Notes to the Consolidated Financial Statements

For the years ended March 31, 2010 and 2009

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, 2010, the consolidated financial statements included the accounts of the Company and its 41 (42 at March 31, 2009) subsidiaries (38 domestic subsidiaries and 3 overseas subsidiaries). During the year ended March 31, 2010, one subsidiary 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 it is not practicable to estimate the fair value because of lack of market prices and difficulty in estimating fair value without incurring excessive cost 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 for 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) Revenue Recognition

(i) Construction Contracts

The Company and its domestic consolidated subsidiaries recognize construction contract revenue using the percentage-of-completion method if the outcome of the construction activity is certain during the course of activity, otherwise using the completed contract method.

(Change in accounting policies)

With regard to accounting standards employed for the recognition of revenues resulting from construction work undertaken for customers, we previously recognized the total lump-sum amount of the completed contract values at completion, using the completed-contract method. However, effective April 1, 2009, the Accounting Standards for Construction Contracts (ASBJ Statement No. 15, issued on December 27, 2007) and the Guidance on Application of Accounting Standards for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007) have been applied to construction contracts. The percentage-of-completion method is applied to construction contracts meeting the following criteria: construction had started on or after April 1, 2009, and the percentage of completion at the end of the reporting period must be reliably estimated. (The estimation is based on the proportion of direct costs incurred for each work phase as compared with the estimated total cost for the entire contract.) Other than the above-mentioned construction contracts, the completed-contract method has been applied. As a result of this change, net sales for the reporting period increased by ¥8,060 million ($86,626 thousand), while operating income, ordinary income, and income before income taxes and minority interests increased by ¥441 million ($4,738 thousand), respectively, compared with the application of the previous accounting standards. The effects of this change on each business segment ore indicated in the relevant sections.

(ii) Revenue from finance lease transactions

Lease fees are recognized in sales and cost of sales at time of receipt.

(9) 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.

(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 Fiananical 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 consoridated financial statements as required.

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

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥93.04=U.S. $1, the approximate rate of exchange prevailing at March 31, 2010 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	**2010**	2009	**2010**
Investment securities (corporate stock) ……………...	**¥184**	¥187	**$1,975**

(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	**2010**	2009	**2010**
Investment securities ………………………………...	**¥ 94**	¥94	**$1,012**
Long-term Loans			
(Investments and Other Assets "Other") ……………	**250**	70	**2,687**
	¥344	¥164	**$3,699**

(3) Contingent Liabilities

As of March 31, 2010 and 2009, the Company was contingently liable for guarantees as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2010**	2009	**2010**
SPC Toyota Traffic education …………………………	**¥ -**	¥266	**$ -**
Guarantees of loans from banks ………………………	**4**	6	**47**
	¥ 4	¥272	**$ 47**

(4) Commitments

The Company had a total of ¥4,300 million ($46,217 thousand) of overdraft contracts and credit lines from two banks to facilitate the availability of efficient funds as of March 31, 2010 and 2009, respectively. The unutilized portion was ¥4,300 million ($46,217 thousand) as of March 31, 2010 and 2009, respectively.

(5) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for the amount equivalent to cover future loss by evaluating individual construction from which loss is expected and reasonably estimated.

Cost on contracts in progress and provision account in relation to the construction works, which the expected loss becomes probable are represented in current assets and liabilities, respectively without netting.

Among cost of contracts in progress, amount in aggregate corresponding to provision for loss on construction works is 1 million yen ($15 thousand).

Provision for loss on construction contracts, which were included in cost of sales for completed construction contracts, amounted to ¥8 million ($83 thousand) for the year ended March 31, 2010.

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 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	**2010**	2009	**2010**
Employees' salaries and allowances ………………	**¥4,001**	¥3,918	**$43,002**
Net periodic pension expense ………………………	**198**	134	**2,128**
Accrued bonus to directors ………………………………	**46**	32	**494**
Provision of allowance for doubtful accounts ………	**243**	214	**2,610**

(3) Research and Development Expenses

Research and development expenses, which were included in general and administrative expenses, amounted to ¥327 million ($3,518 thousand) for the year ended March 31, 2010 and ¥306 million for the year ended March 31, 2009.

