Consolidated Financial Statements

Asanuma Corporation

Years ended March 31, 2010 and 2009
with Report of Independent Auditors

Asanuma Corporation

Consolidated Financial Statements

Years ended March 31, 2010 and 2009

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Report of Independent Auditors

The Board of Directors
Asanuma Corporation

We have audited the accompanying consolidated balance sheets of Asanuma Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asanuma Corporation and consolidated subsidiaries at March 31, 2010 and 2009, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 2.

Osaka, Japan
June 25, 2010

Asanuma Corporation

Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	**2009**	**2010**
Assets			
Current assets:			
Cash and cash deposits *(Notes 6 and 16)*	**¥ 24,766**	¥ 42,007	**$ 266,187**
Receivables:			
Notes receivable *(Note 16)*	**3,532**	6,990	**37,962**
Accounts receivable on completed construction contracts *(Note 16)*	**57,469**	40,869	**617,680**
Other accounts receivable	**2,669**	2,357	**28,687**
Allowance for doubtful accounts	**(232)**	(460)	**(2,494)**
	63,438	49,756	**681,835**
Inventories:			
Real estate held for sale	**1,166**	1,195	**12,532**
Cost of uncompleted construction contracts	**16,128**	32,879	**173,345**
Raw materials and supplies	**55**	161	**591**
	17,349	34,235	**186,468**
Deferred income taxes *(Note 9)*	**1**	1	**11**
Other current assets	**1,252**	592	**13,457**
Total current assets	**106,806**	126,591	**1,147,958**
Property, plant and equipment, at cost:			
Land *(Note 8)*	**6,394**	6,453	**68,723**
Buildings and structures *(Note 8)*	**14,490**	14,890	**155,739**
Machinery, equipment and vehicles	**2,209**	2,354	**23,742**
Tools, furniture and fixtures	**1,645**	1,645	**17,681**
Leased assets	**57**	25	**613**
Less accumulated depreciation	**(13,126)**	(13,282)	**(141,079)**
Property, plant and equipment, net	**11,669**	12,085	**125,419**
Investments and other assets:			
Investments in securities *(Notes 7, 8 and 16)*	**6,147**	5,735	**66,068**
Investments in unconsolidated subsidiaries and affiliates	**76**	69	**817**
Long-term loans receivable *(Note 8)*	**404**	768	**4,342**
Intangible assets	**539**	566	**5,793**
Other assets	**2,095**	2,098	**22,517**
Allowance for doubtful accounts	**(231)**	(74)	**(2,482)**
Total investments and other assets	**9,030**	9,162	**97,055**
Total assets	**¥ 127,505**	¥ 147,838	**$ 1,370,432**

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	**2009**	**2010**
Liabilities			
Current liabilities:			
Short-term bank loans *(Notes 8 and 16)*	**¥ 24,573**	¥ 29,630	**$ 264,112**
Current portion of long-term debt *(Note 8)*	**5,353**	1,230	**57,534**
Payables *(Note 16)*:			
Notes payable	**3,352**	5,045	**36,028**
Accounts payable on construction contracts	**23,530**	30,642	**252,902**
Other accounts payable	**12,381**	19,090	**133,072**
	39,263	54,777	**422,002**
Advances received on uncompleted construction contracts	**10,416**	20,604	**111,952**
Deposits received	**3,252**	3,111	**34,953**
Accrued expenses	**968**	1,417	**10,404**
Consumption taxes on advances received	**1,410**	1,785	**15,155**
Accrued income taxes *(Note 9)*	**292**	324	**3,138**
Deferred income taxes *(Note 9)*	**14**	23	**150**
Provision for compensation for completed construction	**679**	619	**7,298**
Provision for bonuses	**328**	275	**3,525**
Provision for loss on construction contracts	**406**	918	**4,364**
Other current liabilities	**64**	165	**688**
Total current liabilities	**87,018**	114,878	**935,275**
Long-term liabilities:			
Long-term debt *(Notes 8 and 16)*	**10,358**	3,925	**111,329**
Accrued retirement benefits for employees *(Note 10)*	**7,687**	7,165	**82,620**
Deferred income taxes *(Note 9)*	**1,634**	1,489	**17,562**
Other long-term liabilities	**985**	1,324	**10,587**
Total long-term liabilities	**20,664**	13,903	**222,098**
Contingent liabilities *(Note 11)*			
Net assets			
Shareholders' equity *(Note 12)*:			
Common stock:			
Authorized – 293,565,000 shares			
Issued – 77,386,293 shares in 2010 and – 2009	**8,419**	8,419	**90,488**
Capital surplus	**4,641**	4,641	**49,882**
Retained earnings	**6,007**	5,522	**64,564**
Less treasury stock, at cost	**(135)**	(134)	**(1,451)**
Total shareholders' equity	**18,932**	18,448	**203,483**
Valuation:			
Net unrealized holding gain on securities *(Note 7)*	**872**	609	**9,372**
Total valuation	**872**	609	**9,372**
Minority interests	**19**	–	**204**
Total net assets	**19,823**	19,057	**213,059**
Total liabilities and net assets	**¥ 127,505**	¥ 147,838	**$ 1,370,432**

