Consolidated Financial Statements

KYUDENKO CORPORATION

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

Report of Independent Auditors

The Board of Directors
KYUDENKO CORPORATION

We have audited the accompanying consolidated balance sheets of KYUDENKO CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of KYUDENKO CORPORATION and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2(k), effective from the fiscal year ended March 31, 2010, the Company and its domestic consolidated subsidiaries have applied a new accounting standard for construction contracts.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 11, 2010

Ernst & Young ShinNihon LLC

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2010	**2009**	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and cash equivalents *(Note 15)*	¥ 14,360	¥ 12,813	$ 154,342
Short-term investments *(Note 14)*	1,018	2,230	10,942
Trade notes and accounts receivable *(Note 15)*	51,834	49,852	557,115
Lease receivables and lease investment assets *(Note 15)*	17,532	18,337	188,435
Less: Allowance for doubtful receivables	(485)	(997)	(5,213)
Inventories *(Note 4)*	19,324	30,868	207,696
Deferred tax assets *(Note 8)*	2,997	3,313	32,212
Other current assets	2,309	2,600	24,817
Total current assets	108,889	119,016	1,170,346
Property, plant and equipment *(Note 5)*:			
Land	26,619	26,782	286,103
Buildings and structures	55,328	53,847	594,669
Machinery and equipment	17,915	15,038	192,552
Construction in progress	197	3,426	2,117
	100,059	99,093	1,075,441
Accumulated depreciation	(34,313)	(32,675)	(368,799)
Property, plant and equipment, net	65,746	66,418	706,642
Investments and other assets:			
Investment securities *(Note 14 and 15)*	15,251	13,985	163,919
Long-term loans receivable	727	776	7,814
Investments in unconsolidated subsidiaries and affiliates *(Note 15)*	7,290	7,084	78,353
Deferred tax assets *(Note 8)*	10,100	11,642	108,555
Other	9,591	10,004	103,085
Less: Allowance for doubtful receivables	(5,032)	(5,050)	(54,084)
Total investments and other assets	37,927	38,441	407,642
Total assets	¥212,562	¥223,875	$2,284,630

	March 31,		
	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans and current portion of long-term debt *(Note 6 and 15)*	¥ 12,890	¥ 15,018	$ 138,543
Trade notes and accounts payable *(Note 15)*	42,985	44,061	462,006
Advances received on construction contracts in progress	16,882	23,274	181,449
Accrued expenses	1,810	2,040	19,454
Accrued income taxes *(Note 8)*	1,174	602	12,618
Other current liabilities *(Notes 6 and 8)*	3,833	4,791	41,196
Total current liabilities	79,574	89,786	855,266
Long-term liabilities:			
Long-term debt *(Note 6 and 15)*	12,020	15,343	129,192
Long-term accounts payable	1,462	2,817	15,714
Accrued employees' retirement benefits *(Note 9)*	26,098	26,819	280,503
Accrued directors' retirement benefits	198	199	2,128
Other *(Notes 6 and 8)*	2,801	2,581	30,105
Total long-term liabilities	42,579	47,759	457,642
Total liabilities	122,153	137,545	1,312,908
Contingent liabilities *(Note 13)*			
Net assets:			
Shareholders' equity *(Note 7)*:			
Common stock, with no par value:			
Authorized – 250,000,000 shares			
Issued – 83,005,819 shares in 2010 and 2009	7,902	7,902	84,931
Capital surplus	7,890	7,890	84,802
Retained earnings	76,726	73,517	824,655
Treasury stock, at cost	(3,767)	(3,758)	(40,487)
Total shareholders' equity	88,751	85,551	953,901
Valuation, translation adjustments and other:			
Net unrealized gain on other securities	820	2	8,814
Translation adjustments	(65)	(78)	(699)
Total valuation, translation adjustments and other	755	(76)	8,115
Minority interests	903	855	9,706
Total net assets	90,409	86,330	971,722
Total liabilities and net assets	¥212,562	¥223,875	$2,284,630

