scope. In November 2007, KBK will celebrate the 60th anniversary of its founding. As reflected in its name, the *KBK Wisdom 60 A* plan is designed to make KBK a strong and noteworthy company as it enters its 60th year of operations. To achieve this goal, we are striving to make full use of the unique business knowledge of each of our employees, internally share the precious experience gained by our predecessors and seniors, and synthesize our collective wisdom in ways that enable us to overcome the challenges that lie ahead.

By continuing to select the strategic businesses we intend to focus on and by redoubling our efforts to concentrate corporate resources in those strategic fields, the KBK Group intends to augment its array of core businesses. Specifically, the Group is strengthening and expanding the capabilities of its marketing bases for responding to domestic and overseas market needs, proactively undertaking the horizontal development of its existing operations, and extending its operations into additional industries and new markets. At the same time, with an eye to fostering the development of next-generation core businesses, the Group is emphasizing the allocation of management resources for building new businesses and is also seeking to arrange business and capital alliances. Moreover, to meet customer needs, we are redoubling our efforts to add unique value to the products we handle as a key means of strengthening the power of the KBK brand and differentiating the Group's operations from those of competitors. Currently, the benefits of our past implementation of such measures are gradually becoming evident. While retaining our focus on these major strategic goals, we are seeking to further accelerate our attainment of those goals.

Regarding management administration, we are aiming to further improve our corporate governance by increasing the functions of our Board of Directors and Board of Auditors and are also moving ahead with measures to increase the rigor of our internal control systems. At the same time, we are endeavoring to ensure the timely and appropriate disclosure to shareholders, investors, and all other stakeholders of information pertaining to the Group's business philosophy, corporate strategies, and other relevant issues. Moreover, the Group has made the improvement of compliance systems and compliance performance top-priority objectives. Accordingly, we are taking additional measures to foster a highly stringent ethical business environment within the Group that guides the activities of all employees based on compliance with legal requirements and corporate ethics standards in all our corporate activities.

I thank KBK's shareholders for their confidence and hope for their continued support.

June 2007



Shinya Araki

President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
March 31, 2006 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2006	2007	2007
Current assets:			
Cash	¥ 1,261	¥ 2,933	\$ 24,847
Time deposits	84	84	712
Notes and accounts receivable	18,570	16,476	139,576
Less: Allowance for doubtful accounts	(110)	(53)	(450)
	19,806	19,441	164,685
Inventories	2,843	2,792	23,653
Deferred income taxes	484	478	4,049
Other current assets	2,596	2,330	19,745
Total current assets	25,730	25,042	212,133
Property and equipment, at cost:			
Buildings	1,028	909	7,701
Equipment	676	670	5,683
	1,705	1,580	13,385
Less: Accumulated depreciation	(1,205)	(1,162)	(9,850)
	499	417	3,534
Land	215	202	1,719
Total property and equipment	714	620	5,253
Investments and other assets:			
Investments in securities	8,918	8,809	74,622
Investments in unconsolidated subsidiaries and affiliates	322	456	3,869
Other assets	1,654	1,643	13,925
Less: Allowance for doubtful accounts	(314)	(472)	(4,004)
Total investments and other assets	10,581	10,436	88,411
Total assets	¥37,026	¥36,099	\$305,799

