Notes to the Consolidated Financial Statements

For the years ended March 31, 2009 and 2008

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of THE NIPPON ROAD CO., LTD. (the “Company”) and its consolidated subsidiaries (hereinafter referred to collectively as the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2009, the consolidated financial statements included the accounts of the Company and its 42 (44 at March 31, 2008) subsidiaries (39 domestic subsidiaries and 3 overseas subsidiaries). During the year ended March 31, 2009, two subsidiaries were excluded from the consolidation due to a merger with another consolidated subsidiary. All assets and liabilities of consolidated subsidiaries were revalued to fair market value as of the date of establishment of control. Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in the net assets of the subsidiary, if any at the date of establishment of control, were expensed when incurred, as any such difference was minor. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unconsolidated subsidiaries and affiliates did not have a material effect on the consolidated financial statements of the Companies and therefore they were excluded from consolidation. They were not accounted for using the equity method for the reason described above.

Overseas consolidated subsidiaries adopted accounting principles generally accepted in their respective countries and no adjustments were made to their financial statements in consolidation, as allowed under accounting principles and practices generally accepted in Japan. In addition, the financial statements of three overseas subsidiaries (Nippon Road (M) Sdn. Bhd., Thai Nippon Road Co., Ltd. and Thai Nippon Holding Ltd.) were prepared on a calendar-year basis. Significant transactions that occurred between January 1 and March 31 were reflected in the accompanying consolidated financial statements.

(2) Valuation of Securities

Securities held by the Companies are classified into two categories:

a) Held-to-maturity debt securities that the Companies intend to hold to maturity are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.

b) Marketable equity securities for which market quotations are available are stated at fair value. Net unrealized gains and losses, net of the related tax effect, on these securities are reported as a separate component of “Shareholders’ Equity”.
Non-marketable equity securities for which market quotations are unavailable are valued at cost, cost being determined by the moving average method.

(3) Inventory Valuation

Inventories are classified into three categories:

a) Merchandise and b) the cost of uncompleted construction contracts, are valued at cost as determined by the job order costing method. (The balance sheet amounts of the inventories are calculated at the reduced book values reflecting potential decline in profitability.)

c) Raw materials are valued at cost as determined by the moving average method. (The balance sheet amounts of the inventories are calculated at the reduced book values reflecting potential decline in profitability.)

(Change in accounting policies)

Effective the year ended March 31, 2009 the Company and domestic consolidated subsidiaries have applied “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Statement No. 9, July 5, 2006).

As a result, operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥114 million ($1,161thousand), respectively.

The effects of this change in specific segments are described in the Segment Information section.

(4) Tangible Fixed Assets

Tangible fixed assets of the Company and its domestic subsidiaries, excluding leased assets, are principally depreciated using the declining-balance method over the estimated useful lives of the assets. However, the straight-line method has been applied to buildings, excluding building fixtures, acquired after April 1, 1998, over the estimated useful lives of the assets.

Leased assets are depreciated using the straight-line method over the lease term.

Tangible fixed assets of overseas subsidiaries are principally depreciated using the straight-line method over the estimated useful lives of the assets.

Normal repairs and maintenance, including minor renewals and improvements, are charged to expense as incurred.

Estimated useful lives range from 3 to 50 years for buildings and structures, and from 2 to 20 years for machinery, equipment, and leased assets.

(Supplementary Information)

The Company and its domestic consolidated subsidiaries reviewed the useful life of machinery and equipment pursuant to revisions to the Corporation Tax Law, and applied the revised useful lives during the year ended March 31, 2009.

The effect of the application of this change on profit and loss was immaterial.

(5) Intangible Assets

Amortization of intangible assets and long-term prepaid expenses included in "Other investments" are computed using the straight-line method, over the estimated useful lives.

Software for internal use is amortized over the expected useful life of the software (5 years) on a straight-line basis.

(6) Reserves and Allowances

(i) Allowance for doubtful accounts

The Company and its domestic subsidiaries provide an allowance for doubtful accounts based on a historical default ratio, in addition to the amount of potential losses from uncollectible receivables based on management's estimate.

The foreign consolidated subsidiaries provide for potential losses from uncollectible receivables based on management's estimate.

(ii) Warranty provision for completed construction contracts

A warranty reserve for completed construction contracts is provided at an estimated amount, based on the actual level of defects and the related warranty costs specified in the completed construction contracts.

(iii) Provision for loss on construction contracts

The Company provides a reasonable estimated amount for future loss on construction contracts outstanding at the year-end.

(iv) Accrued bonus to directors and statutory auditors

To prepare for payment of bonuses to directors and statutory auditors, a reserve for bonus is provided based on the estimated amount of bonus to be paid.

(v) Employee retirement benefits

A reserve for retirement benefits to employees is provided at an amount equal to the present value of the projected benefit obligation less the fair value of the plan assets at year-end.

Unrecognized past service costs are amortized on a straight-line basis over 12 years from the year in which they occur.

Unrecognized actuarial differences are amortized on a straight-line basis over 12 years from the year after they occur.

(7) Translation of Foreign Currency

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rate. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate prevailing for the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity.

(8) Hedge Accounting

The derivatives designated as hedging instruments by the Companies are principally interest rate swaps.