(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	**2010**	2009	**2010**
Machinery and equipment …………………………	**¥ 17**	¥7	**$ 180**
Others ………………………………………………	**1**	1	**12**
	¥ 18	¥8	**$ 192**

(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	**2010**	2009	**2010**
Land ………………………………………………...	**¥ -**	¥164	**$ -**
Machinery and equipment …………..……………...	**3**	-	**31**
Others ………………………………………………	**0**	14	**0**
	¥ 3	¥178	**$ 31**

(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	**2010**	2009	**2010**
Buildings …………………………………………	**¥ 28**	¥ 79	**$ 299**
Machinery and equipment …………………………	**34**	28	**369**
Others ………………………………………………	**4**	38	**39**
	¥ 66	¥145	**¥ 707**

(7) Impairment loss on fixed assets

The Companies recognized an impairment loss of ¥455 million ($4,892 thousand) and ¥368 million for the following group of assets during the year ended March 31, 2010 and March 31, 2009, respectively.

Branch	Segment	Use	Category	Impairment loss: Millions of yen		Thousands of U.S. dollars (Note 3)
March 31				**2010**	2009	**2010**
Kyusyu branch	Construction	Business offices	Buildings ...	**¥ 25**	¥ -	**$ 273**
			Land	**38**	-	**406**
			Others	**15**	11	**162**
Tohoku branch	Construction	Business offices	Others	**¥ 19**	¥ -	**$ 203**
	Other	Leasing business	Land	**75**	-	**809**
Hokkaido branch	Construction	Business offices, machinery, and others	Buildings ...	**¥ -**	¥ 65	**$ -**
			Others	**-**	40	**-**
			Land	**-**	96	**-**
Head office	Other	Leasing business	Buildings ...	**¥ 79**	¥ -	**$ 846**
			Land	**164**	-	**1,765**
-	-	Idle assets	Land	**¥ 40**	¥156	**$ 428**
Total				**¥ 455**	¥368	**$4,892**

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, 2010

(1) Type and number of outstanding shares

Type of shares	Thousands of shares: Balance at March 31, 2009	Increase in shares during the year	Decrease in shares during the year	Balance at March 31, 2010
Issued stock:				
Common stock	97,616	-	-	97,616
Treasury stock:				
Common stock	9,468	15	-	9,484

(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, 2009)	Common stock	¥352	$3,588	Retained earnings	¥4	$0.04	March 31, 2009	June 8, 2009

(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 14, 2010)	Common stock	¥616	$6,631	Retained earnings	¥7	$0.07	March 31, 2010	June 8, 2010

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

7. Notes to the Consolidated Statements of Cash Flows

Cash and Cash Equivalents at March 31, 2010 and 2009 consisted of:

March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Cash and deposits ……	**¥15,098**	¥18,116	**$162,271**
Certificates of deposit (Short-term investment securities) ……	**11,000**	3,500	**118,229**
Cash and cash equivalents ……	**¥26,098**	¥21,616	**$280,500**

8. Leases

Information regarding finance leases as lessor for the years ended March 31, 2010 and March 31, 2009 were as follows:

(1) Detailes of Lease investment assets

Current assets

March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Lease receivables ……	**¥4,196**	¥4,136	**$45,101**
Estimated salvage value ……	**759**	811	**8,162**
Receipt interest equivalent value ……	**(777)**	(938)	**(8,351)**
Lease investment assets ……	**¥4,178**	¥4,009	**$44,912**

(2) The receiving schedule after April 1, 2010 of lease receivables and investment assets was as follows:

Lease receivables (Current assets)

March 31, 2010	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2010
2011 ……	**¥20**	**$209**
2012 ……	**13**	**136**
2013 ……	**8**	**88**
2014 ……	**2**	**26**
2015 ……	**2**	**26**
After 2015 ……	**5**	**58**

Lease investment assets (Current assets)

	Millions of yen	Thousands of U.S. dollars (Note 3)
March 31, 2010	2010	2010
2011	**¥ 1,512**	**$ 16,252**
2012	**1,154**	**12,403**
2013	**810**	**8,703**
2014	**472**	**5,073**
2015	**198**	**2,124**
After 2015	**51**	**546**

Information regarding operating lease transactions for the year ended March 31, 2010 and March 31, 2009 were as follows:

Future minimum lease payments on noncancellable leases

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2010	2009	2010
Due within one year	**¥ 290**	¥188	**$3,117**
Due over one year	**717**	502	**7,707**
	¥ 1,007	¥690	**$10,824**

9. Financial Instrument

(1) Status of Financial Instruments

(i) Policy regarding financial instruments

The Companies limit the scope of its cash and fund management activities to short-term deposits, and have a policy of relying principally on bank borrowings.