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.05=US\$1, the exchange rate prevailing at March 31, 2007.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2006	2007	2007
Current liabilities:			
Short-term debt	¥ 861	¥ 910	\$ 7,715
Notes and accounts payable	15,030	13,362	113,195
Accrued income taxes	65	72	617
Allowance for investment losses	249	75	642
Other current liabilities	1,563	1,918	16,255
Total current liabilities	17,771	16,341	138,425
Long-term liabilities:			
Deferred income taxes	672	601	5,093
Reserve for employees' retirement benefits	1,151	1,060	8,981
Reserve for officers' retirement benefits	307	352	2,984
Total long-term liabilities	2,131	2,013	17,059
Total liabilities	19,902	18,355	155,485
Contingent liabilities			
Shareholders' equity:			
Common stock:			
Authorized: 100,000,000 shares			
Issued: 27,899,592 shares at March 31, 2006 and 2007	5,030	5,030	42,610
Capital surplus	4,630	4,630	39,228
Retained earnings	5,738	6,521	55,243
Treasury stock	(331)	(336)	(2,847)
Total shareholders' equity	15,067	15,846	134,234
Valuation and translation adjustments:			
Net unrealized gains on securities	2,155	1,910	16,181
Deferred hedge gain	—	40	342
Foreign currency translation adjustments	(98)	(52)	(445)
Total valuation and translation adjustments	2,056	1,898	16,078
Total net assets	17,124	17,744	150,313
Total liabilities and net assets	¥37,026	¥36,099	\$305,799

CONSOLIDATED STATEMENTS OF OPERATIONS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars (Note)
	2005	2006	2007	2007
Net sales	¥97,312	¥98,420	¥94,146	\$797,509
Cost of sales	90,910	92,210	87,169	738,414
Gross profit	6,402	6,210	6,976	59,095
Selling, general and administrative expenses	6,203	6,096	6,105	51,720
Operating income	199	114	870	7,375
Other income (expenses):				
Interest and dividend income	121	125	152	1,292
Interest expense	(15)	(17)	(13)	(115)
Gain on sale of marketable securities and investments in securities	382	744	195	1,657
Evaluation loss on marketable securities and investments in securities	(40)	(441)	(33)	(286)
Equity in profit (loss) of affiliates	(137)	(169)	150	1,273
Loss on asset impairment	—	(133)	(8)	(75)
Provision for investment losses	—	(249)	—	—
Other, net	(29)	77	(98)	(837)
	280	(64)	343	2,908
Income before income taxes	479	50	1,214	10,283
Income taxes:				
Current	53	94	152	1,287
Deferred	291	338	77	654
	345	432	229	1,942
Net income (loss)	¥ 134	¥ (382)	¥ 984	\$ 8,341
Per share:				
Net income (loss), primary	¥4.90	¥(14.25)	¥36.74	\$0.31
Net income, fully diluted	—	—	—	—
Dividends, historical	7.50	7.50	9.50	0.08
Weighted average number of shares of common stock (in thousands)	27,536	26,822	26,805	

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.05=US\$1, the exchange rate prevailing at March 31, 2007.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Number of shares of common stock (thousands)	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gain (loss) on securities	Deferred hedge gain	Foreign currency translation adjustments
Balance as at March 31, 2004	27,899	¥5,030	¥4,630	¥6,320	¥ (11)	¥1,012	¥—	¥(174)
Cash dividends	—	—	—	(208)	—	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	—	—	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	—	(311)	—	—	—
Net income for the year ended March 31, 2005	—	—	—	134	—	—	—	—
Net unrealized loss on securities, net of income taxes	—	—	—	—	—	(107)	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	(0)
Balance as at March 31, 2005	27,899	5,030	4,630	6,245	(323)	904	—	(174)
Cash dividends	—	—	—	(201)	—	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	(0)	—	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	—	(8)	—	—	—
Gain on disposal of treasury stock	—	—	0	—	—	—	—	—
Increase due to changes in subsidiaries	—	—	—	76	—	—	—	—
Net loss for the year ended March 31, 2006	—	—	—	(382)	—	—	—	—
Net unrealized gain on securities, net of income taxes	—	—	—	—	—	1,250	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	75
Balance as at March 31, 2006	27,899	5,030	4,630	5,738	(331)	2,155	—	(98)
Cash dividends	—	—	—	(201)	—	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	(0)	—	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	—	(4)	—	—	—
Gain on disposal of treasury stock	—	—	0	—	—	—	—	—
Net income for the year ended March 31, 2007	—	—	—	984	—	—	—	—
Net unrealized loss on securities, net of income taxes	—	—	—	—	—	(245)	—	—
Deferred hedge gain	—	—	—	—	—	—	40	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	46
Balance as at March 31, 2007	27,899	¥5,030	¥4,630	¥6,521	¥(336)	¥1,910	¥40	¥ (52)