The Companies have a policy to utilize hedging instruments in order to reduce the Companies' risk of fluctuations in interest rates. Therefore, the Companies' purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

Unrealized gains or losses from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability until gains on losses relating to the hedge items are recognized. However, interest rate swaps, if they meet the conditions for hedge accounting and their nominal amount, terms of interest and contract period are substantially the same as those of hedged items, are not valued at fair value, but are accrued net of the swap interest paid and received.

The Companies evaluate the effectiveness of their hedging activities, except for interest rate swaps which meet the conditions described above, with reference to the correlation between fluctuation in the market value of hedged items and hedging instruments accumulated from the commencement of the hedges.

(9) Revenue Recognition

The Company and its domestic consolidated subsidiaries adopt the completion method in recognition of revenue and costs relating to all construction contracts. The foreign consolidated subsidiaries adopt the percentage of completion method.

Regarding revenue recognition related to finance lease transactions, sales and cost of sales are recognized at the time the lease fees are received.

(10) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(11) Accounting for Consumption Tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions).

The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services are not included in the amounts of respective revenue and cost or expense items in the accompanying consolidated statements of income. The consumption tax withheld and consumption tax paid is recorded as assets or liabilities and the net balance is included in "Accounts payable - other" in the consolidated balance sheets.

(12) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

The Company and its subsidiaries adopt deferred tax accounting in accordance with the amended regulations for the preparation of consolidated financial statements. Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(13) Appropriation of Retained Earnings

Until the year ended March 31, 2006, under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors was subject to approval by the shareholders at a meeting, which must be held within three months of the end of each financial year. The appropriations of retained earnings reflected in the accompanying consolidated financial statements included the results of such appropriations applicable to the immediately preceding financial year as approved at the shareholders' meeting and effected during the relevant year. Dividends were paid to shareholders on the shareholders' register as of the end of each financial year. As was customary practice in Japan, the payment of bonuses to directors and corporate auditors was made out of retained earnings through an appropriation, instead of being charged to the expense of the year.

The Japanese Commercial Code provided that interim cash dividends may be paid as a part of the annual dividend upon approval by the Board of Directors. The Company did not pay such interim dividends to its shareholders.

Effective from May 1,2007, under the Japanese Corporate Law, such cash dividends are able to be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

(14) Legal Reserves

Under the Japanese Corporate Law, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Japanese Corporate Law requires that an amount equal to at least 10% of cash dividends and other cash appropriations are appropriated and set aside as legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. If the total amount of the legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, the legal reserve and additional paid-in capital are available for dividends by resolution of the shareholders' meeting. In the accompanying financial statements, the legal reserve is included in retained earnings and additional paid-in capital is included in capital surplus.

The maximum amount the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Corporate Law.

(15) New Accounting Standard for Lease Transactions

Formerly, finance lease transactions not involving the transfer of ownership were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective from the fiscal year ended March 31, 2009, the Company and domestic consolidated subsidiaries applied "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, Business Accounting Council Committee No. 1, June 17, 1993, revised March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, the Japanese Institute of Certified Public Accountants, Accounting Committee. January 18, 1994, revised March 30, 2007). Accordingly, such transactions are now accounted for as ordinary sale and purchase transactions.

As for the transactions of finance leases without transfer of ownerships started before April 1, 2008, amounts of leased assets offset by its accumulated depreciations were reclassified as "Lease investment assets" at April 1, 2008 as a beginning balance.

The effect of the application of this standard on profit and loss was immaterial.

(16) Pracitical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Fianancial Statements

Effective from the year ended March 31, 2009, the Companies applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements” (ASBJ Practial Issues Task Force (PITF) No. 18, May 17, 2006) and amended the consolidated financial statements as required.

The effect of the application of this standard on profit and loss was immaterial.

(17) Changes in the Accounting Presentation

Changes in the accounting presentation were made in the consolidated balance sheets at March 31, 2009 as follows:

During the year ended March 31, 2009, the Company applied a Cabinet Office Ordinance (Cabinet Office Ordinance 50, August 7, 2008) that revised certain regulations governing financial statements and other matters. As a result, the Inventories in the financial statements at March 31, 2008 has been reclassified into Merchandise and Raw materials to conform to the presentation at March 31, 2009.

The amount of “Merchandise” included in “Other inventories” at March 31, 2008 was ¥2,974 million. The amount of “Raw material” included in “Other inventories” at March 31, 2008 was ¥694 million.

Changes in the accounting presentation were made in the consolidated statements of income for the year ended March 31, 2009 as follows:

“Bad debt recovered” was individually presented from the year ended March 31, 2009. It was included in “Gain on prior period adjustments, net” for the year ended March 31, 2008. The amount of “Bad debt recovered” for the year ended March 31, 2008 was ¥39 million.

Changes in the accounting presentation were made in the consolidated statements of cash flows for the year ended March 31, 2009 as follows:

i) “Acquisition of intangible assets” in the cash flows from investing activities was included in “others” for the year ended March 31, 2009 because it was immaterial. It was individually itemized for the year ended March 31, 2008. The amount of “Acquisition of intangible assets” included in “others” in the cash flows from investing activities for the year ended March 31, 2009 was ¥(12) million.

ii) "Proceeds from sale of investment securities" in the cash flows from investing activities was individually itemized from the year ended March 31, 2009 because it was significant. It was included in "others" for the year ended March 31, 2008. The amount of "Proceeds from sale of investment securities" included in "others" in the cash flows from investing activities for the year ended March 31, 2008 was ¥29 million.

iii) "Net decrease in short-term loans receivable" in the cash flows from investing activities was included in "others" for the year ended March 31, 2009 because it was immaterial. It was individually itemized for the year ended March 31, 2008. The amount of "Net decrease in short-term loans receivable" included in "others" in the cash flows from investing activities for the year ended March 31, 2009 was ¥3 million.