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Operations

	Year ended March 31,		
	2010	**2009**	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales	¥225,891	¥245,388	2,427,891
Cost of sales *(Note 10)*	203,720	221,386	2,189,596
Gross profit	22,171	24,002	238,295
Selling, general and administrative expenses *(Note 10)*	16,728	16,987	179,793
Operating income	5,443	7,015	58,502
Other income (expenses):			
Interest and dividend income	328	392	3,525
Interest expense	(82)	(182)	(881)
Loss on devaluation of investment securities	(423)	(5,824)	(4,546)
Gain (loss) on sales of property, plant and equipment	91	(10)	978
Gain (loss) on sales of investment securities	83	(31)	892
Additional retirement allowances paid	(101)	(236)	(1,086)
Provision of allowance for investment loss	—	(363)	—
Other, net	1,664	1,603	17,885
Income before income taxes and minority interests	7,003	2,364	75,269
Income taxes *(Note 8)*:			
Current	1,547	734	16,627
Deferred	1,307	707	14,048
	2,854	1,441	30,675
Minority interests	(47)	(24)	(505)
Net income *(Note 11)*	¥ 4,102	¥ 899	$ 44,089

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

		Shareholders' equity					Valuation, translation adjustments and other				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on other securities	Translation adjustments	Total valuation, translation adjustments and other	Minority interests	Total net assets
	(Thousands)					*(Millions of yen)*					
Balance at March 31, 2008	83,005	¥7,902	¥7,890	¥73,371	¥(3,710)	¥85,453	¥(1,824)	¥11	¥(1,813)	¥888	¥84,528
Cash dividends paid	–	–	–	(744)	–	(744)	–	–	–	–	(744)
Decrease due to inclusion of subsidiaries in consolidation	–	–	–	(9)	–	(9)	–	–	–	–	(9)
Net income	–	–	–	899	–	899	–	–	–	–	899
Purchases of treasury stock	–	–	–	–	(48)	(48)	–	–	–	–	(48)
Net changes in items other than those in shareholders' equity during the year	–	–	–	–	–	–	1,826	(89)	1,737	(33)	1,704
Balance at March 31, 2009	83,005	7,902	7,890	73,517	(3,758)	85,551	2	(78)	(76)	855	86,330
Cash dividends paid	–	–	–	(893)	–	(893)	–	–	–	–	(893)
Net income	–	–	–	4,102	–	4,102	–	–	–	–	4,102
Purchases of treasury stock	–	–	–	–	(9)	(9)	–	–	–	–	(9)
Net changes in items other than those in shareholders' equity during the year	–	–	–	–	–	–	818	13	831	48	879
Balance at March 31, 2010	83,005	¥7,902	¥7,890	¥76,726	¥(3,767)	¥88,751	¥820	¥(65)	¥755	¥903	¥90,409

		Shareholders' equity					Valuation, translation adjustments and other				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on other securities	Translation adjustments	Total valuation, translation adjustments and other	Minority interests	Total net assets
	(Thousands)					*(Thousands of U.S. dollars) (Note 3)*					
Balance at March 31, 2009	83,005	$84,931	$84,802	$790,165	$(40,391)	$919,507	$22	$(839)	$(817)	$9,189	$927,879
Cash dividends paid	–	–	–	(9,599)	–	(9,599)	–	–	–	–	(9,599)
Net income	–	–	–	44,089	–	44,089	–	–	–	–	44,089
Purchases of treasury stock	–	–	–	–	(96)	(96)	–	–	–	–	(96)
Net changes in items other than those in shareholders' equity during the year	–	–	–	–	–	–	8,792	140	8,932	517	9,449
Balance at March 31, 2010	83,005	$84,931	$84,802	$824,655	$(40,487)	$953,901	$8,814	$(699)	$8,115	$9,706	$971,722