The Companies utilize hedging instruments in order to reduce the companies' risk of fluctuations in interest rates, and have a policy of not engaging in derivative transactions for speculative purposes.

(ii) Type of financial instruments and related risk

In the course of its business activities, the Companies are exposed to credit risk arising from notes receivable, accounts receivable from construction contracts and other that are outstanding from its customers.

The Companies are exposed to market price risk for short-term investment securities and investment securities because of short-term maturities, held-to-maturity debt securities and stocks of other companies with which the Companies have business relationship.

In the course of its business activities, the Companies notes payable, accounts payable for construction contracts and others are mostly payable within four months.

The Companies have loans payable up to five years from the date of the closing of accounts. Although the Companies are exposed to liquidity risk from the portion of the loans payable, the Companies use interest rate swap transactions in order to minimize the risk of fluctuation in interest rates on such borrowings.

Please note that further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities may be found in the section “2. Summary of Significant Accounting Policies, (9) Hedge Accounting”.

(iii) System for management of financial instruments

a. Credit risk management (the risk that counterparties may default on their obligations to the Companies)

The Companies have prepared an official policy for managing credit exposures. The Companies establish a payment term and credit limit for each customer in every branch and every business office. Credit risk management section of head office monitors the outstanding balances of customers on a regular basis and changes collection terms or credit limits in case based on the financial performance of each customer. These procedures are also performed by the consolidated subsidiaries to reduce credit risk.

Credit risk related to held-to-maturity debt securities and derivative transactions, the Companies believe the credit risk is minimal as they hold government bonds only as well as the fact that they only have derivative transactions with highly rated financial institutions.

b. Market risk management (the risks arising from fluctuations in interest rates, prices and other indicators)

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

For marketable securities and investment securities, the Companies periodically confirm the market value of such financial instruments and the financial position of the issuers. The Companies review the status of these investments on a continuing basis in order to take into consideration of the market conditions and relationship with the client.

The execution and management of the derivative transactions follow the official rules that determines authority and the ceiling of the transactions, and the approval of the director in charge.

c. Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the schedules date)

The Companies plan capital requirements based on reviewing each branch’s section report and manage liquidity risk by maintaining fluidity of their capital. These procedures are also performed by the consolidated subsidiaries to manage liquidity risk. When a group company faces shortage of operating funds, the companies use group financing.

(iv) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is based on their market prices and other indicators. When there is no market price available, the Companies use reasonable assumptions to estimate the fair value. Since factors that may result in fluctuations in value are taken into account in estimating the price, this price may fluctuate when different assumptions are used.

The contract (notional) amount of derivatives in the section "Estimated Fair Value and Other Matters Related to Financial Instruments" is not an indicator of the actual risk involved in derivative transactions.

(2) Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheet as of March 31, 2010 and unrealized gains (losses) are shown in the following table. Please note that for those items of which obtaining an estimated fair value is deemed to be extremely difficult, such differences are not stated (Please refer to note 2).

	Millions of yen			Thousands of U.S. dollars (Note 3)		
	2010			2010		
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
(1) Cash and deposit ………	**¥ 15,098**	**¥15,098**	**¥ -**	**$162,271**	**$162,271**	**$ -**
(2) Notes receivable, accounts receivable from completed construction contracts and other …………………………	**53,922**	**53,922**	**-**	**579,558**	**579,558**	**-**
(3) Short-term investment securities …………………	**11,000**	**11,000**	**-**	**118,229**	**118,229**	**-**
(4) Investment securities …	**3,336**	**3,339**	**3**	**35,855**	**35,888**	**33**
Total assets	**¥ 83,356**	**¥83,359**	**¥ 3**	**$895,913**	**$895,946**	**$ 33**
(5) Notes payable, accounts payable for construction contracts and other ………………………	**¥ 37,901**	**¥37,901**	**¥ -**	**$407,363**	**$407,363**	**$ -**
(6) Accounts payable-other …	**11,721**	**11,721**	**-**	**125,973**	**125,973**	**-**
(7) Short-term loans payable	**780**	**780**	**-**	**8,384**	**8,384**	**-**
(8) Long-term loans payable (*)	**12,834**	**12,893**	**(59)**	**137,940**	**138,574**	**(634)**
Total liabilities	**¥ 63,236**	**¥63,295**	**¥ (59)**	**$679,660**	**$680,294**	**$ (634)**
Derivatives transactions	**-**	**-**	**-**	**-**	**-**	**-**