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statements of Income

Years ended March 31, 2010 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2010	**2009**	**2010**
Net sales:			
Completed construction contracts	**¥ 152,727**	¥ 180,637	**$ 1,641,520**
Other	**2,161**	1,237	**23,226**
	154,888	181,874	**1,664,746**
Cost of sales *(Note 13)*:			
Completed construction contracts	**144,487**	172,197	**1,552,955**
Other	**1,688**	804	**18,143**
	146,175	173,001	**1,571,098**
Gross profit:			
Completed construction contracts	**8,240**	8,440	**88,565**
Other	**473**	433	**5,083**
	8,713	8,873	**93,648**
Selling, general and administrative expenses *(Note 14)*	**7,162**	7,899	**76,978**
Operating income	**1,551**	974	**16,670**
Other income (expenses):			
Interest and dividend income	**310**	298	**3,332**
Interest expense	**(797)**	(673)	**(8,566)**
Guarantee fees	**(29)**	(23)	**(312)**
Prior period adjustment, net	**87**	(16)	**935**
Gain on sales of investments in securities, net	**–**	1,330	**–**
Gain on sales of fixed assets	**91**	333	**978**
Loss on repairs of completed construction	**(133)**	(339)	**(1,429)**
Loss on impairment of tangible fixed assets	**(1)**	(1)	**(11)**
Provision of allowance for doubtful accounts	**(157)**	(217)	**(1,688)**
Other, net	**(110)**	(1,042)	**(1,182)**
Income before income taxes and minority interests	**812**	624	**8,727**
Income taxes *(Note 9)*:			
Current	**316**	358	**3,396**
Deferred	**(20)**	(7)	**(215)**
	296	351	**3,181**
Minority interests	**31**	–	**333**
Net income	**¥ 485**	¥ 273	**$ 5,213**

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2010 and 2009

	Millions of yen						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Minority interests	Total net assets
Balance at March 31, 2008	¥ 8,419	¥ 4,641	¥ 5,249	¥ (133)	¥ 3,486	¥ –	¥ 21,662
Net income for the year	–	–	273	–	–	–	273
Sales of treasury stock	–	(0)	–	1	–	–	1
Increase in treasury stock	–	–	–	(2)	–	–	(2)
Net change in items other than shareholders' equity	–	–	–	–	(2,877)	–	(2,877)
Balance at March 31, 2009	**¥ 8,419**	**¥ 4,641**	**¥ 5,522**	**¥ (134)**	**¥ 609**	**¥ –**	**¥ 19,057**
Net income for the year	**–**	**–**	**485**	**–**	**–**	**–**	**485**
Sales of treasury stock	**–**	**(0)**	**–**	**0**	**–**	**–**	**0**
Increase in treasury stock	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Net effect in minority interests resulting from inclusion of subsidiaries in consolidation	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**
Net change in items other than shareholders' equity	**–**	**–**	**–**	**–**	**263**	**31**	**294**
Balance at March 31, 2010	**¥ 8,419**	**¥ 4,641**	**¥ 6,007**	**¥ (135)**	**¥ 872**	**¥ 19**	**¥ 19,823**

	Thousands of U.S. dollars (Note 2)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Minority interests	Total net assets
Balance at March 31, 2009	**$ 90,488**	**$ 49,882**	**$ 59,351**	**$ (1,440)**	**$ 6,545**	**$ –**	**$ 204,826**
Net income for the year	**–**	**–**	**5,213**	**–**	**–**	**–**	**5,213**
Sales of treasury stock	**–**	**(0)**	**–**	**0**	**–**	**–**	**0**
Increase in treasury stock	**–**	**–**	**–**	**(11)**	**–**	**–**	**(11)**
Net effect in minority interests resulting from inclusion of subsidiaries in consolidation	**–**	**–**	**–**	**–**	**–**	**(129)**	**(129)**
Net change in items other than shareholders' equity	**–**	**–**	**–**	**–**	**2,827**	**333**	**3,160**
Balance at March 31, 2010	**$ 90,488**	**$ 49,882**	**$ 64,564**	**$ (1,451)**	**$ 9,372**	**$ 204**	**$213,059**