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥98.26=U.S. $1, the approximate rate of exchange prevailing at March 31, 2009 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

4. Notes to the Consolidated Balance Sheets

(1) Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2009**	2008	**2009**
Investment securities (corporate stock)	**¥187**	¥187	**$1,906**

(2) Pledged Assets

The following assets were pledged as collateral in substitution for guarantee money paid.

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2009**	2008	**2009**
Investment securities	**¥ 94**	¥45	**$ 958**
Long-term Loans			
(Investments and Other Assets "Other")....................	**70**	-	**712**
	¥164	¥45	**$1,670**

(3) Contingent Liabilities

As of March 31, 2009 and 2008, the Company was contingently liable for guarantees as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2009**	2008	**2009**
SPC Toyota Traffic education	**¥266**	¥-	**$2,705**
Guarantees of loans from banks	**6**	9	**67**
	¥272	¥9	**$2,772**

(4) Commitments

The Company had a total of ¥4,300 million ($43,761 thousand) of overdraft contracts and credit lines from two banks to facilitate the availability of efficient funds as of March 31, 2009 and 2008, respectively. The unutilized portion was ¥4,300 million ($43,761 thousand) as of March 31, 2009 and 2008, respectively.

5. Notes to the Consolidated Statements of Income

(1) Inventories at March 31, 2009 were stated at reduced book values reflecting potential decline in profitability. Inventory valuation totaling ¥114 million ($1,161 thousand) was included in cost of sales.

(2) The major components of "Selling, General and Administrative Expenses"

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2009**	2008	**2009**
Employees' salaries and allowances	**¥3,918**	¥4,043	**$39,872**
Net periodic pension expense	**134**	103	**1,365**
Accrued bonus to directors	**32**	9	**323**
Provision of allowance for doubtful accounts	**214**	78	**2,177**

(3) Research and Development Expenses

Research and development expenses, which were included in general and administrative expenses, amounted to ¥306 million ($3,119 thousand) for the year ended March 31, 2009 and ¥323 million for the year ended March 31, 2008.

(4) Components of gain on sale of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2009**	2008	**2009**
Machinery and equipment and others	**¥8**	¥6	**$84**

(5) Components of loss on sale of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2009**	2008	**2009**
Land	**¥164**	¥ -	**$1,670**
Others	**14**	22	**144**
	¥178	¥22	**$1,814**

(6) Components of loss on disposal of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2009**	2008	**2009**
Buildings	**¥ 79**	¥ 89	**$ 810**
Structures	**-**	52	**-**
Machinery and equipment	**28**	59	**281**
Others	**38**	83	**392**
	¥145	¥283	**¥1,483**

(7) Impairment loss on fixed assets

The Companies recognized an impairment loss of ¥368 million ($3,748 thousand) and ¥265 million for the following group of assets during the year ended March 31, 2009 and March 31, 2008, respectively.

				Impairment loss		
Branch	Segment	Use	Category	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31				**2009**	2008	**2009**
Kyusyu branch	Construction	Business offices, machinery, and others	Land	**¥ -**	¥ 13	**$ -**
			Others	**11**	-	**109**
	Others	Others	Land	**-**	244	**-**
Hokkaido branch	Construction	Business offices, machinery, and others	Buildings ...	**¥ 65**	¥ -	**$ 664**
			Others	**40**	-	**412**
			Land	**96**	-	**978**
-	-	Idle assets	Land	**¥156**	-	**$1,585**
			Others	**-**	¥ 8	**-**

The Companies assessed impairment for each group of assets, which were grouped on the basis of managerial accounting, branch and segment, and for idle assets, individually.

As a result of the deterioration of the business environment, operating profitability worsened substantially. Therefore, the Companies decided to write down the above assets to their recoverable value, and recognized an impairment loss.

The recoverable value was determined at the net selling value. The net selling value of land was based on the price of deals or the assessed value of fixed assets, reduced by estimated disposal costs.

6. Notes to the Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2009

(1) Type and number of outstanding shares

	Thousands of shares			
Type of shares	Balance at March 31, 2008	Increase in shares during the year	Decrease in shares during the year	Balance at March 31, 2009
Issued stock:				
Common stock	97,616	-	-	97,616
Treasury stock:				
Common stock	2,662	7,356	550	9,468

(2) Dividends

(i) Dividends paid to shareholders

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of US dollars)	Resources	Amount per share (Yen)	Amount per share (US dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 15, 2008)	Common stock	¥285	$2,844	Retained earnings	¥3	$0.03	March 31, 2008	June 9, 2008

(ii) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of US dollars)	Resources	Amount per share (Yen)	Amount per share (US dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 15, 2009)	Common stock	¥352	$3,588	Retained earnings	¥4	$0.04	March 31, 2009	June 8, 2009