(*) Current portion of long-term loans payable were included in Long-term loans payable

Note

1. Valuation method of fair value of financial instruments

<u>Asset</u>

(1) Cash and deposits, and (2) Notes receivable, accounts receivable from construction contracts and other

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's book, the book value has been used.

(3) Short-term investment securities

Since these items are the certificates of deposits that settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's book, the book value has been used.

(4) Investment securities

The estimated fair values of these items are as follows. Stocks are valued at quoted price in active markets. Bonds are valued at the price provided by the financial institutions.

Liabilities

(5) Notes payable, accounts payable for construction contracts and other, (6) Accounts payable-other, (7) Short-term loans payable

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's book, the book value has been used.

(8) Long-term loans payable

Fair values of long-term loans payable are calculated by discounting the total amount of the principal and interest of such borrowed money at the interest rates considered to be applicable to new borrowings.

The long-term loans payable with variable interest rates are treated as exceptions for interest rate swaps.

These are calculated by discounting the total amount of the principal and interest of such borrowed money processed the same as the interest swap rate at the rational estimate interest rates to be applicable to similar borrowings.

Derivative transactions

The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loan. (Note 1 (8))

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Book value	Thousands of
	Millions of yen	U.S. dollars (Note 3)
Items	**2010**	**2010**
Unlisted shares	**¥ 697**	**$7,495**

The items were not included in "(4) Investment securities" at March 31, 2010, because they were not publicly traded, and obtaining an estimated fair value is deemed to be extremely difficult.

3. Scheduled amortization amounts, following the date of the consolidated accounts, for monetary claims and securities with maturity dates

	Millions of yen				Thousands of U.S. dollars (Note 3)			
	March 31, 2010				**March 31, 2009**			
	Within 1 year	Over 1 year but within 5 years	Over 5 year but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 year but within 10 years	Over 10 years
Cash and deposit	**¥15,030**	**¥ -**	**¥ -**	**¥ -**	**$161,542**	**$ -**	**$ -**	**$ -**
Notes receivable, accounts receivable from completed construction contracts and other ……………………..	**53,922**	**-**	**-**	**-**	**579,558**	**-**	**-**	**-**
Short-term investment securities ……………..	**11,000**	**-**	**-**	**-**	**118,229**	**-**	**-**	**-**
Investment securities …	**-**	**-**	**45**	**-**	**-**	**-**	**484**	**-**
Asset total	**¥79,952**	**¥ -**	**¥ 45**	**¥ -**	**$859,329**	**$ -**	**$ 484**	**$ -**

4. Scheduled repayment amounts from the date of the closing of the consolidated accounts for long-term loans.

Please note that "Short-term loans payable and long-term loans payable"

(Additional Information)

From the fiscal year ended March 31, 2010, the Company and domestic consolidated subsidiaries applied "Accounting Standard for Financial Insruments" (Accounting Standards Board of Japan Statement No.10, March 10, 2008) and Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No.19, March 10, 2008).