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Income before income taxes and minority interests	¥ 7,003	¥ 2,364	$ 75,269
Depreciation and amortization	2,851	2,479	30,643
Provision for retirement benefits, net of payments	(721)	(1,145)	(7,749)
Interest and dividend income	(328)	(392)	(3,525)
Interest expense	82	181	881
Loss on reduction of noncurrent assets	1,267	–	13,618
Loss on devaluation of investment securities	423	5,824	4,546
Loss (gain) on sales of investment securities	(83)	31	(892)
Loss (gain) on sales and disposal of property, plant and equipment, net	(64)	18	(688)
Trade notes and accounts receivable	(1,983)	7,702	(21,313)
Lease receivables and lease investment assets	805	902	8,652
Inventories	11,544	2,390	124,075
Trade notes and accounts payable	(1,076)	(7,393)	(11,565)
Advances received on construction contracts in progress	(6,392)	3,823	(68,702)
Long-term accounts payable	(1,355)	(1,522)	(14,564)
Other	(186)	2,727	(1,999)
	11,787	17,989	126,687
Interest and dividends received	330	392	3,547
Interest paid	(82)	(181)	(882)
Income taxes paid	(1,063)	(3,193)	(11,425)
Income taxes refunded	–	219	–
Net cash provided by operating activities	10,972	15,226	117,927
Investing activities			
Purchases of short-term investments and investment securities	(3,848)	(741)	(41,359)
Proceeds from sales of short-term investments and investment securities	2,683	1,337	28,837
Purchases of property, plant and equipment	(4,521)	(3,993)	(48,592)
Proceeds from sales of property and equipment	616	81	6,621
(Increase) decrease in time deposits	2,342	(1,568)	25,172
Decrease in long-term loans receivable	9	36	97
Other	(344)	(223)	(3,697)
Net cash used in investing activities	(3,063)	(5,071)	(32,921)
Financing activities			
Decrease in short-term bank loans	(3,613)	(10,062)	(38,833)
Decrease in long-term debt	(1,838)	(65)	(19,755)
Cash dividends paid	(893)	(744)	(9,598)
Purchases of treasury stock	(9)	(48)	(97)
Other	(8)	(3)	(85)
Net cash used in financing activities	(6,361)	(10,922)	(68,368)
Effect of exchange rate changes on cash and cash equivalents	(1)	(9)	(11)
Net (decrease) increase in cash and cash equivalents	1,547	(776)	16,627
Cash and cash equivalents at beginning of the year	12,813	13,572	137,715
Increase due to inclusion of subsidiaries in consolidation	–	17	–
Cash and cash equivalents at end of the year	¥ 14,360	¥ 12,813	$ 154,342

See notes to consolidated financial statements.

KYUDENKO CORPORATION

Notes to Consolidated Financial Statements

March 31, 2010

1. Basis of Presentation

KYUDENKO CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Law of Japan and, accordingly, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost over underlying net assets at fair value as of the dates of acquisition is amortized, mainly over a period of 5 years on a straight-line basis.

Investments in companies which are not consolidated or accounted for by the equity method are carried at cost.

(b) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

2. Summary of Significant Accounting Policies (continued)

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the balance sheet date. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange losses and gains are charged or credited to income.

Revenue and expense accounts of the foreign consolidated subsidiaries are translated at the average rate during the year and, except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the exchange rates in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates.

(d) Securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. In cases where an embedded derivative in a compound financial instrument is unable to be separately measured, the entire compound financial instrument is measured at fair value with changes in value charged or credited to income. Non-marketable securities classified as other securities are carried at cost except for investments in limited partnerships that are accounted for by the equity method. Cost of securities sold is determined by the moving average method.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(f) Inventories

Construction contracts in progress are stated at cost by the specific identification method. Real estate construction in progress is stated at cost by the specific identification method. Materials and supplies are chiefly stated at cost by the average method.
The balance sheet amounts of inventories are calculated at the lower of cost or net selling value by decreasing the book value based on any declines in profitability.

2. Summary of Significant Accounting Policies (continued)

(Change in valuation method for inventories)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9 issued on July 5, 2006). The effect of the change on operating income and income before income taxes and minority interests was negligible.

The effect of this change on segment information is explained in Note 17.

(g) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings on which depreciation is computed by the straight-line method, based on the estimated useful lives of the respective assets. Depreciation of leased assets (lessees’ accounting) and property for lease (lessors’ accounting) is computed by the straight-line method over the respective lease terms.

Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are charged to income as incurred.

(Additional information)

Effective the year ended March 31, 2009, following the revision to the Tax Low, the useful lives of certain machinery has been reviewed to reflect more realistic useful lives. As a result, the useful lives of certain machinery were changed. The effect of the change on operating income and income before income taxes and minority interests was negligible.

(h) Research and development costs

Research and development costs are charged to income as incurred.

(i) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

2. Summary of Significant Accounting Policies (continued)

(j) Retirement benefits

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the employees (14 years through 16 years). Prior service cost is amortized by the straight-line method over the average remaining years of service of the employees (14 years through 15 years).

In addition, directors and corporate auditors of consolidated subsidiaries are customarily entitled to lump-sum payments under the unfunded retirement benefit plan. Provision for retirement benefits for these officers has been made at estimated amounts.

(Change in estimation of retirement benefit obligation)

Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19, issued on July 31, 2008). The adoption of the standard had no impact on the Company's consolidated operating results.
Also, the unrecognized balance of difference in projected benefit obligation that arose as a result of adopting this standard amounted to ¥2,127 million ($22,861 thousand) as of March 31, 2010.

The effect of this change on segment information is explained in Note 17.