For the year ended March 31, 2008

(1) Type and number of outstanding shares

Type of shares	Balance at March 31, 2007	Increase in shares during the year	Decrease in shares during the year	Balance at March 31, 2008
	Thousands of shares			
Issued stock:				
Common stock.....................................	97,616	-	-	97,616
Treasury stock:				
Common stock.....................................	2,639	23	-	2,662

(2) Dividends

(i) Dividends paid to shareholders

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of US dollars)	Resources	Amount per share (Yen)	Amount per share (US dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 21, 2007)	Common stock	¥285	$2,413	Retained earnings	¥3	$0.03	March 31, 2007	June 11, 2007

(ii) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of US dollars)	Resources	Amount per share (Yen)	Amount per share (US dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 15, 2008)	Common stock	¥285	$2,844	Retained earnings	¥3	$0.03	March 31, 2008	June 9, 2008

7. Notes to the Consolidated Statements of Cash Flows

Cash and Cash Equivalents at March 31, 2009 and 2008 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2009**	2008	**2009**
Cash and deposits	**¥18,116**	¥20,830	**$184,370**
Certificates of deposit (Short-term investment securities)	**3,500**	-	**35,620**
Cash and cash equivalents	**¥21,616**	¥20,830	**$219,990**

8. Leases

Information regarding finance leases as lessor for the years ended March 31, 2009 was as follows:

(1) Detailes of Lease investment assets

Current assets

March 31, 2009	Millions of yen	Thousands of U.S. dollars (Note 3)
Lease receivables	**¥4,136**	**$42,088**
Estimated salvage value	**811**	**8,256**
Receipt interest equivalent value	**(938)**	**(9,543)**
Lease investment assets	**¥4,009**	**$40,801**

(2) The receiving schedule after April 1, 2009 of lease receivables and investment assets was as follows:

Lease receivables (Current assets)

March 31, 2009	Millions of yen	Thousands of U.S. dollars (Note 3)
2010	¥36	$365
2011	22	227
2012	17	174
2013	14	138
2014	2	24
2015	8	78

Lease investment assets (Current assets)

March 31, 2009	Millions of yen	Thousands of U.S. dollars (Note 3)
2010	¥1,543	$15,707
2011	1,163	11,839
2012	772	7,851
2013	454	4,623
2014	171	1,740
2015	32	328

Information regarding operating lease transactions for the year ended March 31, 2009 was as follows:

Future minimum lease payments on noncancellable leases

March 31, 2009	Millions of yen	Thousands of U.S. dollars (Note 3)
Due within one year	**¥188**	**$1,912**
Due over one year	**502**	**5,109**
	¥690	**$7,021**

Information regarding finance leases as lessor that did not transfer the ownership of the leased property to the lessee for the years ended March 31, 2008 was as follows:

(1) The acquisition cost, accumulated depreciation and net book value

	Millions of yen		
March 31, 2008	Acquisition costs	Accumulated depreciation	Net book value
Leased assets	¥14,208	¥8,284	¥5,924
Intangible assets	119	90	29
	¥14,327	¥8,374	¥5,953

(2) The scheduled maturities of future lease receivables on such lease contracts

March 31, 2008	Millions of yen
Due within one year	¥1,811
Due over one year	2,830
	¥4,641

(3) Lease revenue, depreciation expenses and equivalent to interest income

March 31, 2008	Millions of yen
Lease revenue	¥2,605
Depreciation expenses	2,064
Equivalent to interest income	535

(4) The Companies calculated interest income using the interest method.

(5) No impairment loss was recognized on these leased assets.

Information regarding finance leases as lessee that did not transfer the ownership of the leased property to the Companies for the years ended March 31, 2008 was as follows:

(1) The acquisition cost, accumulated depreciation and net book value

	Millions of yen		
March 31, 2008	Acquisition costs (equivalent)	Accumulated depreciation (equivalent)	Net book value (equivalent)
Machinery, equipment, vehicle, tools, furniture and fixtures	¥23	¥23	¥-

(2) The scheduled maturities of future lease payments on such lease contracts

March 31, 2008	Millions of yen
Due within one year	¥-

(3) Lease payments and depreciation expenses

March 31, 2008	Millions of yen
Lease payments	¥5
Depreciation expenses	5

(4) Depreciation expenses were computed using the straight-line method over a period up to the length of the relevant lease contracts, with no residual value.

(5) The figures shown above included the portion of interest.

(6) No impairment loss was recognized on these leased assets.

9. Investment Securities

Investment securities as of March 31, 2009 and 2008 were as follows:

(1) Held-to-maturity debt securities with market quotations

	Millions of yen					
	2009			2008		
	Fair market value	Book value	Difference	Fair market value	Book value	Difference
Securities with unrealized gains						
Governmental and municipal bonds	**¥47**	**¥45**	**¥2**	¥47	¥45	¥2
Securities with unrealized losses						
Governmental and municipal bonds	**-**	**-**	**-**	-	-	-
Total	**¥47**	**¥45**	**¥2**	¥47	¥45	¥2

	Thousands of U.S. dollars (Note 3)		
	2009		
	Fair market value	Book value	Difference
Securities with unrealized gains			
Governmental and municipal bonds	**$482**	**$454**	**$28**
Securities with unrealized losses			
Governmental and municipal bonds	**-**	**-**	**-**
Total	**$482**	**$454**	**$28**