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statements of Cash Flows

Years ended March 31, 2010 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2010	**2009**	**2010**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **812**	¥ 624	$ **8,727**
Adjustments for:			
Depreciation and amortization	**542**	543	**5,825**
Impairment loss	**1**	1	**11**
(Decrease) increase in allowance for doubtful accounts	**(71)**	215	**(763)**
Increase (decrease) in provision for bonuses	**53**	(173)	**570**
Increase in accrued retirement benefits for employees	**522**	8	**5,610**
Interest and dividend income	**(310)**	(298)	**(3,332)**
Interest expense	**797**	673	**8,566**
Foreign exchange losses	**16**	10	**172**
Gain on sales of investments in securities, net	**(4)**	(1,330)	**(43)**
Loss on valuation of investments in securities	**4**	294	**43**
Gain on sales of property, plant and equipment	**(91)**	(333)	**(978)**
Loss on valuation of membership rights	**1**	46	**11**
Loss on valuation of inventories	**29**	1	**312**
(Increase) decrease in receivables	**(4,676)**	25,420	**(50,258)**
Decrease in inventories	**16,857**	2,046	**181,180**
Decrease in payables	**(10,294)**	(17,164)	**(110,064)**
Decrease in advances received on uncompleted construction contracts	**(10,187)**	(1,533)	**(109,490)**
Other, net	**(8,990)**	5,609	**(96,626)**
Subtotal	**(14,989)**	14,659	**(161,103)**
Interest and dividends received	**316**	283	**3,396**
Interest paid	**(754)**	(701)	**(8,104)**
Income taxes paid	**(348)**	(152)	**(3,740)**
Net cash (used in) provided by operating activities	**(15,775)**	14,089	**(169,551)**
Cash flows from investing activities:			
Net decrease in time deposits	**49**	53	**527**
Purchases of property, plant and equipment	**(50)**	(69)	**(537)**
Proceeds from sales of property, plant and equipment	**225**	497	**2,418**
Purchases of intangible assets	**(120)**	(193)	**(1,290)**
Purchases of investments in securities	**(6)**	(3)	**(64)**
Proceeds from sales of investments in securities	**8**	3,120	**86**
Investments in loans receivable	**(58)**	(43)	**(623)**
Collection of loans receivable	**134**	21	**1,440**
Other, net	**15**	15	**160**
Net cash provided by investing activities	¥ **197**	¥ 3,398	$ **2,117**

Asanuma Corporation

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2010 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2010	**2009**	**2010**
Cash flows from financing activities:			
Decrease in short-term bank loans, net	**¥ (1,216)**	¥ (3,960)	**$ (13,070)**
Proceeds from long-term debt	**1,678**	–	**18,035**
Repayment of long-term debt	**(2,534)**	(1,230)	**(27,236)**
Repayments of lease obligations	**(10)**	(3)	**(107)**
Repayments for deposits received from membership	**(336)**	(263)	**(3,611)**
Proceeds from stock issuance to minority shareholders of consolidated subsidiary	**2**	–	**22**
Other, net	**0**	(1)	**0**
Net cash used in financing activities	**(2,416)**	(5,457)	**(25,967)**
Effect of exchange rate changes on cash and cash equivalents	**(16)**	(10)	**(172)**
Net (decrease) increase in cash and cash equivalents	**(18,011)**	12,020	**(193,583)**
Cash and cash equivalents at beginning of year	**41,958**	29,938	**450,967**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**819**	–	**8,803**
Cash and cash equivalents at end of year *(Note 6)*	**¥ 24,766**	¥ 41,958	**$ 266,187**

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Notes to Consolidated Financial Statements

Years ended March 31, 2010 and 2009

1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements of Asanuma Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2009 to the 2010 presentation. Such reclassifications had no effect on consolidated net income or net assets.

2. U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥93.04 = U.S.$1.00, the exchange rate prevailing on March 31, 2010. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

3. Principles of Consolidation

At March 31, 2010 and 2009, the Company had 6 and 5 subsidiaries, respectively. The consolidated financial statements for the year ended March 31, 2010 include the accounts of the Company and its 5 subsidiaries. There were 2 subsidiaries included in consolidation for the year ended March 31, 2009. The Company decided to include 3 subsidiaries from the Private Finance Initiative ("PFI") business in consolidation because of the increased materiality of the PFI business for the Company in the fiscal year ended March 31, 2010.