10. Investment Securities

Investment securities as of March 31, 2010 and 2009 were as follows:

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

	Millions of yen					
	2010			2009		
	Fair market value	Book value	Difference	Fair market value	Book value	Difference
Securities with unrealized gains						
Governmental and municipal bonds …	**¥48**	**¥45**	**¥3**	¥47	¥45	¥2
Securities with unrealized losses						
Governmental and municipal bonds …	**-**	**-**	**-**	-	-	-
Total	**¥48**	**¥45**	**¥3**	¥47	¥45	¥2

	Thousands of U.S. dollars (Note 3)		
	2010		
	Fair market value	Book value	Difference
Securities with unrealized gains			
Governmental and municipal bonds..	**$513**	**$480**	**$33**
Securities with unrealized losses			
Governmental and municipal bonds..	**-**	**-**	**-**
Total	**$513**	**$480**	**$33**

(2) Marketable securities

	Millions of yen					
	2010			2009		
	Acquisition cost	Fair market value (book value)	Difference	Acquisition cost	Fair market value (book value)	Difference
Marketable securities with unrealized gains						
Equity securities ……	**¥2,557**	**¥3,267**	**¥709**	¥2,555	¥3,247	¥692
Debt securities:						
Convertible bonds …	**-**	**-**	**-**	-	-	-
Others ………………	**-**	**-**	**-**	-	-	-
Sub total	**¥2,557**	**¥3,267**	**¥709**	¥2,555	¥3,247	¥692
Marketable securities with unrealized losses						
Equity securities ……	**¥ 35**	**¥ 24**	**¥ (10)**	¥ 34	¥ 29	¥ (5)
Debt securities:						
Convertible bonds …	**-**	**-**	**-**	-	-	-
Others ………………	**-**	**-**	**-**	-	-	-
Sub total	**¥ 35**	**¥ 24**	**¥ (10)**	¥ 34	¥ 29	¥ (5)
Total	**¥2,592**	**¥3,291**	**¥ 699**	¥2,589	¥3,276	¥ 687

	Thousands of U.S. dollars (Note 3)		
	2010		
	Acquisition cost	Fair market value (book value)	Difference
Marketable securities with unrealized gains			
Equity securities ……	**$27,486**	**$35,112**	**$ 7,626**
Debt securities:			
Convertible bonds …	-	-	-
Others ………………	-	-	-
Sub total	**$27,486**	**$35,112**	**$ 7,626**
Marketable securities with unrealized losses			
Equity securities ……	**$ 373**	**$ 263**	**$ (109)**
Debt securities:			
Convertible bonds …	-	-	-
Others ………………	-	-	-
Sub total	**$ 373**	**$ 263**	**$ (109)**
Total	**$ 27,859**	**$35,375**	**$ 7,517**

Non-marketable securities (book value ¥513 million ($5,520 thousand) were not included in "Marketable securities" at March 31, 2010, because it is not practicable to estimate the fair value because of each of market prices and difficulty in estimating fair value without incurring excessive cost.

(3) Marketable securities sold for the years ended March 31, 2010 and 2009

	Millions of yen					
	2010			2009		
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Marketable securities …	**¥ 7**	**¥ 0**	**¥ -**	¥ 505	¥ 0	¥ -

	Thousands of U.S. dollars (Note 3)		
	2010		
	Proceeds from sales	Gains on sales	Losses on sales
Marketable securities …	**$ 76**	**$ 1**	**$ -**

(4) Non-marketable securities for the years ended March 31, 2009

	Millions of yen
Book value	2009
Unlisted shares	¥ 406
Certificates of deposits	¥3,500

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

	Millions of yen		
	2009		
	Within 1 year	Over 1 year but within 5 years	Over 5 year but within 10 years
Bonds			
Governmental and municipal bonds ……	¥ -	¥ -	¥45
Certificates of deposit ………………	¥3,500	¥ -	¥ -
Total	¥3,500	¥ -	¥45

11. Derivative and Hedging Activities

For the year ended March 31, 2010

1. Derivatives transactions for which hedge accounting does not apply

   None

2. Derivatives transactions for which hedge accounting applies

			Millions of yen		
Method of hedging accounting:	Type of transaction	Hedge item	Contract amount	Portion over 1 year	Fair value
Special treatment of Interest-rate swaps	Interest rate swap transaction Floating receiving, fixed payment	Long-term loans payable	**¥12,652**	**¥12,078**	**Note**

			Thousands of U.S. dollars (Note 3)		
Method of hedging accounting:	Type of transaction	Hedge item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest-rate swaps	Interest rate swap transaction Floating receiving, fixed payment	Long-term loans payable	**$135,985**	**$129,815**	**Note**

Note) The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loan.