(k) Recognition of revenue and related costs

Until the year ended March 31, 2009, revenues and costs of construction contracts were recognized by the completed-contract method. Revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

2. Summary of Significant Accounting Policies (continued)

(Changes in accounting for construction contracts)

Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for construction contracts" (ASBJ Statement No.15, issued on December 27, 2007), and the "Implementation Guidance on Accounting Standard for construction contracts" (ASBJ Guidance No.18, issued on December 27, 2007). Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.
As a result, net sales increased by ¥5,250 million ($56,427 thousand) and operating income, and income before income taxes and minority interests both increased by ¥93 million ($1,000 thousand) for the year ended March 31, 2010 from the corresponding amounts which would have been reported under the previous method.

The effect of this change on segment information is explained in Note 17.

(l) Leases

Finance leases are, in principle, capitalized. However, finance lease transactions that do not transfer ownership of the leased asset to the lessee, commencing before April 1, 2008, are accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the consolidated financial statements.

(Changes in accounting for lease transactions)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, issued on March 30, 2007, revising the original standard issued by the Standards Committee of the Business Accounting Council on June 17, 1993), and the "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, issued on March 30, 2007, revising the Practical Guidance issued by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994). Accordingly, finance lease transactions that do not transfer ownership of the leased assets, which were previously accounted for as operating leases, are capitalized as ordinary sale and purchase transactions.

2. Summary of Significant Accounting Policies (continued)

(l) Leases (continued)

-Lessees' accounting

For finance lease transactions that do not transfer ownership, those commencing prior to April 1, 2008 continue to be accounted for as operating leases. As a result, the effect on operating income and income before income taxes and minority interests was negligible.

-Lessors' accounting

Regarding income from finance lease transactions, both sales revenues and cost of sales are recognized when lease payments are received. For finance lease transaction entered into prior to April 1, 2008 where ownership of the leased assets is not transferred, lease investment assets are recognized at the amount of the book value of the leased assets as of March 31, 2008 as if the finance leases were entered into at the same amount on April 1, 2008. As a result, leases investment assets at March 31, 2009 increased by ¥12,711 million as compared with the corresponding amounts which would have been recorded under the previous method, but the effect on operating income and income before income taxes and minority interests was negligible.

The effect of this change on segment information is explained in Note 17.

(m) Derivative financial instruments

The Company has invested in compound financial instruments with embedded derivatives as part of its excess cash management. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations.

(n) Adoption of new accounting standard

(Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements)

Effective the year ended March 31, 2009, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18, issued on May 17, 2006). The adoption of the new accounting standard had no impact on the Company's consolidated operating results.

The effect of this change on segment information is explained in Note 17.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥93.04 = U.S.$1.00, the rate of exchange on March 31, 2010. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Construction contracts in progress	¥16,686	¥27,784	$179,343
Real estate construction in progress	1,066	1,111	11,457
Materials and supplies	1,572	1,973	16,896
Total	¥19,324	¥30,868	$207,696

5. Depreciation

Depreciation of property, plant and equipment for the years ended March 31, 2010 and 2009 was as follows:

2010	2009	2010
(Millions of yen)		*(Thousands of U.S. dollars)*
¥2,851	¥2,479	$30,643

6. Short-Term Bank Loans, Long-Term Debt and Lease Obligations

Short-term bank loans are unsecured and, in general, consisted of 365-day notes principally at annual weighted average interest rates of 0.914% and 0.988% at March 31, 2010 and 2009, respectively.

6. Short-Term Bank Loans, Long-Term Debt and Lease Obligations (continued)

Long-term debt and lease obligations at March 31, 2010 and 2009 consisted of the following:

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from banks due through 2027 at interest rates ranging from 0.82% to 3.50%	¥19,473	¥21,311	$209,297
Lease obligations due through 2014	369	500	3,966
	19,842	21,811	213,263
Less current portion	(7,642)	(6,168)	(82,137)
	¥12,200	¥15,643	$131,126

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

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥ 7,642	$ 82,137
2012	5,564	59,802
2013	3,423	36,791
2014	1,737	18,669
2015	764	8,211
2016 and thereafter	712	7,653
	¥19,842	$213,263

7. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

The following distribution of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, was approved at a meeting of the Board of Directors held on May 12, 2010:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥5 = $0.05 per share)	¥372	$3,998

8. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of 40.44% for the years ended March 31, 2010 and 2009.

The effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2009 differed from the statutory tax rate for the following reasons:

	2009
Statutory tax rate	40.44%
Effect of:	
Expenses permanently not deductible for income tax purposes	22.36
Dividend income deductible for income tax purposes	(3.03)
Inhabitants' per capita taxes	6.89
Equity in earnings of affiliates and other consolidation adjustments	(1.02)
Valuation allowance	0.91
Other, net	(5.60)
Effective tax rate	60.95%

In fiscal year 2010, there is no significant difference between the effective tax rate and the statutory tax rate.