	Thousands of U.S. dollars (Note)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gain (loss) on securities	Deferred hedge gain	Foreign currency translation adjustments
Balance as at March 31, 2006	\$42,610	\$39,227	\$48,609	\$(2,808)	\$18,257	\$ —	\$(838)
Cash dividends	—	—	(1,703)	—	—	—	—
Directors' and corporate auditors' bonuses	—	—	(4)	—	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	(39)	—	—	—
Gain on disposal of treasury stock	—	0	—	—	—	—	—
Net income for the year ended March 31, 2007	—	—	8,341	—	—	—	—
Net unrealized loss on securities, net of income taxes	—	—	—	—	(2,075)	—	—
Deferred hedge gain	—	—	—	—	—	342	—
Foreign currency translation adjustments	—	—	—	—	—	—	392
Balance as at March 31, 2007	\$42,610	\$39,228	\$55,243	\$(2,847)	\$16,181	\$342	\$(445)

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.05=US\$1, the exchange rate prevailing at March 31, 2007.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars (Note)
	2005	2006	2007	2007
Cash flows from operating activities:				
Income before income taxes	¥ 479	¥ 50	¥1,214	\$10,283
Adjustments for:				
Depreciation and amortization	132	155	151	1,281
Loss on impairment of fixed assets	—	133	8	75
Gain on sale of property	(197)	(0)	(4)	(36)
Equity in loss (profit) of affiliates	137	169	(150)	(1,273)
Net decrease in reserve for retirement benefits	(78)	(54)	(90)	(770)
Increase (decrease) in provision for allowance for doubtful accounts	(77)	6	100	855
Increase (decrease) in provision for allowance for investment losses	—	249	(173)	(1,471)
Interest and dividend income	(121)	(125)	(152)	(1,292)
Interest expense	15	17	13	115
Evaluation loss on marketable securities and investments in securities	40	441	33	286
Loss on property and equipment and inventories	175	6	9	81
Gain on sale of marketable securities and investments in securities	(382)	(744)	(195)	(1,657)
Net increase in accounts receivable	5,075	2,369	2,135	18,087
Net increase in inventories	606	498	65	558
Net decrease (increase) in advance payments	175	(663)	503	4,263
Net decrease (increase) in accrued revenue	(442)	65	(86)	(730)
Net increase (decrease) in other current assets	708	51	(97)	(828)
Net decrease in accounts payable	(4,868)	(3,618)	(1,694)	(14,354)
Net increase in other current liabilities	106	385	223	1,890
Others	49	(91)	217	1,840
Subtotal	1,534	(695)	2,030	17,204
Interest and dividend income received	114	121	171	1,450
Interest expense paid	(17)	(17)	(13)	(115)
Income taxes paid	(45)	(146)	(164)	(1,390)
Net cash provided by (used in) operating activities	1,585	(737)	2,024	17,148
Cash flows from investing activities:				
Payment for making time deposits	(79)	(103)	(72)	(611)
Proceeds from withdrawal of time deposits	—	130	87	740
Payment for acquisition of investment securities	(2,265)	(3,065)	(1,206)	(10,220)
Proceeds from sale of investment securities	1,252	3,619	1,203	10,191
Payment for acquisition of marketable securities	(299)	(100)	(100)	(847)
Proceeds from sale of marketable securities	272	400	100	847
Payment for acquisition of property and equipment	(102)	(69)	(42)	(363)
Proceeds from sale of property and equipment	300	1	56	480
Net decrease in short-term loans	—	(110)	(20)	(169)
Net decrease (increase) in long-term loans	(2)	8	(258)	(2,186)
Others	297	109	48	411
Net cash provided by (used in) investing activities	(626)	820	(203)	(1,726)
Cash flows from financing activities:				
Net decrease (increase) in short-term bank loans	(620)	(708)	46	395
Repayment of long-term debt	(733)	(0)	—	—
Payment for purchase of treasury stock	(311)	(8)	(5)	(43)
Proceeds from sale of treasury stock	—	0	0	3
Cash dividends paid to the Company's shareholders	(208)	(200)	(199)	(1,688)
Net cash used in financing activities	(1,873)	(917)	(157)	(1,332)
Effect of exchange rate changes on cash and cash equivalents	(1)	23	23	195
Net change in cash and cash equivalents	(916)	(811)	1,686	14,284
Cash and cash equivalents at beginning of year	2,999	2,083	1,294	10,963
Cash and cash equivalents of newly consolidated subsidiaries	—	22	—	—
Cash and cash equivalents at end of year	¥2,083	¥1,294	¥2,980	\$25,247