(2) Marketable securities

	Millions of yen					
	2009			2008		
	Acquisition cost	Fair market value (book value)	Difference	Acquisition cost	Fair market value (book value)	Difference
Marketable securities with unrealized gains						
Equity securities	**¥2,555**	**¥3,247**	**¥692**	¥2,373	¥4,096	¥1,723
Debt securities:						
Convertible bonds	**-**	**-**	**-**	-	-	-
Others	**-**	**-**	**-**	-	-	-
Sub total	**¥2,555**	**¥3,247**	**¥692**	¥2,373	¥4,096	¥1,723
Marketable securities with unrealized losses						
Equity securities	**¥ 34**	**¥ 29**	**¥ (5)**	¥ 115	¥ 107	¥ (8)
Debt securities:						
Convertible bonds	**-**	**-**	**-**	-	-	-
Others	**-**	**-**	**-**	-	-	-
Sub total	**¥ 34**	**¥ 29**	**¥ (5)**	¥ 115	¥ 107	¥ (8)
Total	**¥2,589**	**¥3,276**	**¥ 687**	¥2,488	¥4,203	¥1,715

	Thousands of U.S. dollars (Note 3)		
	2009		
	Acquisition cost	Fair market value (book value)	Difference
Marketable securities with unrealized gains			
Equity securities	**$26,005**	**$33,048**	**$ 7,043**
Debt securities:			
Convertible bonds	-	-	-
Others	-	-	-
Sub total	**$26,005**	**$33,048**	**$ 7,043**
Marketable securities with unrealized losses			
Equity securities	**$ 348**	**$ 295**	**$ (53)**
Debt securities:			
Convertible bonds	-	-	-
Others	-	-	-
Sub total	**$ 348**	**$ 295**	**$ (53)**
Total	**$ 26,353**	**$33,343**	**$ 6,990**

When the fair market value of a security declines by 50% or more from the acquisition cost, the Company and domestic consolidated subsidiaries automatically recognize an impairment loss on the security. When the fair market value of a security declines by 30% or more but less than 50% from the acquisition cost, the Company and domestic consolidated subsidiaries recognize an impairment loss on the security based on the management's estimate.

(3) Marketable securities sold for the years ended March 31, 2009 and 2008

	Millions of yen					
	2009			2008		
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Marketable securities ...	**¥505**	**¥0**	**¥-**	¥75	¥-	¥2

	Thousands of U.S. dollars (Note 3)		
	2009		
	Proceeds from sales	Gains on sales	Losses on sales
Marketable securities ...	**$5,142**	**$4**	**$-**

(4) Non-marketable securities

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
Non-Marketable securities	Book value	Book value	Book value
Unlisted shares	**¥ 406**	¥909	**$ 4,132**
Certificates of deposits	**¥3,500**	¥ -	**$35,620**

(5) The following tables summarized the securities with maturities and held-to-maturity debt securities held by the Companies at March 31, 2009 and 2008

	Millions of yen						Thousands of U.S. dollars (Note 3)		
	2009			2008			**2009**		
	Within 1 year	Over 1 year but within 5 years	Over 5 year but within 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 year but within 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 year but within 10 years
Bonds									
Governmental and municipal bonds ...	**¥ -**	**¥-**	**¥45**	¥-	¥-	¥45	**$ -**	**$-**	**$454**
Certificates of deposit	**¥3,500**	**¥-**	**¥ -**	¥-	¥-	¥ -	**$35,620**	**$-**	**$ -**
Total	**¥3,500**	**¥-**	**¥45**	¥-	¥-	¥45	**$35,620**	**$-**	**$454**

10. Derivative and Hedging Activities

The Companies use interest rate swap transactions in order to minimize the risk of fluctuation in interest rates on borrowings.

The Companies have established a control environment, which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Companies do not hold or issue derivative financial instruments for trading purposes.
The Companies are exposed to certain market risks arising from their swap agreements. The Companies are also exposed to the risk of credit losses in the event of non-performance by the counterparties to the currency and interest; however, the Companies do not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.
At March 31, 2009 and 2008, the disclosure of fair value information for derivatives positions has been omitted since all derivatives have been accounted for as hedges.

11. Retirement Benefits

The Company and its domestic consolidated subsidiaries operate a severance payment plan. On October 1, 2008, the Company and its domestic consolidated sublidiaries have transferred from the qualified pension plan to the defined benefit pension plan. The impact of this transfer on profit and loss was immaterial. Furthermore, an additional payment is allowed in certain cases.
35 (34 at March 31, 2008) domestic consolidated subsidiaries participate in another type of contributory severance payment plan, operated by two independent pension plans.

1) The reserve for retirement benefits at March 31, 2009 and 2008 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2009**	2008	**2009**
Projected benefit obligations	**¥(11,068)**	¥(11,372)	**$(112,643)**
Plan assets	**8,504**	10,288	**86,547**
Unfounded benefit obligations	**(2,564)**	(1,084)	**(26,096)**
Unrecognized actuarial differences	**1,433**	(29)	**14,588**
Unrecognized past service obligations	**(986)**	(1,128)	**(10,038)**
	¥ (2,117)	¥ (2,241)	**$ (21,546)**

Note) Domestic consolidated subsidiaries calculate the projected benefit obligation by the simple method permitted under the Japanese accounting standard.