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

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 2,216	¥ 2,210	$ 23,818
Accrued retirement benefits	10,044	10,608	107,954
Payables relating to defined contribution plans	905	1,509	9,727
Depreciation of noncurrent assets	909	1,074	9,769
Allowance for doubtful receivables	1,159	1,453	12,457
Other	4,807	5,010	51,666
Gross deferred tax assets	20,040	21,864	215,391
Valuation allowance	(4,294)	(4,889)	(46,152)
Total deferred tax assets	15,746	16,975	169,239
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	(1,725)	(1,659)	(18,540)
Net unrealized gain on other securities	(561)	—	(6,030)
Other	(410)	(422)	(4,407)
Total deferred tax liabilities	(2,696)	(2,081)	(28,977)
Net deferred tax assets	¥13,050	¥14,894	$140,262

9. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined contribution plans as well as defined benefit plans, that are corporate pension plans, welfare pension fund plans ("WPFP"), and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

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

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	¥(51,393)	¥(51,163)	$(552,375)
Plan assets at fair value	20,534	20,251	220,700
Unfunded retirement benefit obligation	(30,859)	(30,912)	(331,675)
Unrecognized actuarial loss	13,555	13,917	145,690
Unrecognized prior service cost	(8,779)	(9,808)	(94,357)
Net retirement benefit obligation	(26,083)	(26,803)	(280,342)
Prepaid pension expense	(15)	(16)	(161)
Accrued retirement benefits	¥(26,098)	¥(26,819)	$(280,503)

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

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 2,451	¥ 2,575	$ 26,343
Interest cost	1,136	1,172	12,210
Expected return on plan assets	(566)	(697)	(6,083)
Amortization of actuarial loss	1,520	1,244	16,337
Amortization of prior service cost	(1,029)	(1,029)	(11,059)
Subtotal	3,512	3,265	37,748
Contributions made to defined contribution plans	366	367	3,933
Total	¥ 3,878	¥ 3,632	$41,681

In addition to the above retirement benefit expenses, additional retirement allowances of ¥101 million ($1,085 thousand) and ¥236 million were paid for the years ended March 31, 2010 and 2009, respectively.

The assumptions used in the accounting for the above plans are as follows:

	2010	2009
Discount rate	2.00%	2.50%
Expected rate of return on plan assets	3.50%	3.50%

10. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2010 and 2009 amounted to ¥269 million ($2,891 thousand) and ¥275 million, respectively.

11. Amounts per Share

	2010	2009	2010
	(Yen)		*(U.S. dollars)*
Net income	¥ 55.12	¥ 12.07	$0.59
Cash dividends	12.00	10.00	0.13
Net assets	1,202.57	1,148.17	12.92

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and amounts per share of net assets are computed based on the net assets excluding minority interests and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends declared as applicable to the respective years, together with the interim cash dividends paid.

12. Leases

(Lessors' accounting)

a) Finance leases

Lease investment assets at March 31, 2010 and 2009 consist of follows:

	2010	2009	2010
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Minimum lease payments receivable	¥14,738	¥15,792	$158,405
Estimated residual value	680	669	7,308
Future interest income	(3,403)	(3,750)	(36,575)
Total	¥12,015	¥12,711	$129,138

12. Leases (continued)

At March 31, 2010, the amounts due in each of the next five years and thereafter are as follows:

(Lease receivables)

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥ 816	$ 8,770
2012	606	6,513
2013	530	5,696
2014	1,553	16,692
2015	918	9,867
2016 and thereafter	1,094	11,759
Total	¥5,517	$59,297

(Minimum lease payments receivable under lease investment assets)

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥ 4,115	$ 44,228
2012	2,930	31,492
2013	2,090	22,463
2014	1,424	15,305
2015	813	8,738
2016 and thereafter	3,366	36,179
Total	¥14,738	$158,405

b) Operating leases

Future minimum operating lease income subsequent to March 31, 2010 under non-cancelable operating lease transactions is summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥ 280	$ 3,009
2012 and thereafter	156	1,677
Total	¥ 436	$4,686

12. Leases (continued)

(Lessees' accounting)

a) Finance leases

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

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition costs:			
Machinery and equipment	¥277	¥352	$2,977
Accumulated depreciation:			
Machinery and equipment	¥238	¥250	$2,558
Net book value:			
Machinery and equipment	¥39	¥102	$419

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥66 million ($709 thousand) and ¥95 million for the years ended March 31, 2010 and 2009, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in lease payments amounted to ¥62 million ($666 thousand) and ¥1 million ($10 thousand), respectively, for the year ended March 31, 2010 and ¥89 million and ¥4 million, respectively, for the year ended March 31, 2009.