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.05=US\$1, the exchange rate prevailing at March 31, 2007.

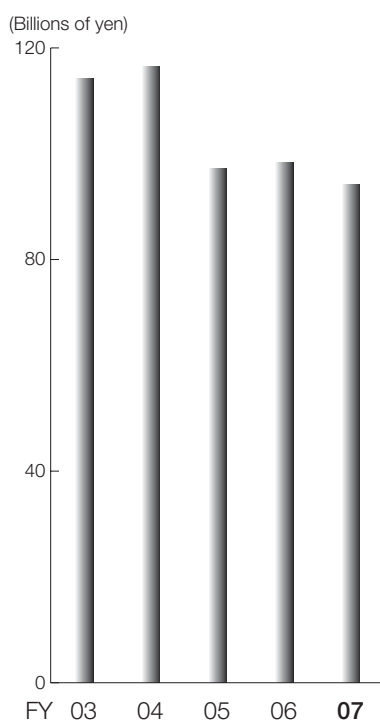
CONSOLIDATED FINANCIAL HIGHLIGHTS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
Years ended March 31

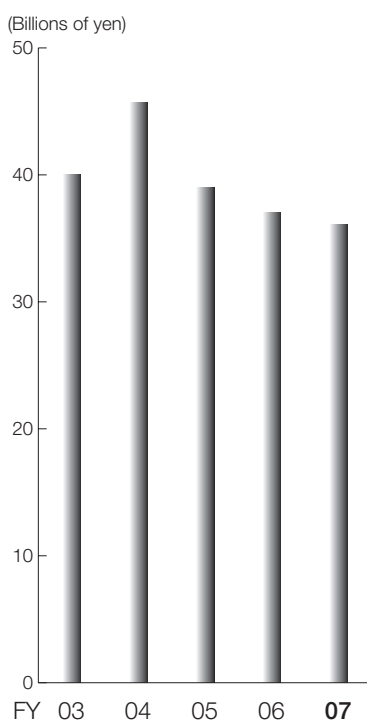
	Millions of yen					Thousands of U.S. dollars (Note)
	2003	2004	2005	2006	2007	2007
For the year:						
Net sales	¥114,181	¥116,531	¥97,312	¥98,420	¥94,146	\$797,509
Net income (loss)	(1,886)	33	134	(382)	984	8,341
At year-end:						
Total assets	40,048	45,695	39,043	37,026	36,099	305,799
Total net assets	16,362	16,807	16,313	17,124	17,744	150,313
	Yen					U.S. dollars (Note)
Per share:						
Net income (loss), primary	¥(67.65)	¥1.18	¥4.90	¥(14.25)	¥36.74	\$0.31
Dividends, historical	5.00	7.50	7.50	7.50	9.50	0.08

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.05=US\$1, the exchange rate prevailing at March 31, 2007.