The net periodic pension expense was summarized as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
Service costs	**¥443**	¥473	**$4,513**
Interest costs	**282**	295	**2,869**
Expected return on plan assets	**(257)**	(295)	**(2,618)**
Amortization of unrecognized actuarial differences	**47**	(40)	**481**
Amortization of unrecognized past service obligations	**(161)**	(161)	**(1,639)**
	¥354	¥272	**$3,606**

Note) Service costs include the net periodic pension expense incurred by certain consolidated subsidiaries, which adopt the simple method for calculation of projected benefit obligations.

2) Assumptions used in calculation of the above information:

	2009	2008
Method of attributing the projected benefits to period of services	**Benefit/year of service approach**	Benefit/ year of service approach
Discount rate	**2.5%**	2.5%
Expected rate of return	**2.5%**	2.5%

12. Accounting for Income Taxes

The Company and its domestic subsidiaries were subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 40.69% for the year ended March 31, 2009 and 2008. Foreign subsidiaries were subject to the income taxes of the countries in which they operated.

At March 31, 2009 and 2008, significant components of deferred tax assets and liabilities were as follows:

March 31, 2009	Millions of yen	Thousands of U.S. dollars (Note 3)
Deferred tax assets:		
Valuation loss on merchandise	**¥419**	**$4,262**
Tax loss carry forwards	**781**	**7,946**
Allowance for doubtful accounts	**230**	**2,342**
Reserve for retirement benefit	**870**	**8,856**
Accrued expenses	**556**	**5,653**
Valuation loss on investment securities	**103**	**1,051**
Impairment loss on fixed assets	**602**	**6,130**
Others	**446**	**4,542**
Sub total of deferred tax assets	**4,007**	**40,782**
Less valuation allowance	**(1,776)**	**(18,081)**
Total of deferred tax assets	**2,231**	**22,701**
Deferred tax liabilities		
Accelerated depreciation of fixed assets	**(439)**	**(4,467)**
Valuation difference on available-for-sale securities	**(272)**	**(2,766)**
Others	**(4)**	**(44)**
Total of deferred tax liabilities	**(715)**	**(7,277)**
Net deferred tax assets	**1,516**	**15,424**
Deferred tax assets (Current Assets)	**1,012**	**10,300**
Deferred tax assets (Non-current Assets)	**508**	**5,165**
Deferred tax liabilities (Current Liabilities)	**(4)**	**(41)**

March 31, 2008	Millions of yen
Deferred tax assets:	
Valuation loss on real estate for sale	¥1,257
Allowance for doubtful accounts	585
Reserve for retirement benefit	911
Tax loss carryforwards	21
Reserve for bonuses	493
Valuation loss on investment securities	103
Impairment loss on fixed assets	477
Valuation loss on facility membership	65
Accrued enterprise taxes	73
Others	70
Sub total of deferred tax assets	4,055
Less valuation allowance	(1,523)
Total of deferred tax assets	2,532
Deferred tax liabilities	
Accelerated depreciation of fixed assets	(441)
Valuation difference on available-for-sale securities	(600)
Others	(4)
Total of deferred tax liabilities	(1,045)
Net deferred tax assets	1,487
Deferred tax assets (Current Assets)	1,293
Deferred tax assets (Non-current Assets)	198
Deferred tax liabilities (Current Liabilities)	(4)

At March 31, 2009 and 2008, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

March 31, 2009	2009	
Statutory tax rate	**40.69**	%
Adjustments		
Permanent non-deductible differences such as entertainment expenses etc.	**4.27**	
Inhabitant tax per capital	**5.93**	
Valuation allowance for deferred tax assets...........	**(22.05)**	
Others	**(0.43)**	
Effective income tax rate	**28.41**	%

March 31, 2008	2008	
Statutory tax rate	40.69	%
Adjustments		
Permanent non-deductible differences such as entertainment expenses etc.	4.31	
Permanent non-taxable differences such as dividend income etc.	(0.56)	
Inhabitant tax per capital	5.40	
Valuation allowance for deferred tax assets	8.65	
Others	(1.49)	
Effective income tax rate	57.00	%

13. Business Combinations

(a) Business combination of consolidated subsidiary

Significant business combination of consolidated subsidiary

The proposed merger between N.D. Leasing & Service Co., Ltd. and Monolith Corporation, Inc, consolidated subsidiaries, was agreed by the Board of Directors on February 7, 2008 and the two companies were merged on April 1, 2008.

1. Name of combined company, the legal form of the combination, content of the combined business, principal reasons for the business combination, and overview of the business combination.

(1) Name of combined company and content of the combined business

a. N.D. Leasing & Service Co., Ltd.

Leasing business such as cars and office supplies

b. Monolith Corporation, Inc.

Production and sale of software, and sales of office supplies

(2) The legal form of the combination.

N.D. Leasing & Service Co., Ltd. is a surviving company, and Monolith Corporation, Inc. is an extinction company.

(3) The name of the company after combination and content of the business

ND Leasing System Co., Ltd.

Integrated leasing industry and development and sales of computer software

(4) Principal reasons of the combination and overview of the business combination

For the purpose of the improvement of the managerial efficiency as part of strengthening the management base of the enterprise in the group, the expansion of the company scale, and the enhancement of the financial affairs base.

2. Overview of accounts processing

This combination is based on "Accounting Standard for Business Combination (issued by the Business Accounting Council on October 31, 2003), 3. Accounting Standard for Business Combination, (4) Accounting treatment of dealings under common rule."