The Company applied the equity method to its investments in 3 affiliates, at March 31, 2010, and 2 unconsolidated subsidiaries and 2 affiliates at March 31, 2009 for the purpose of consolidated financial statements for the years then ended.

The accounts of the remaining subsidiary was not consolidated nor the equity method applied because its assets, retained earnings, net sales and net income in the aggregate were not material to the consolidated financial statements.

4. Summary of Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(b) Investments in securities

Investments in securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are stated at fair value. Gain and loss, both realized and unrealized, are credited and charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

4. Summary of Significant Accounting Policies (continued)

(d) Inventories

Real estate held for sale is stated at the lower of cost or net selling value, cost being determined on an individual project basis. Uncompleted construction contracts are stated at cost determined on an individual project basis. Raw materials and supplies are stated at the lower of cost or market value, cost being determined by the period average method.

(e) Property, plant and equipment (Other than leased assets)

Property, plant and equipment is stated on the basis of cost. Depreciation is calculated by the declining-balance method over the estimated useful lives of the respective assets; however, the straight-line method is applied to buildings (except for structures attached to the buildings) acquired on or after April 1, 1998.

Supplementary information

Effective the year ended March 31, 2009, based on the revision of the Corporation Tax Law of Japan, the Company and its consolidated subsidiaries have changed the useful life of machinery to reflect more realistic useful lives. The effect of this change on operating results for the year ended March 31, 2009 was immaterial.

(f) Computer software (Other than leased assets)

Expenditures related to computer software developed for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as intangible assets and amortized by the straight-line method over an estimated useful life of 5 years.

4. Summary of Significant Accounting Policies (continued)

(g) Leases

Leased assets held under finance leases that transfer ownership are depreciated by using the economic useful lives of leased assets. For finance leases that do not transfer ownership, depreciation expense is calculated based on the straight-line method over the leased period of the lease with a residual value of zero. In addition, finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

(h) Provision for compensation for completed construction

A provision for compensation for completed construction is provided for anticipated future costs arising from warranties on completed construction.

(i) Provision for bonuses

A provision for bonuses is provided at the estimated amount of bonuses to be paid as allocated to the current fiscal year.

(j) Provision for loss on construction contracts

A provision for loss on construction contracts is provided for anticipated future losses on uncompleted construction projects.

(k) Accrued retirement benefits

Accrued retirement benefits for employees are provided at the retirement benefit obligation less the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated average remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method principally over a ten-year period, which is shorter than the average remaining years of service of the eligible employees.

4. Summary of Significant Accounting Policies (continued)

(l) Income taxes

Deferred income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between financial reporting and the tax bases of the assets and liabilities which will result in taxable or deductible amounts in the future. The calculation of deferred tax assets and liabilities is based on the enacted tax laws. Valuation allowances are utilized to reduce deferred tax assets to the amount that management believes is more likely than not to be realized. In assessing the likelihood of realization, the Company considers all currently available evidence for future years, both positive and negative, supplemented by information regarding historical results for each tax jurisdiction.

(m) Hedge accounting

Gain or loss on derivatives positions designated as hedges is deferred until the loss or gain on the respective underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt.

(n) Revenue recognition

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

Net sales related to construction contracts accounted for by the percentage-of-completion method totaled ¥88,241 million ($948,420 thousand) and ¥80,370 million for the years ended March 31, 2010 and 2009, respectively.

5. Changes in Method of Accounting

(1) Recognizing revenues and cost of construction contracts

Up to the year ended March 31, 2009, revenue and cost of construction contracts were mainly recognized by the completed-contract method, though the specific construction projects which took longer than one year and exceeded ¥1,000 million, applied the percentage-of-completion method for recognition of revenue and cost.

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No.15 issued on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18 issued on December 27, 2007).

Under the new accounting standard and guidance, revenue from, and related cost of, construction contracts that commenced on or after April 1, 2009, are mainly recognized by the percentage-of-completion method.

As a result of the adoption of these standards, net sales of completed construction contracts increased by ¥9,501 million ($102,117 thousand) and operating income and income before income taxes and minority interests increased by ¥375 million ($4,031 thousand) for the year ended March 31, 2010 from the corresponding amounts which would have been recorded under the method applied in the previous year.

(2) Partial amendments to accounting standard for retirement benefits

Effective the year ended March 31, 2010, the Company adopted Partial Amendments to Accounting Standard for Retirement Benefits (Part3) (ASBJ Statement No.19 issued on July 31, 2008). The effect of the adoption of this amendment on operating income and income before income taxes and minority interests was nil for the year ended March 31, 2010.