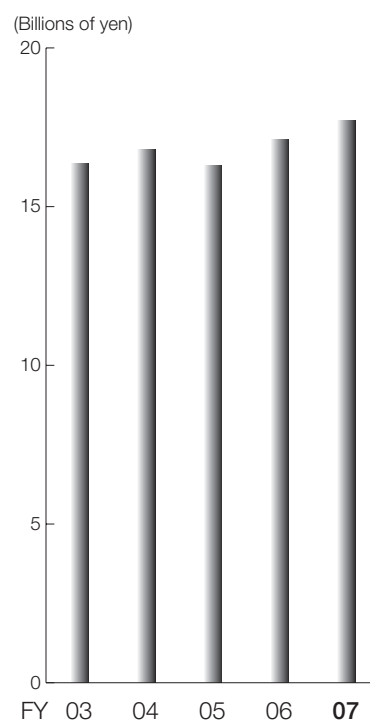
Net Sales



Total Assets



Total Net Assets



REVIEW OF OPERATIONS

Electrical and Energy-Related Division

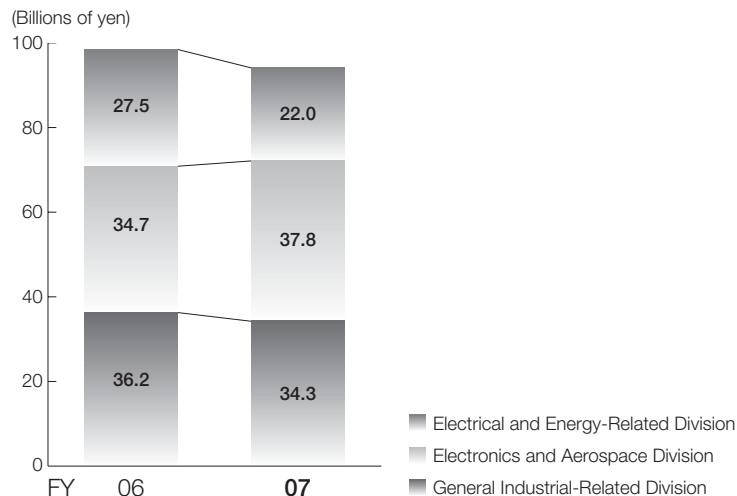
Despite expectations that business in heavy electrical facilities for steelmaking, chemical, and other kinds of plants would grow amid the rise in private-sector capital investment, such factors as the delay of large-scale projects to fiscal 2008 kept heavy electrical facilities sales low. Business in thermal electric power generation plant control equipment was affected by global warming countermeasures and high crude oil prices, which led to the continuation of an extremely harsh environment for obtaining new orders. Regarding business in offshore drilling equipment and other resource development equipment, the Group enjoyed stable demand for related components and consumables, but a cyclical slump in large-scale projects had a negative impact on the Group's performance. Consequently, the division's consolidated net sales amounted to ¥22,007 million, down 19.9% from the previous fiscal year.

Electronics and Aerospace Division

Regarding aircraft-related equipment, KBK addressed strong demand related to aircraft renovation projects and recorded robust sales of electronic equipment for installation on aircraft as well as of peripheral airframe equipment to both governmental and private-sector customers. Regarding electronic equipment, the Company sustained a strong showing in sales of illumination-related components to automobile manufacturers in North America and in sales of electrical devices to both defense-related and private-sector customers in Japan, but sales of electronic components for optical communications equipment were slack. As a result, the division's consolidated net sales totaled ¥37,833 million, up 8.9% from the previous fiscal year.

General Industrial-Related Division

In plastics-related operations, KBK sustained the strength of its sales of coatings to Japan-affiliated automobile manufacturers in China and plastic materials to automobile manufacturers in North America, and sales of household appliance coatings to manufacturers in China surged. Regarding information media manufacturing equipment related business, sales of components were robust, but sales of equipment and materials were weak, owing to slack growth in demand from related industries. Moreover, in public facilities related business, the impact of marketing competition made it impossible to avoid a sales decrease. Thus, the division's consolidated net sales were ¥34,305 million, down 5.2% from the previous fiscal year.