Future minimum lease payments subsequent to March 31, 2010 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥33	$ 355
2012 and thereafter	8	86
Total	¥41	$ 441

13. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2010:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Trade notes receivable endorsed and discounted with banks	¥ 27	$ 290
Guarantees of indebtedness	1,602	17,218

14. Securities

a) Information regarding marketable securities classified as other securities as of March 31, 2010 and 2009 is as follows:

	March 31, 2010					
	Acquisition cost	Carrying value	Gross unrealized gains (losses)	Acquisition cost	Carrying value	Gross unrealized gains (losses)
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Securities whose carrying value exceeds their acquisition cost						
Equity securities	¥ 4,932	¥ 7,011	¥ 2,079	$ 53,010	$ 75,355	$ 22,345
Debt securities	1,442	1,734	292	15,499	18,637	3,138
Other	591	685	94	6,352	7,362	1,010
Subtotal	¥ 6,965	¥ 9,430	¥ 2,465	$ 74,861	$ 101,354	$ 26,493
Securities whose acquisition cost exceeds their carrying value						
Equity securities	¥ 3,531	¥ 2,771	¥ (760)	$ 37,951	$ 29,783	$ (8,168)
Debt securities	1,848	1,587	(261)	19,862	17,057	(2,805)
Other	417	338	(79)	4,482	3,633	(849)
Subtotal	¥ 5,796	¥ 4,696	¥(1,100)	$ 62,295	$ 50,473	$(11,822)
Total	¥12,761	¥14,126	¥ 1,365	$137,156	$151,827	$ 14,671

	March 31, 2009		
	Acquisition cost	Carrying value	Gross unrealized gains (losses)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost			
Equity securities	¥ 1,152	¥ 2,398	¥ 1,246
Debt securities	423	581	158
Other	105	110	5
Subtotal	¥ 1,680	¥ 3,089	¥ 1,409
Securities whose acquisition cost exceeds their carrying value			
Equity securities	¥ 7,003	¥ 6,058	¥ (945)
Debt securities	2,369	2,038	(331)
Other	705	556	(149)
Subtotal	¥10,077	¥ 8,652	¥(1,425)
Total	¥11,757	¥11,741	¥ (16)

14. Securities (continued)

b) Information regarding sales of securities classified as other securities for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	¥ 400	¥1,192	$4,299
Gains on sales	72	25	774
Losses on sales	9	56	97

15. Financial Instrument

Effective from the fiscal year ended March 31, 2010, the Company has adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008) and the "Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No.19, issued on March 10, 2008).

a) Policy for financial instruments

The Company and its consolidated subsidiaries utilize short-term deposits for surplus fund. In addition, it raises funds through borrowing from financial institutions. Derivative transactions are only used to reduce risks, except highly secure embedded derivative in a compound financial instrument for surplus fund.

b) Detail of financial instruments, related risk and risk management system

Trade receivables, such as trade notes, accounts receivable, lease receivables and lease investment assets, are exposed to credit risk. The Company and its consolidated subsidiaries monitor the due dates and manage credit risk under the credit management rules to mitigate the risk.

Investment securities mainly consist of equity securities and are exposed to market risk. The Company and its consolidated subsidiaries review the fair values of listed equity securities quarterly and the financial condition of the issuing entities.

Trade payable such as trade notes and accounts payable have payment due dates mainly within 1 year.

Short-term loan and long term debt is taken out mainly for the purpose of making capital investments for leasing business segment.

The Company and its consolidated subsidiaries execute and manage derivative transactions within the limits of established internal rules and regulations, and reduce credit risk by limiting counterparties to highly creditworthy financial institutions.

15. Financial Instrument (continued)

Trade payable, loans and debt are exposed to liquidity risk. The Company and its consolidated subsidiaries manage the risk by preparing and updating its cash flow plans monthly.

c) Supplemental explanation of the estimated fair value of financial instruments

As well as the fair values based on market prices, the fair values of financial instruments include reasonably estimated amounts in case there are no quoted market prices available. As the estimation of those fair values relies on certain assumptions, different assumptions and factors could result in different fair values.