(3) Changes in method of measuring of inventories

Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries have adopted “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No.9 issued on July 5, 2006). The effect of this change on operating results was nil for the year ended March 31, 2009.

5. Changes in Method of Accounting (continued)

(4) Accounting for leases

Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007). According to the new accounting standard, lease transactions are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. The effect of this change on operating results was immaterial for the year ended March 31, 2009.

6. Cash and Cash Equivalents

The balances of cash and cash deposits in the accompanying consolidated balance sheets at March 31, 2010 and 2009 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	**2009**	**2010**
Cash and cash deposits	**¥ 24,766**	¥ 42,007	**$ 266,187**
Time deposits with original maturities in excess of three months	**–**	(49)	**–**
Cash and cash equivalents	**¥ 24,766**	¥ 41,958	**$ 266,187**

7. Investments in Securities

At March 31, 2010 and 2009, marketable securities classified as held-to-maturity debt securities were as follows:

	Millions of yen					
	2010			**2009**		
	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:						
Government and municipal bonds	**¥ 30**	**¥ 31**	**¥ 1**	¥ 30	¥ 31	¥ 1
	¥ 30	**¥ 31**	**¥ 1**	¥ 30	¥ 31	¥ 1

	Thousands of U.S. dollars		
	2010		
	Carrying value	Estimated fair value	Unrealized gain
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	**$ 322**	**$ 333**	**$11**
	$ 322	**$ 333**	**$11**

At March 31, 2010 and 2009, marketable securities classified as other securities were as follows:

	Millions of yen					
	2010			**2009**		
	Acquisition costs	Carrying value	Unrealized holding gain (loss)	Acquisition costs	Carrying value	Unrealized holding gain (loss)
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥ 2,907**	**¥ 4,379**	**¥ 1,472**	¥ 2,318	¥ 3,461	¥ 1,143
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**1,012**	**919**	**(93)**	1,600	1,418	(182)
	¥ 3,919	**¥ 5,298**	**¥ 1,379**	¥ 3,918	¥ 4,879	¥ 961

7. Investments in Securities (continued)

	Thousands of U.S. dollars		
	2010		
	Acquisition costs	Carrying value	Unrealized holding gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$ 31,245**	**$ 47,066**	**$ 15,821**
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**10,877**	**9,877**	**(1,000)**
	$ 42,122	**$ 56,943**	**$ 14,821**

Refer to Note 16 for the redemption schedule at March 31, 2010 of held-to-maturity debt securities.

8. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans from banks had average interest rates of 1.8% at March 31, 2010 and 1.7% at March 31, 2009.

Long-term debt at March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	**2009**	**2010**
Unsecured loans from banks, payable in yen, at rates ranging from 1.34% to 3.56%	**¥ 4,007**	¥ 5,155	**$ 43,068**
Secured loans from insurance companies, payable in yen at rates ranging from 1.59% to 2.56%	**11,704**	–	**125,795**
Total	**15,711**	5,155	**168,863**
Less current portion included in current liabilities	**(5,353)**	(1,230)	**(57,534)**
	¥10,358	¥ 3,925	**$111,329**

8. Short-Term Bank Loans and Long-Term Debt (continued)

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2011	**¥ 5,353**	**$ 57,535**
2012	**2,547**	**27,375**
2013	**953**	**10,243**
2014 and thereafter	**6,858**	**73,710**
	¥15,711	**$168,863**

Assets pledged at March 31, 2010 as collateral for a loan amounted to ¥2,106 million ($22,635) of the Company are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Land	**¥ 1,951**	**$ 20,969**
Buildings and structures	**911**	**9,792**
	¥ 2,862	**$ 30,761**

All assets of the consolidated subsidiaries engaged in the PFI business were pledged as collateral for their loans under the project finance agreements. Assets pledged at March 31, 2010 amounted to ¥10,197 million ($109,598 thousand) as collateral for loans of ¥9,598 million ($107,160 thousand).

Assets pledged at March 31, 2010 as collateral for loans of affiliates which are engaged in a PFI business are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Investments in securities	**¥ 50**	**$ 538**
Long-term loans receivable	**170**	**1,827**
	¥ 220	**$ 2,365**

9. Income Taxes

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.8% for the years ended March 31, 2010 and 2009.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2010 and 2009 as a percentage of income before income taxes is summarized as follows:

	2010	**2009**
Statutory tax rate	**40.8 %**	40.8 %
Permanently non-tax-deductible expenses	**12.1**	22.5
Permanently non-taxable income	**(1.7)**	(5.8)
Per capita portion of inhabitants' taxes	**16.7**	23.9
Tax credit for corporate tax	**(1.4)**	–
Valuation allowance	**(27.3)**	(18.2)
Unrecognized deferred income tax relating to excess of cost over equity in net assets of subsidiaries and other	**(2.6)**	(6.6)
Other	**(0.1)**	(0.4)
Effective tax rates	**36.5 %**	56.2 %

9. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2009	**2010**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 303**	¥ 699	**$ 3,257**
Provision for bonuses	**140**	99	**1,505**
Provision for compensation for completed construction	**277**	253	**2,977**
Inventories	**170**	158	**1,827**
Provision for loss on construction contracts	**166**	375	**1,784**
Accrued retirement benefits for employees	**3,071**	2,813	**33,007**
Loss on impairment of tangible fixed assets	**449**	382	**4,826**
Loss on revaluation of fixed assets and other	**1,353**	1,367	**14,542**
Loss on revaluation of investments	**225**	223	**2,418**
Additional retirement benefits	**–**	245	**–**
Tax loss carryforwards	**29**	42	**312**
Unrealized profit on intercompany transactions	**51**	52	**548**
Other	**499**	553	**5,364**
Gross deferred tax assets	**6,733**	7,261	**72,367**
Less valuation allowance	**(6,682)**	(7,209)	**(71,819)**
Total deferred tax assets	**51**	52	**548**
Deferred tax liabilities:			
Unrealized holding gain on securities	**(508)**	(352)	**(5,461)**
Deferred capital gains on property	**(1,185)**	(1,197)	**(12,736)**
Other	**(6)**	(15)	**(64)**
Total deferred tax liabilities	**(1,699)**	(1,564)	**(18,261)**
Net deferred tax liabilities	**¥ (1,648)**	¥ (1,512)	**$ (17,713)**

10. Retirement Benefits

The Company and its consolidated subsidiaries have defined benefit pension plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. In addition to the retirement benefit plans described above, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2009 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		*Thousands of U.S. dollars*
	2010	**2009**	**2010**
Retirement benefit obligation	**¥ (26,919)**	¥ (30,113)	**$ (289,327)**
Plan assets at fair value	**16,529**	16,677	**177,655**
Unfunded retirement benefit obligation	**(10,390)**	(13,436)	**(111,672)**
Unrecognized actuarial loss	**2,703**	6,271	**29,052**
Accrued retirement benefits for employees	**¥ (7,687)**	¥ (7,165)	**$ (82,620)**

As permitted under the accounting standard for retirement benefits, one consolidated subsidiary calculates its retirement benefit obligation for employees by a simplified method.

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	**2009**	**2010**
Service cost	**¥ 650**	¥ 694	**$ 6,986**
Interest cost	**588**	632	**6,320**
Expected return on plan assets	**(333)**	(448)	**(3,579)**
Amortization of unrecognized actuarial loss	**1,023**	610	**10,995**
Retirement benefit expenses	**¥ 1,928**	¥ 1,488	**$ 20,722**

10. Retirement Benefits (continued)

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%

11. Contingent Liabilities

At March 31, 2010, the Company was contingently liable for guarantees of deposits for condominium purchase agreements held by a condominium sales company in the amount of ¥50 million ($734 thousand).

12. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2010 and 2009 amounted to ¥2,104 million ($22,614 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

12. Shareholders' Equity (continued)

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2010 and 2009 are summarized as follows:

	Number of shares			
	2010			
	March 31, 2009	Increase	Decrease	March 31, 2010
Shares of common stock in issue	**77,386,293**	**–**	**–**	**77,386,293**
Treasury stock	**1,254,924**	**8,024**	**930**	**1,262,018**

	Number of shares			
	2009			
	March 31, 2008	Increase	Decrease	March 31, 2009
Shares of common stock in issue	77,386,293	–	–	77,386,293
Treasury stock	1,234,310	27,850	7,236	1,254,924

13. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the year ended March 31, 2010 amounted to ¥406 million ($4,364 thousand).

14. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 amounted to ¥138 million ($1,483 thousand) and ¥202 million, respectively.

15. Leases

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company and its consolidated subsidiaries are accounted for in the same manner as operating leases.