SEGMENT INFORMATION

Segment Information

(1) Information by Business Segment

The Company and its consolidated subsidiaries engage in a comprehensive range of business activities that center on the domestic and overseas trading of various commodities. As a trading company with engineering expertise, the Company provides numerous financial and other services that are integrated with its trading transactions.

The business segment categories used correspond to categories the Company uses to organize its business management structure.

The business segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2006 is as follows:

	Millions of yen					Consolidated
	Electrical and Energy-Related Division	Electronics and Aerospace Division	General Industrial-Related Division	Total	Elimination or corporate	
I. Sales and operating income						
Sales						
(1) Sales to external customers	¥27,484	¥34,744	¥36,191	¥98,420	¥ —	¥98,420
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	27,484	34,744	36,191	98,420	—	98,420
Operating expenses	27,526	34,715	36,066	98,309	(2)	98,306
Operating income (loss)	¥ (42)	¥ 28	¥ 125	¥ 111	¥ 2	¥ 114
II. Total assets, depreciation and capital expenditures						
Total assets	¥ 2,995	¥ 5,309	¥14,217	¥22,522	¥14,503	¥37,026
Depreciation and amortization	2	35	5	43	111	155
Loss on impairment of fixed assets	—	—	—	—	133	133
Capital expenditures	0	42	5	48	24	72

Notes: 1. Business classification method:

Businesses are classified based on similarities among products and markets.

2. Capital expenditures include long-term prepaid expenses.

3. Principal products in each business segment:

Business Segment	Principal Products
Electrical and Energy-Related Division	Electrical machinery facilities, measuring and control systems, drilling equipment, oil and gas exploration services and other natural resource development equipment
Electronics and Aerospace Division	Electronic equipment, electronic components and software, image processing equipment, aircraft-mounted avionics, ground support electronic equipment, aircraft machinery and automotive illumination equipment
General Industrial-Related Division	Steel, nonferrous metals, automobile chemicals, ships, plant engineering related machinery, environmental preservation facilities, composite materials manufacturing facilities, textile processing machinery, food processing machinery, resin processing machinery, painting facilities, measuring and analysis devices and associated secondary foodstuff materials, industrial resins and paints, construction materials, synthetic composite materials, drop-forged products and textile products

4. The amount of corporate assets, included in those under the elimination or corporate heading, was ¥14,503 million. The principal items were the Company's surplus funds under management (cash and marketable securities), long-term investment funds (investment securities), administrative division related assets and other assets.

The business segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2007 is as follows:

	Millions of yen					
	Electrical and Energy-Related Division	Electronics and Aerospace Division	General Industrial-Related Division	Total	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	¥22,007	¥37,833	¥34,305	¥94,146	¥ —	¥94,146
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	22,007	37,833	34,305	94,146	—	94,146
Operating expenses	21,898	37,547	33,829	93,276	(0)	93,275
Operating income	¥ 108	¥ 285	¥ 475	¥ 869	¥ 0	¥ 870
II. Total assets, depreciation and capital expenditures						
Total assets	¥ 1,869	¥ 5,372	¥13,176	¥20,418	¥15,681	¥36,099
Depreciation and amortization	2	34	3	40	109	150
Loss on impairment of fixed assets	—	—	—	—	8	8
Capital expenditures	—	36	0	36	11	47