14. Segment Information

(1) Industry segment information

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 were summarized by product group as follows:

For the year ended March 31, 2009	Construction	Material sales	Leasing business	Other	Eliminations or corporate assets	Consolidated total
	Millions of yen					
Sales						
Sales to external customers	**¥111,188**	**¥ 24,253**	**¥ 4,553**	**¥1,084**	**¥ -**	**¥141,078**
Inter-segment sales	**121**	**8,295**	**856**	**299**	**(9,571)**	**-**
Total	**111,309**	**32,548**	**5,409**	**1,383**	**(9,571)**	**141,078**
Operating costs and expenses	**109,372**	**28,785**	**5,360**	**1,471**	**(7,050)**	**137,938**
Operating income	**¥ 1,937**	**¥ 3,763**	**¥ 49**	**¥ (88)**	**¥ (2,521)**	**¥ 3,140**
Assets	**¥ 60,255**	**¥ 25,834**	**¥ 10,422**	**¥2,666**	**¥ 25,820**	**¥124,997**
Depreciation	**¥ 639**	**¥ 1,312**	**¥ 1,011**	**¥ 29**	**¥ 71**	**¥ 3,062**
Impairment loss on fixed assets	**¥ 212**	**¥ -**	**¥ -**	**¥ -**	**¥ 156**	**¥ 368**
Capital expenditures	**¥ 1,127**	**¥ 957**	**¥ 1,420**	**¥ 14**	**¥ 26**	**¥ 3,544**

For the year ended March 31, 2008	Construction	Material sales	Leasing business	Other	Eliminations or corporate assets	Consolidated total
	Millions of yen					
Sales						
Sales to external customers	¥112,975	¥ 23,556	¥ 4,796	¥1,223	¥ -	¥142,550
Inter-segment sales	142	7,718	837	434	(9,131)	-
Total	113,117	31,274	5,633	1,657	(9,131)	142,550
Operating costs and expenses	109,890	28,974	5,593	1,543	(6,675)	139,325
Operating income	¥ 3,227	¥ 2,300	¥ 40	¥ 114	¥ (2,456)	¥ 3,225
Assets	¥ 69,478	¥ 25,723	¥ 11,312	¥3,688	¥ 23,516	¥133,717
Depreciation	¥ 567	¥ 1,216	¥ 2,764	¥ 28	¥ 67	¥ 4,642
Impairment loss on fixed assets	¥ 13	¥ -	¥ -	¥ 244	¥ 8	¥ 265
Capital expenditures	¥ 334	¥ 3,385	¥ 3,193	¥ 34	¥ 118	¥ 7,064

	Thousands of U.S. dollars (Note 3)					
For the year ended March 31, 2009	Construction	Material sales	Leasing business	Other	Eliminations or corporate assets	Consolidated total
Sales						
Sales to external customers	**$1,131,568**	**$246,824**	**$ 46,333**	**$ 11,038**	**$ -**	**$1,435,763**
Inter-segment sales	**1,228**	**84,423**	**8,713**	**3,043**	**(97,407)**	**-**
Total	**1,132,796**	**331,247**	**55,046**	**14,081**	**(97,407)**	**1,435,763**
Operating costs and expenses	**1,113,091**	**292,944**	**54,547**	**14,976**	**(71,753)**	**1,403,805**
Operating income	**$ 19,705**	**$ 38,303**	**$ 499**	**$ (895)**	**$ (25,654)**	**$ 31,958**
Assets	**$ 613,225**	**$262,916**	**$106,064**	**$ 27,129**	**$262,769**	**$1,272,103**
Depreciation	**$ 6,499**	**$ 13,355**	**$ 10,291**	**$ 300**	**$ 725**	**$ 31,170**
Impairment loss on fixed assets	**$ 2,163**	**$ -**	**$ -**	**$ -**	**$ 1,585**	**$ 3,748**
Capital expenditures	**$ 11,470**	**$ 9,742**	**$ 14,450**	**$ 140**	**$ 269**	**$ 36,071**

Note) 1. The types of business above are based upon the Standard Industrial Classification in Japan and net sales categories in the consolidated statements of income.

2. Outline of the businesses

Construction: Paving, civil engineering, construction, and others relating to the construction business

Material sales: Sales of road material

Leasing business: Leasing of automobiles, business equipment, and others

Other: Development, consulting business, real estate rental service, sales of software, non-life insurance agency, and administration of sports facilities

3 .The amounts of unallocatable operating costs and expenses included in "Eliminations or corporate assets" for the years ended March 31, 2009 and 2008 were ¥2,572 million ($26,184 thousand) and ¥2,520 million, respectively. Unallocatable operating costs consist of the operating costs of the administrative department of the Company.

The amounts of corporate assets included in "Eliminations or corporate assets" for the years ended March 31, 2009 and 2008 were ¥26,442 million ($269,111 thousand) and ¥24,209 million, respectively. Corporate assets consist of surplus operating funds (cash), long-term investments (securities), assets of the administrative department, or other, of the Company.

4. Change to accounting policies

As described in Note 2 (3), effective from the fiscal year ended March 31, 2009 the Company has applied "Accounting Standard for Measurement of Inventories"

As a result, Operating costs and expenses increased ¥114 million ($1,161 thousand) in Other. Operating income decreased by the same amounts

As described in Note 2 (16), effective from the fiscal year ended March 31, 2009, the Company applied "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions".