15. Leases (continued)

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2010 and 2009, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Company and its consolidated subsidiaries are lessees and which are currently accounted for as operating leases:

	Millions of yen					
	2010			**2009**		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Tools, furniture and fixtures	**¥ 27**	**¥ 17**	**¥ 10**	¥ 27	¥ 12	¥ 15

	Thousands of U.S. dollars		
	2010		
	Acquisition costs	Accumulated depreciation	Net book value
Tools, furniture and fixtures	**$ 290**	**$ 183**	**$ 107**

Lease payments related to finance leases accounted for as operating leases, depreciation and interest expense, which have not been reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009, were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	**2009**	**2010**
Lease payments	**¥ 6**	¥ 7	**$ 65**
Depreciation	**5**	6	**54**
Interest expense	**1**	1	**11**

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2010 under finance leases other than those which transfer ownership of the leased property to the Company and its consolidated subsidiaries are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2011	**¥ 5**	**$ 54**
2012 and thereafter	**5**	**54**
	¥ 10	**$ 108**

16. Financial Instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries manage their funds by investing only in short-term deposits, and primarily raise funds by borrowings from banks. The purpose of entering into derivative transactions is to mitigate fluctuation risk related to interest rates with respect to loans payable, and derivative transactions are not carried out for speculative purposes.

(2) Types of financial instruments, related risk and risk management for financial instruments

Notes and accounts receivable on completed construction contracts are subject to the credit risk of customers. Regarding this risk, the Company and its consolidated subsidiaries monitor due dates and outstanding balances by individual customer, and the credit worthiness of their main customers.

For investment securities, the Company and consolidated subsidiaries review the fair values of such financial instruments every quarter.

Notes and accounts payable on construction contracts are operating obligations and mostly are payable within one year.

Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Company utilizes interest rate swaps as a hedging instrument. In addition, the Company has established internal policies which include procedures and authorization processes governing derivatives and complies fully with these guidelines.

(3) Supplementary explanation of the market value of financial instruments

The market value of financial instruments is based on the market price, and when no market price exists, a rationally calculated amount is used. These calculations include variable factors, so the resulting amount may change if different underlying assumptions are applied.

16. Financial Instruments (continued)

The carrying value, estimated fair value and resulting differences as of March 31, 2010, are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2010		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	**¥ 24,766**	**¥ 24,766**	**¥ –**
Notes and accounts receivable on completed construction contracts	**61,001**	**61,312**	**311**
Investments in securities	**5,328**	**5,329**	**1**
Total assets	**¥ 91,095**	**¥ 91,407**	**¥ 312**
Notes and accounts payable on construction contracts	**¥ 26,883**	**¥ 26,883**	**¥ –**
Short-term bank loans	**29,926**	**29,926**	**–**
Accounts payable-other	**12,381**	**12,381**	**–**
Long-term debt	**10,358**	**10,354**	**(4)**
Total liabilities	**¥ 79,548**	**¥ 79,544**	**¥ (4)**

	Thousands of U.S. dollars		
	2010		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	**$ 266,187**	**$ 266,187**	**$ –**
Notes and accounts receivable on completed construction contracts	**655,643**	**658,985**	**3,342**
Investments in securities	**57,265**	**57,276**	**11**
Total assets	**$ 979,095**	**$ 982,448**	**$ 3,353**
Notes and accounts payable on construction contracts	**$ 288,940**	**$ 288,940**	**$ –**
Short-term bank loans	**321,647**	**321,647**	**–**
Accounts payable-other	**133,072**	**133,072**	**–**
Long-term debt	**111,328**	**111,285**	**(43)**
Total liabilities	**$ 854,987**	**$ 854,944**	**$ (43)**

16. Financial Instruments (continued)

Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions:

Cash and cash deposits
Since these items are settled in a short period of time, their carrying values approximate the fair value.

Notes and accounts receivable on completed construction contracts
For the valuation of notes and accounts receivable on completed construction contracts, the Company and its consolidated subsidiaries use the present value based on assumptions such as the collection term of each receivable and discount rates reflected in each credit risk.

Investments in securities
The estimated fair values of equity securities are based on quoted market prices. The estimated fair value of debt securities are based on the price provided by the financial institutions making markets in these securities.

Notes and accounts payable on construction contracts, and short-term bank loans
Since these items are settled in a short period of time, their carrying values approximate the fair value.

Long-term debt
The estimated fair values of long-term debt are based on present value of the total amount including principal and interest, discounted by the expected interest rate in the case of new borrowings of the same loan as in the amount of the balance as of the end of the period. Floating interest rates for long-term loans were hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The estimated fair value of those long-term loans is reasonably based on the present value of the total of principals, interests and net cash flows of swap agreements discounted by the interest rates, estimated reasonably, applicable to loans made under similar circumstances.

Derivatives transactions
Refer to the Note 17 for fair value information at March 31, 2010 of derivative transactions.

Financial instruments for which it is extremely difficult to determine the fair value: Unlisted equity securities of ¥895 million ($9,620 thousand) reflected in the consolidated balance sheet at March 31, 2010 are based neither on market value nor estimated future cash flow, and it is difficult to determine the estimated fair value. Therefore, they are not included in the above table.