	Thousands of U.S. dollars					
	Electrical and Energy-Related Division	Electronics and Aerospace Division	General Industrial-Related Division	Total	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	\$186,426	\$320,484	\$290,598	\$797,509	\$ —	\$797,509
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	186,426	320,484	290,598	797,509	—	797,509
Operating expenses	185,505	318,063	286,572	790,141	(6)	790,134
Operating income	\$ 920	\$ 2,421	\$ 4,026	\$ 7,368	\$ 6	\$ 7,375
II. Total assets, depreciation and capital expenditures						
Total assets	\$ 15,837	\$ 45,509	\$111,614	\$172,961	\$132,837	\$305,799
Depreciation and amortization	17	293	33	345	927	1,273
Loss on impairment of fixed assets	—	—	—	—	75	75
Capital expenditures	—	306	6	312	93	406

Notes: 1. Business classification method:

Businesses are classified based on similarities among products and markets.

2. Capital expenditures include long-term prepaid expenses.

3. Principal products in each business segment:

Business Segment	Principal Products
Electrical and Energy-Related Division	Electrical machinery facilities, measuring and control systems, drilling equipment, oil and gas exploration services and other natural resource development equipment
Electronics and Aerospace Division	Electronic equipment, electronic components and software, image processing equipment, aircraft-mounted avionics, ground support electronic equipment, aircraft machinery and automotive illumination equipment
General Industrial-Related Division	Steel, nonferrous metals, automobile chemicals, ships, plant engineering related machinery, environmental preservation facilities, composite materials manufacturing facilities, textile processing machinery, food processing machinery, resin processing machinery, painting facilities, measuring and analysis devices and associated secondary foodstuff materials, industrial resins and paints, construction materials, synthetic composite materials, drop-forged products and textile products

4. The amount of corporate assets, included in those under the elimination or corporate heading, was ¥15,681 million (US\$132,837 thousand). The principal items were the Company's surplus funds under management (cash and marketable securities), long-term investment funds (investment securities), administrative division related assets and other assets.

(2) Segment Information by Geographical Area

The Company's operating results by geographical area for the year ended March 31, 2006 are summarized as follows:

	Millions of yen					Consolidated
	Japan	North America	Southeast Asia	Total	Elimination or corporate	
I. Sales and operating income						
Sales						
(1) Sales to external customers	¥89,591	¥4,326	¥4,502	¥ 98,420	¥ —	¥98,420
(2) Intersegment internal sales or transfers	931	2,353	12	3,297	(3,297)	—
Total	90,523	6,680	4,515	101,718	(3,297)	98,420
Operating expenses	90,583	6,637	4,381	101,601	(3,295)	98,306
Operating income (loss)	¥ (59)	¥ 42	¥ 133	¥ 116	¥ (1)	¥ 114
II. Assets	¥21,813	¥1,341	¥ 808	¥ 23,963	¥13,062	¥37,026

Notes: 1. The country or regional classification categories are based on geographical contiguity.

2. Principal regional classifications other than Japan:

(1) North America: United States, Canada (2) Southeast Asia: Taiwan

The Company's operating results by geographical area for the year ended March 31, 2007 are summarized as follows:

	Millions of yen					Consolidated
	Japan	North America	Southeast Asia	Total	Elimination or corporate	
I. Sales and operating income						
Sales						
(1) Sales to external customers	¥86,230	¥4,330	¥3,585	¥94,146	¥ —	¥94,146
(2) Intersegment internal sales or transfers	1,253	2,353	19	3,626	(3,626)	—
Total	87,483	6,684	3,604	97,772	(3,626)	94,146
Operating expenses	86,971	6,625	3,301	96,897	(3,622)	93,275
Operating income	¥ 512	¥ 58	¥ 303	¥ 874	¥ (3)	¥ 870
II. Assets	¥19,239	¥1,432	¥1,123	¥21,795	¥14,304	¥36,099

	Thousands of U.S. dollars					Consolidated
	Japan	North America	Southeast Asia	Total	Elimination or corporate	
I. Sales and operating income						
Sales						
(1) Sales to external customers	\$730,453	\$36,685	\$30,369	\$797,509	\$ —	\$797,509
(2) Intersegment internal sales or transfers	10,620	19,934	162	30,718	(30,718)	—
Total	741,074	56,620	30,532	828,227	(30,718)	797,509
Operating expenses	736,734	56,122	27,963	820,821	(30,687)	790,134
Operating income	\$ 4,339	\$ 497	\$ 2,568	\$ 7,406	\$ (30)	\$ 7,375
II. Assets	\$162,980	\$12,131	\$ 9,513	\$184,626	\$121,172	\$305,799

Notes: 1. The country or regional classification categories are based on geographical contiguity.