For the year ended March 31, 2009

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 counter parties 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, the disclosure of fair value information for derivatives positions has been omitted since all derivatives have been accounted for as hedges.

12. 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.
33 (35 at March 31, 2009) 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, 2010 and 2009 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2010**	2009	**2010**
Projected benefit obligations …………………………	**¥(10,279)**	¥(11,068)	**$(110,488)**
Plan assets ……………………………………………	**8,906**	8,504	**95,726**
Unfounded benefit obligations ………………………	**(1,373)**	(2,564)	**(14,762)**
Unrecognized actuarial differences …………………...	**99**	1,433	**1,060**
Unrecognized past service obligations ………………	**(824)**	(986)	**(8,851)**
	¥ (2,098)	¥ (2,117)	**$ (22,553)**

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:

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2010**	2009	**2010**
Service costs …………………………………………	**¥445**	¥443	**$4,779**
Interest costs …………………………………………	**275**	282	**2,961**
Expected return on plan assets ………………………	**(213)**	(257)	**(2,285)**
Amortization of unrecognized actuarial differences …	**173**	47	**1,860**
Amortization of unrecognized past service obligations .	**(163)**	(161)	**(1,749)**
	¥517	¥354	**$5,566**

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:

	2010	2009
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%

13. 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, 2010 and 2009. Foreign subsidiaries were subject to the income taxes of the countries in which they operated.

At March 31, 2010 and 2009, significant components of deferred tax assets and liabilities were as follows:

March 31, 2010	Millions of yen	Thousands of U.S. dollars (Note 3)
Deferred tax assets:		
Valuation loss on merchandise ……………………	**¥392**	**$4,213**
Tax loss carry forwards …………………………...	**763**	**8,202**
Allowance for doubtful accounts …………………	**163**	**1,752**
Employee retirement benefit ……………………...	**853**	**9,173**
Accrued expenses …………………………………	**719**	**7,729**
Valuation loss on investment securities …………...	**106**	**1,134**
Impairment loss on fixed assets …………………	**763**	**8,198**
Others ……………………………………………..	**546**	**5,867**
Sub total of deferred tax assets	**4,305**	**46,268**
Less valuation allowance	**(1,765)**	**(18,968)**
Total of deferred tax assets	**2,540**	**27,300**
Deferred tax liabilities		
Accelerated depreciation of fixed assets …………	**(437)**	**(4,702)**
Valuation difference on available-for-sale securities …………………………………………	**(281)**	**(3,021)**
Others …………………………………………….	**(5)**	**(50)**
Total of deferred tax liabilities	**(723)**	**(7,773)**
Net deferred tax assets	**1,817**	**19,527**
Deferred tax assets (Current Assets) ……………...	**1,261**	**13,557**
Deferred tax assets (Non-current Assets) …………	**560**	**6,020**
Deferred tax liabilities (Current Liabilities) ………	**(4)**	**(50)**

March 31, 2009	Millions of yen
Deferred tax assets:	
Valuation loss on merchandise …...………………	¥419
Tax loss carry forwards …………………………...	781
Allowance for doubtful accounts …………………	230
Employee retirement benefit ……………………...	870
Accrued expenses …………………………………	556
Valuation loss on investment securities …………..	103
Impairment loss on fixed assets …………………..	602
Others ……………………………………………..	446
Sub total of deferred tax assets	4,007
Less valuation allowance	(1,776)
Total of deferred tax assets	2,231
Deferred tax liabilities	
Accelerated depreciation of fixed assets …………	(439)
Valuation difference on available-for-sale securities ………………………………………….	(272)
Others …………………………………………….	(4)
Total of deferred tax liabilities	(715)
Net deferred tax assets	1,516
Deferred tax assets (Current Assets) ……………...	1,012
Deferred tax assets (Non-current Assets) …………	508
Deferred tax liabilities (Current Liabilities) ………	(4)

At March 31, 2010 and 2009, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

March 31, 2010	**2010**	
Statutory tax rate …………………………………	**40.69**	%
Adjustments		
Permanent non-deductible differences such as entertainment expenses etc. ……………………	**1.36**	
Inhabitant tax per capital ………………………	**2.02**	
Valuation allowance for deferred tax assets ……	**(0.20)**	
Others …………………………………………..	**(0.07)**	
Effective income tax rate …………………………	**43.80**	%

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 asset	(22.05)	
Others	(0.43)	
Effective income tax rate	28.41	%

14. 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."