16. Financial Instruments (continued)

The redemption schedule for receivables and marketable securities with maturity dates at March 31, 2010 is summarized as follows:

	Millions of yen		
	Within 1 year	Over 1 year within 5 years	Over 5 years
Cash deposits	**¥ 24,759**	**¥ –**	**¥ –**
Notes and accounts receivable on completed construction contracts	**52,225**	**3,831**	**4,945**
Investments in securities			
Held-to-maturity debt securities	**–**	**30**	**–**
Total assets	**¥ 76,984**	**¥ 3,861**	**¥ 4,945**

	Thousands of U.S. dollars		
	Within 1 year	Over 1 year within 5 years	Over 5 years
Cash deposits	**$ 266,111**	**$ –**	**$ –**
Notes and accounts receivable on completed construction contracts	**561,318**	**41,176**	**53,149**
Investments in securities			
Held-to-maturity debt securities	**–**	**322**	**–**
Total assets	**$ 827,429**	**$ 41,498**	**$ 53,149**

Refer to Note 8 for the redemption schedule at March 31, 2010 of long-term debt.

Supplementary information

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 issued on March 10, 2008).

17. Derivatives

The Company utilizes interest-rate swaps to hedge the risk of fluctuation in interest rates on its borrowings. The Company does not enter into derivatives transactions for speculative or short-term trading purposes.

The Company is exposed to certain market risk arising from interest-rate swap agreements. It is also exposed to the risk of credit loss in the event of nonperformance by the counterparties with respect to interest-rate swap agreements; however, the Company does not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings. In addition, the Company has established internal policies which include procedures and authorization processes governing derivatives and complies fully with these guidelines.

Derivative transaction to which hedge accounting is applied

Interest-rate related transactions

		Millions of yen		
		2010		
Method of hedge accounting	Transaction	Notional amount	(Including portion in excess of one year)	Estimated fair value
Swap rate applied to underlying debt	Interest rate swap: Receive / floating and pay / fixed	**¥ 2,915**	**¥ (850)**	**(*)**
	Total	**¥ 2,915**	**¥ (850)**	**(*)**

		Thousands of U.S. dollars		
		2010		
Method of hedge accounting	Transaction	Notional amount	(Including portion in excess of one year)	Estimated fair value
Swap rate applied to underlying debt	Interest rate swap Receive / floating and pay / fixed	**$ 31,331**	**$ (9,136)**	**(*)**
	Total	**$ 31,331**	**$ (9,136)**	**(*)**

*Because interest rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans payable, their fair values were included in long-term loans payable.

18. Transaction with Related Party

Transactions and balances with related parties as of and for the year ended March 31, 2009 were as follows.

	2009			
	Transactions		*Balances*	
Name of affiliated company	Type of transaction	*Millions of yen*	Account name	*Millions of yen*
JOHOKU SYMPHONIA Co., Ltd.	Construction order	**¥ 2,527**	Accounts receivable on completed construction contracts	**¥ 2,463**

The Company owns 49.0% of voting rights of JOHOKU SYMPHONIA Co., Ltd., which operates a PFI business.

JOHOKU SYMPHONIA Co., Ltd. is included in consolidation of the Company for the year ended March 31, 2010. As a result, there is no disclosure to be required as of and for the year ended March 31, 2010. In addition, there were no other related party transactions to be disclosed for the year ended March 31, 2010.

Effective the year ended March 31, 2009, the Company has adopted a new accounting standard, “Accounting Standard for Related Party Disclosures” (ASBJ, Statement No.11) and “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ, Guidance No. 13). The accounting standard requires disclosure of related party transactions.

19. Amounts per Share

Amounts per share at March 31, 2010 and 2009 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2010	**2009**	**2010**
Net assets	**¥ 260.16**	¥ 250.32	**$ 2.80**
Net income	**6.37**	3.59	**0.07**

Information used in the computation of net income per share for the years ended March 31, 2010 and 2009 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	**2009**	**2010**
Net income	**¥ 485**	¥ 273	**$ 5,213**
Net income not applicable to common shareholders	**–**	–	**–**
Net income used in the calculation of net income per share	**¥ 485**	¥ 273	**$ 5,213**

	Thousands of shares	
	2010	**2009**
Weighted-average number of shares used in the calculation of net income per share	**76,127**	76,146

Net assets per share are based on the number of shares of common stock outstanding at the year end.

Net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted amounts per share have not been presented for the years ended March 31, 2010 and 2009 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2010 and 2009.