2. Principal regional classifications other than Japan:

(1) North America: United States, Canada (2) Southeast Asia: China, Taiwan

(3) Overseas Sales

Overseas sales information of the Company and its consolidated subsidiaries for the fiscal year ended March 31, 2006 is as follows:

	Millions of yen				Total
	North America	Europe	Southeast Asia	Other areas	
I. Overseas sales	¥21,344	¥1,661	¥7,857	¥20	¥30,884
II. Consolidated sales					98,420
III. Overseas sales as proportion of consolidated sales	21.7%	1.7%	8.0%	0.0%	31.4%

Notes: 1. The regional classification categories are based on geographical contiguity.

2. Principal regional classifications:

- (1) North America: United States
- (2) Europe: Netherlands, United Kingdom, Sweden, Italy, Norway
- (3) Southeast Asia: Taiwan, China, Singapore, South Korea, Thailand
- (4) Other areas: The United Arab Emirates, Iran

3. Overseas sales are sales of the Company and its consolidated subsidiaries to countries and regions other than Japan.

Overseas sales information of the Company and its consolidated subsidiaries for the fiscal year ended March 31, 2007 is as follows:

	Millions of yen				Total
	North America	Europe	Southeast Asia	Other areas	
I. Overseas sales	¥22,016	¥1,955	¥7,112	¥210	¥31,294
II. Consolidated sales					94,146
III. Overseas sales as proportion of consolidated sales	23.4%	2.1%	7.6%	0.2%	33.2%

	Thousands of U.S. dollars				Total
	North America	Europe	Southeast Asia	Other areas	
I. Overseas sales	\$186,501	\$16,564	\$60,252	\$1,779	\$265,096
II. Consolidated sales					797,509

Notes: 1. The regional classification categories are based on geographical contiguity.

2. Principal regional classifications:

- (1) North America: United States
- (2) Europe: France, Italy, United Kingdom, Sweden
- (3) Southeast Asia: China, Taiwan, Singapore
- (4) Other areas: Turkey

3. Overseas sales are sales of the Company and its consolidated subsidiaries to countries and regions other than Japan.

OVERSEAS NETWORK

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Sendai Branch
Nagoya Branch
Osaka Branch
Hiroshima Branch
Fukuoka Branch

Subsidiaries

Nippon System Industries Corporation
KBK Office Works Co., Ltd.
KBK Frontier Co., Ltd.

(As of July 31, 2007)

CORPORATE INFORMATION

▶ Chairman and Chief Compliance Officer

Kunihiko Irie*

▶ President and Chief Executive Officer

Shinya Araki*

▶ Senior Managing Directors

Hiroshi Inoue

Hiroshi Sato

Masami Kurihara

▶ Directors

Toshifumi Takei

Shigetoshi Kimura

Satoru Kuze

Akira Hirosaka

▶ Corporate Auditors

Shigeru Okuyama

Hideto Miyaguchi

Kozo Fujita

Nobuhiko Tanabe

▶ Established

November 27, 1947

▶ Paid-in Capital

¥5,030 million (US\$42,610 thousand)

▶ Number of Employees

253

▶ Common Stock

Authorized: 100,000,000 shares

Issued: 27,899,592 shares

▶ Number of Shareholders

4,024

*Representative Directors

(As of June 19, 2007)

KYOKUTO BOEKI KAISHA, LTD.

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