15. Segment Information

(1) Industry segment information

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 were summarized by product group as follows:

	Millions of yen					
For the year ended March 31, 2010	Construction	Material sales	Leasing business	Other	Eliminations or corporate assets	Consolidated total
Sales						
Sales to external customers …	**¥112,308**	**¥ 22,825**	**¥ 4,382**	**¥ 972**	**¥ -**	**¥140,487**
Inter-segment sales ………	**122**	**8,946**	**862**	**336**	**(10,266)**	**-**
Total …………………………	**112,430**	**31,771**	**5,244**	**1,308**	**(10,266)**	**140,487**
Operating costs and expenses …	**108,592**	**26,219**	**5,105**	**1,228**	**(7,542)**	**133,602**
Operating income ……………	**¥ 3,838**	**¥ 5,552**	**¥ 139**	**¥ 81**	**¥ (2,725)**	**¥ 6,885**
Assets …………………………	**¥ 64,164**	**¥ 25,275**	**¥ 8,864**	**¥ 2,338**	**¥ 29,326**	**¥129,967**
Depreciation …………………	**¥ 654**	**¥ 1,364**	**¥ 813**	**¥ 40**	**¥ 86**	**¥ 2,957**
Impairment loss on fixed assets	**¥ 97**	**¥ -**	**¥ -**	**¥ 318**	**¥ 40**	**¥ 455**
Capital expenditures …………	**¥ 809**	**¥ 1,016**	**¥ 559**	**¥ 21**	**¥ 427**	**¥ 2,832**

	Millions of yen					
For the year ended March 31, 2009	Construction	Material sales	Leasing business	Other	Eliminations or corporate assets	Consolidated total
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

	Thousands of U.S. dollars (Note 3)					
For the year ended March 31, 2010	Construction	Material sales	Leasing business	Other	Eliminations or corporate assets	Consolidated total
Sales						
Sales to external customers …	**$1,207,092**	**$245,324**	**$ 47,094**	**$ 10,451**	**$ -**	**$ 1,509,961**
Inter-segment sales …………	**1,314**	**96,159**	**9,269**	**3,615**	**(110,357)**	**-**
Total ……………………………	**1,208,406**	**341,483**	**56,363**	**14,066**	**(110,357)**	**1,509,961**
Operating costs and expenses …	**1,167,151**	**281,806**	**54,867**	**13,200**	**(81,058)**	**1,435,966**
Operating income ………………	**$ 41,254**	**$ 59,677**	**$ 1,496**	**$ 866**	**$ (29,298)**	**$ 73,995**
Assets …………………………	**$ 689,642**	**$271,657**	**$ 95,273**	**$ 25,128**	**$ 315,203**	**$ 1,396,903**
Depreciation ……………………	**$ 7,029**	**$ 14,661**	**$ 8,741**	**$ 431**	**$ 918**	**$ 31,780**
Impairment loss on fixed assets	**$ 1,044**	**$ -**	**$ -**	**$ 3,420**	**$ 428**	**$ 4,892**
Capital expenditures ……………	**$ 8,692**	**$ 10,918**	**$ 6,010**	**$ 231**	**$ 4,591**	**$ 30,442**

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, 2010 and 2009 were ¥2,776 million ($29,837 thousand) and ¥2,572 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, 2010 and 2009 were ¥30,006 million ($322,509 thousand) and ¥26,442 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 (8), effective April 1, 2009 the Company has applied "Accounting Standard for Construction Contracts (ASBJ Statement No. 15, issued on December 27, 2007)" and "the Guidance on Application of Accounting Standards for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007)".

As a result, Net sales increased ¥8,060 million ($86,626 thousand) in Construction. Operating income increased ¥441 million ($4,738 thousand) in Construction

(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.