Estimated fair value and other of financial instruments as of March 31, 2010 are as follows:

	March 31, 2010					
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Cash and cash equivalents	¥ 14,360	¥ 14,360	¥ –	$ 154,342	$ 154,342	$ –
Trade notes and accounts receivable(*1)	51,591	51,839	248	554,503	557,169	2,666
Lease receivable and lease investment assets(*2)	16,610	17,505	895	178,526	188,145	9,619
Investment securities	13,384	13,384	–	143,852	143,852	–
Total assets	¥ 95,945	¥ 97,088	¥ 1,143	$1,031,223	$1,043,508	$ 12,285
Trade notes and account payable	¥ 42,985	¥ 42,985	¥ –	$ 462,006	$ 462,006	$ –
Short-term bank loans	5,437	5,437	–	58,437	58,437	
Long-term debt	19,473	19,537	64	209,297	209,985	688
Total liabilities	¥ 67,895	¥ 67,959	¥ 64	729,740	730,428	$ 688
Derivatives	–	–	–	–	–	–

(*1) Allowance for doubtful receivables is deducted from trade notes and accounts receivable.

(*2) Allowance for doubtful receivables and estimated residual value of lease investment assets are deducted from lease receivable and lease investment assets.

Note 1: Unlisted securities of ¥9,157 million ($98,420 thousand) whose fair value is extremely difficult to determine as of March 31, 2010 were not included in the above table.

Note 2: Valuation method to determine the estimated fair value of financial instrument and other matters related to transaction as follows:

Cash and cash equivalents
Since all these items are settled in a short period of time, the carrying value approximates fair value.

15. Financial Instrument (continued)

Trade notes and accounts receivable
If these items are settled in a short period of time, the carrying value approximates fair value. The fair value of loans receivable generated in leasing business segment is based on the present value of the future cash flow discounted by the interest rate to be applied if similar new loans were entered into.

Lease receivable and lease investment assets
The fair value of these items is based on the present value of the future cash flow discounted by the interest rate to be applied if similar new lease contract were entered into.

Investment securities
The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. The fair value of investment trusts is based on constant value. In cases where an embedded derivative in a compound financial instrument is unable to be separately measured, the entire compound financial instrument is measured at fair value. For information on securities classified by holding purpose, please refer to Note14.

Trade notes and account payable and short-term bank loans
Since all these items are settled in a short period of time, the carrying value approximates fair value.

Long-term debt
The fair value of these items is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowing were entered into.

d) Redemption schedule for receivables and marketable securities with maturities at March 31, 2010

	March 31, 2010			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Millions of yen)		
Deposits	¥ 14,409	¥ –	¥ –	¥ –
Trade notes and accounts receivable	48,028	2,793	735	278
Lease receivable and lease investment assets	4,330	9,582	2,120	820
Investment securities				
Other securities with maturities (debt securities)	650	675	379	1,993
Other securities with maturities (Other)	262	261	310	50
Total	¥ 67,679	¥ 13,311	¥ 3,544	¥ 3,141

15. Financial Instrument (continued)

	March 31, 2010			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Deposits	$ 154,869	$ –	$ –	$ –
Trade notes and accounts receivable	516,208	30,019	7,900	2,988
Lease receivable and lease investment assets	46,539	102,988	22,786	8,814
Investment securities				
Other securities with maturities (debt securities)	6,986	7,255	4,073	21,421
Other securities with maturities (Other)	2,816	2,805	3,332	537
Total	$ 727,418	$ 143,067	$ 38,091	$ 33,760

e) The redemption schedule for long-term debt is disclosed in Note 6.

16. Related Party Transactions

Consolidated net sales included those to Kyushu Electric Power Co., Inc. who has an approximately 30% ownership interest in the Company, in the amounts of ¥54,079 million ($581,245 thousand) and ¥56,071 million for the years ended March 31, 2010 and 2009, respectively. The related receivables at March 31, 2010 and 2009 amounted to ¥8,478 million ($91,122 thousand) and ¥7,929 million, respectively.

The terms of the transactions referred to above were negotiated and determined on an arm's-length basis.

17. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the equipment construction business in Japan. The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 is as follows:

	Year ended March 31, 2010					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Millions of yen)			
I. Sales and operating income						
Sales to third parties	¥212,354	¥ 7,224	¥ 6,313	¥225,891	¥ –	¥225,891
Intersegment sales and transfers	1,189	2,742	15,147	19,078	(19,078)	–
Total sales	213,543	9,966	21,460	244,969	(19,078)	225,891
Operating expenses	208,903	9,314	21,203	239,420	(18,972)	220,448
Operating income	¥ 4,640	¥ 652	¥ 257	¥ 5,549	¥ (106)	¥ 5,443
II. Assets, depreciation and capital expenditures						
Total assets	¥181,689	¥31,089	¥16,645	¥229,423	¥(16,861)	¥212,562
Depreciation and amortization	2,249	132	504	2,885	(34)	2,851
Capital expenditures	3,282	194	1,362	4,838	(89)	4,749

	Year ended March 31, 2010					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Thousands of U.S. dollars)			
I. Sales and operating income						
Sales to third parties	$2,282,395	$ 77,644	$ 67,852	$2,427,891	$ –	$2,427,891
Intersegment sales and transfers	12,779	29,471	162,802	205,052	(205,052)	–
Total sales	2,295,174	107,115	230,654	2,632,943	(205,052)	2,427,891
Operating expenses	2,245,303	100,107	227,892	2,573,302	(203,913)	2,369,389
Operating income	$ 49,871	$ 7,008	$ 2,762	$ 59,641	$ (1,139)	$ 58,502
II. Assets, depreciation and capital expenditures						
Total assets	$1,952,805	$334,147	$178,901	$2,465,853	$(181,223)	$2,284,630
Depreciation and amortization	24,172	1,419	5,417	31,008	(365)	30,643
Capital expenditures	35,275	2,085	14,639	51,999	(957)	51,042

17. Segment Information (continued)

	Year ended March 31, 2009					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Millions of yen)			
I. Sales and operating income						
Sales to third parties	¥231,696	¥ 7,513	¥ 6,179	¥245,388	¥ –	¥245,388
Intersegment sales and transfers	466	2,735	18,495	21,696	(21,696)	–
Total sales	232,162	10,248	24,674	267,084	(21,696)	245,388
Operating expenses	225,874	9,677	24,444	259,995	(21,622)	238,373
Operating income	¥ 6,288	¥ 571	¥ 230	¥ 7,089	¥ (74)	¥ 7,015
II. Assets, depreciation and capital expenditures						
Total assets	¥191,140	¥32,318	¥17,034	¥240,492	¥(16,617)	¥223,875
Depreciation and amortization	2,084	114	314	2,512	(33)	2,479
Capital expenditures	2,578	196	1,530	4,304	(46)	4,258

(Change in valuation method for inventories)

As described in Note 2(f), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued on July 5, 2006). The effect of the change on operating income of each segment was negligible.

(Changes in accounting for lease transactions)

As described in Note 2(l), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, issued on March 30, 2007, revising the original standard issued by the Standards Committee of the Business Accounting Council on June 17, 1993), and the "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, issued on March 30, 2007, revising the Practical Guidance issued by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994). The effect of the change on operating income of each segment was negligible.

(Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements)

As described in Note 2(n), effective the year ended March 31, 2009, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18, issued on May 17, 2006). There was no effect on segment operating income as a result of this change.

17. Segment Information (continued)

(Changes in accounting for construction contracts)

As described in Note 2(k), effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for construction contracts" (ASBJ Statement No.15, issued on December 27, 2007) and the "Implementation Guidance on Accounting Standard for construction contracts" (ASBJ Guidance No.18, issued on December 27, 2007).
As a result, net sales increased by ¥5,250 million ($56,427 thousand) and operating income increased by ¥93 million ($1,000 thousand) on the equipment construction work segment for the year ended March 31, 2010 from the corresponding amounts which would have been reported under the previous method.

(Change in estimation of retirement benefit obligation)

As described in Note 2(j), effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19, issued on July 31, 2008). There was no effect on segment operating income as a result of this change.

The disclosure of geographical segment information has been omitted as net sales and total assets of the foreign operations constituted less than 10% of the consolidated totals for both years ended March 31, 2010 and 2009.

Overseas sales of the Company and its consolidated subsidiaries constituted less than 10% of the consolidated net sales for both years ended March 31, 2010 and 2009.

18. Subsequent Events

33 domestic subsidiaries have participated in the Kyudenko Group Pension Fund, which is a multi-employer contributory welfare pension plan (a defined benefit pension plan under the Japanese Welfare Pension Insurance Low) administrated by Kyudenko group companies.
On May 31, 2010, the Kyudenko Group Pension Fund offered an exemption to the Minister of Health, Labor and Welfare for relieving the benefit obligation of substitutional portion of the plan related to future employee services in accordance with the Law Concerning Defined Benefit Corporate Pension Plans.
If this offering is granted, the Kyudenko Group Pension Fund intends to be granted an exemption for a return of the benefit obligation of substitutional portion of the plan related to past employee service in the fiscal year starting from April 1, 2010. The detail schedule and the impact on operating results has not been determined yet.