The effect of the application of this standard on profit and loss was immaterial.

(2) Geographic segment information

Segment information classified by geographic area was omitted because the majority of the Companies' operations were performed in Japan.

(3) Export sales and sales by overseas subsidiaries

Segment information for export sales and sales by overseas subsidiaries was omitted since such sales make up less than 10% of consolidated sales and are, thus, immaterial.

15. Related Party Transactions

The material transactions of the Company with related companies and individuals, excluding transactions with consolidated subsidiaries which were eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended March 31, 2009 and 2008 were as follows:

				Millions of yen / Thousands of U.S. dollars (Note 3)					
				Transaction			Resulting accounting balance		
Name of related company	Paid-in capital	Principal Business	Equity ownership percentage by the company	Description of the company's transactions	For the year ended March 31 **2009**	2008	Account	At March 31 **2009**	2008
Shimizu Corporation	¥74,365 million	Construction & Development	23.2%	Construction contracts	**¥13,998** **$(142,458)**	¥14,653	Accounts receivables from completed construction contracts	**¥5,268** **$(53,612)**	¥5,843
							Advances received on uncompleted construction contracts	**¥528** **$(5,376)**	222
				Material sales	**¥5** **$(49)**	¥8	Accounts receivable	**¥2** **$(18)**	¥3
				Construction order	**¥20** **$(206)**	¥110	Accounts payable-other	**¥3** **$(33)**	¥75

The terms and conditions of the above transactions are on an arm's-length basis.

16. Per Share Data

	Yen		U.S. dollars (Note 3)
Per Share	**2009**	2008	**2009**
Net assets	**¥574.60**	¥538.75	**$5.85**
Net income			
Basic	**¥ 17.37**	¥ 11.05	**$0.18**
Diluted	-	-	-
Cash dividends			
Common shares	**¥ 4.00**	¥ 3.00	**$0.04**

Note) Diluted per share amounts are not shown because no convertible bonds have been issued.

Calculation bases for net assets per share for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
Net assets	**¥50,721**	¥ 51,232	**$516,188**
Deduction amount	**¥ 72**	¥ 76	**$ 728**
(Minority interests)	**¥ (72)**	¥ (76)	**$ (728)**
Net assets available to common stockholders	**¥50,649**	¥ 51,156	**$515,460**
Common stock outstanding except for treasury stock (in thousands of shares)	**88,147**	94,953	

Calculation bases for net income per for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
Net income	**¥1,610**	¥1,050	**$16,388**
Net income not available to common stockholders	**-**	-	**-**
(Net income appropriated as bonuses to directors)	**-**	-	**-**
Net income available to common stockholders	**¥1,610**	¥1,050	**$16,388**
Average common stock outstanding (in thousands of shares)	**92,693**	94,964	

17. Subsequent Events

The payment of cash dividends to shareholders on record at March 31, 2009 in the aggregate amount of ¥352 million ($3,588 thousand) (¥4 per share) was agreed by the Board of Directors on May 15, 2009. The resolution came into force on June 8, 2009.

18. Short-term loans payable and long-term loans payable

March 31	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009	Average interest rate (%)	Repayment period
Short-term loans payable	**¥ 775**	¥ 512	**$ 7,891**	1.71	-
Current portion of long-term loans payable	**1,635**	735	**16,637**	2.32	-
Long-term loans payable (excluding current portion) ...	**11,834**	13,470	**120,438**	1.97	2010～ 2014
Others	**-**	-	**-**	-	-
Total	**¥14,244**	¥14,717	**$144,966**		

Annual maturities of long-term loans payable are as follows:

Year ending on March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2010	¥ 1,635	$ 16,637
2011	635	6,460
2012	7,639	77,739
2013	3,560	36,234
2014	0	5
	¥13,469	$137,075

19. Quarterly information (Unaudited)

	Millions of yen			
	The first quarter Apr 1 - Jun 30, 2008	The second quarter Jul 1 – Sept 30, 2008	The third quarter Oct 1 - Dec 31, 2008	The fourth quarter Jan 1 - Mar 31, 2009
Net Sales	¥16,911	¥29,429	¥33,567	¥61,171
Income (loss) before income taxes and minority interests	¥(1,621)	¥ (466)	¥ 344	¥ 3,990
Net Income (loss)	¥(1,051)	¥ (316)	¥ 211	¥ 2,766
Net Income (loss) of per share (Yen)	¥(11.07)	¥ (3.32)	¥ 2.26	¥ 31.57

	Thousands of U.S. dollars (Note 3)			
	The first quarter Apr 1 - Jun 30, 2008	The second quarter Jul 1 – Sept 30, 2008	The third quarter Oct 1 - Dec 31, 2008	The fourth quarter Jan 1 – Mar 31, 2009
Net Sales	$172,108	$299,498	$341,611	$622,546
Income (loss) before income taxes and minority interests	$(16,493)	$ (4,742)	$ 3,504	$ 40,606
Net Income (loss)	$(10,698)	$ (3,211)	$ 2,147	$ 28,150
Net Income (loss) of per share (U.S.dollars)................	$ (0.11)	$ (0.03)	$ 0.02	$ 0.32