16. 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, 2010 and 2009 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		Account	At March 31	
					2010	2009		**2010**	2009
Shimizu Corporation	¥74,365 million	Construction & Development	24.98%	Construction contracts	**¥12,923 $(138,897)**	¥13,998	Accounts receivables from completed construction contracts	**¥4,232 $(45,483)**	¥5,268
							Advances received on uncompleted construction contracts	**¥88 $(948)**	528
				Material sales	**¥7 $(75)**	¥5	Accounts receivable	**¥2 $(27)**	¥2
				Construction order	**¥4 $(46)**	¥20	Accounts payable-other	**¥- $(-)**	¥3

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

17. Per Share Data

	Yen		U.S. dollars (Note 3)
Per Share	**2010**	2009	**2010**
Net assets	**¥611.77**	¥574.60	**$6.58**
Net income			
Basic …………………………………………	**¥ 41.60**	¥ 17.37	**$0.45**
Diluted ………………………………………	-	-	-
Cash dividends			
Common shares ………………………………..	**¥ 7.00**	¥ 4.00	**$0.08**

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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	**2010**
Net assets	**¥53,951**	¥ 50,721	**$579,866**
Deduction amount ………………………………	**¥ 34**	¥ 72	**$ 366**
(Minority interests) ……………………………	**¥ (34)**	¥ (72)	**$ (366)**
Net assets available to common stockholders ….	**¥53,917**	¥ 50,649	**$579,500**
Common stock outstanding except for treasury stock (in thousands of shares) …………………..	**88,131**	88,147	

Calculation bases for net income per for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	**2010**
Net income ………………………………………	**¥3,666**	¥1,610	**$39,408**
Net income not available to common stockholders …………………………………….	**-**	-	**-**
(Net income appropriated as bonuses to directors) ………………………………….….	**-**	-	**-**
Net income available to common stockholders …	**¥3,666**	¥1,610	**$39,408**
Average common stock outstanding (in thousands of shares). ………………………..	**88,139**	92,693	

18. Subsequent Events

The payment of cash dividends to shareholders on record at March 31, 2010 in the aggregate amount of ¥616 million ($6,631 thousand) (¥7 per share) was agreed by the Board of Directors on May 14, 2010. The resolution came into force on June 8, 2010.

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

March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010	Average interest rate (%)	Repayment period
Short-term loans payable …	**¥ 780**	¥ 775	**$ 8,384**	1.33	-
Current portion of long-term loans payable ………………	**634**	1,635	**6,820**	2.07	-
Long-term loans payable (excluding current portion) …	**12,199**	11,834	**131,120**	1.99	2011～ 2014
Others ………………………	**-**	-	**-**	-	-
Total	**¥13,613**	¥14,244	**$146,324**		

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)
2011 ………………………………………	¥ 634	$ 6,820
2012 ………………………………………	7,639	82,100
2013 ………………………………………	3,560	38,267
2014 ………………………………………	0	4
2015 ………………………………………	1,000	10,749
	¥12,833	$137,940

20. Quarterly information (Unaudited)

	Millions of yen			
	The first quarter Apr 1 - Jun 30, 2009	The second quarter Jul 1 – Sept 30, 2009	The third quarter Oct 1 - Dec 31, 2009	The fourth quarter Jan 1 - Mar 31, 2010
Net Sales ……………………	¥18,018	¥27,613	¥36,285	¥58,571
Income (loss) before income taxes and minority interests …………	¥ (41)	¥ 623	¥ 2,174	¥ 3,774
Net Income (loss) …………	¥ (59)	¥ 330	¥ 1,249	¥ 2,146
Net Income (loss) of per share (Yen) ……………….	¥ (0.67)	¥ 3.75	¥ 14.17	¥ 24.35

	Thousands of U.S. dollars (Note 3)			
	The first quarter Apr 1 - Jun 30, 2009	The second quarter Jul 1 – Sept 30, 2009	The third quarter Oct 1 - Dec 31, 2009	The fourth quarter Jan 1 - Mar 31, 2010
Net Sales ……………………	$193,654	$296,790	$389,997	$629,520
Income (loss) before income taxes and minority interests ………..	$ (436)	$ 6,699	$ 23,362	$ 40,565
Net Income (loss) ………..	$ (638)	$ 3,555	$ 13,425	$ 23,066
Net Income (loss) of per share (U.S.dollars) ………	$ (0.01)	$ 0.04	$ 0.15	$ 0.26