

Consolidated Financial Statements

**Meisei Industrial Co., Ltd.
and Consolidated Subsidiaries**

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

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2010 and 2009

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Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Financial Highlights

(Millions of yen, except for per share amounts)

	2010	2009	2008	2007	2006
For the Year:					
Construction orders awarded	¥ 36,165	¥ 48,111	¥45,681	¥47,351	¥43,178
Net sales	39,653	47,288	48,335	48,692	45,536
Operating income	3,439	5,082	6,021	4,648	4,962
Net income (loss)	1,659	4,263	4,248	3,947	(4,682)
Per Share (yen):					
Net income (loss) – basic	28.83	69.21	64.87	59.61	(71.92)
Net income – diluted	–	–	–	–	–
Cash dividends	6.00	6.00	6.00	3.00	–
At the Year End:					
Total assets	45,009	50,596	50,439	53,796	52,596
Common stock	6,889	6,889	6,889	6,889	6,889
Net assets	27,124	26,102	23,772	21,124	16,230
Net assets per share (yen)	464.12	428.43	361.08	307.34	244.95
Interest-bearing debt	5,515	8,353	10,685	14,930	16,903
General:					
Number of subsidiaries	12	10	10	10	9
Number of employees	654	646	616	623	623

(Thousands of U.S. dollars, except for per share amounts)

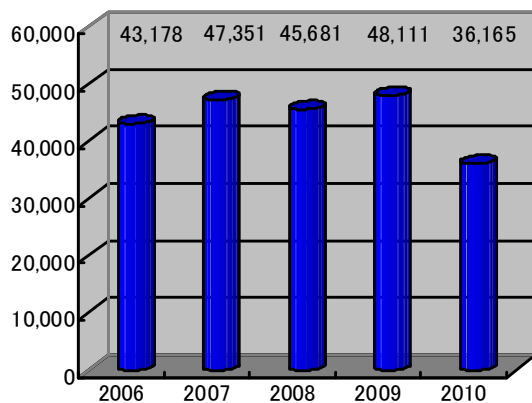
	2010	2009	2008	2007	2006
For the Year:					
Construction orders awarded	\$ 388,703	\$ 517,100	\$ 490,982	\$ 508,932	\$ 464,080
Net sales	426,193	508,254	519,508	523,345	489,424
Operating income	36,963	54,622	64,714	49,957	53,332
Net income (loss)	17,831	45,819	45,658	42,423	(50,322)
Per Share (dollars):					
Net income (loss) – basic	0.31	0.74	0.70	0.64	(0.77)
Net income – diluted	–	–	–	–	–
Cash dividends	0.06	0.06	0.06	0.03	–
At the Year End:					
Total assets	483,760	543,809	542,122	578,203	565,305
Common stock	74,043	74,043	74,043	74,043	74,043
Net assets	291,531	280,546	255,503	227,042	174,441
Net assets per share (dollars)	5.00	4.60	3.88	3.30	2.63
Interest-bearing debt	59,276	89,779	114,843	160,469	181,675

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Financial Highlights

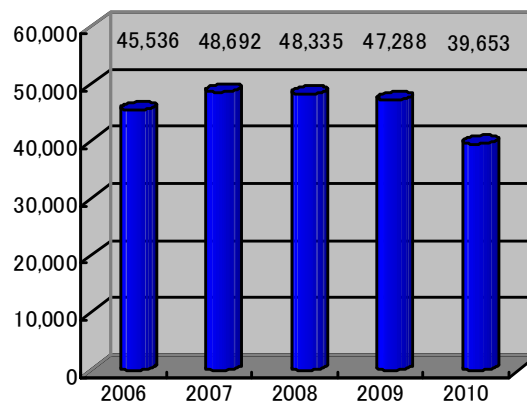
Construction Orders Awarded

Millions of yen



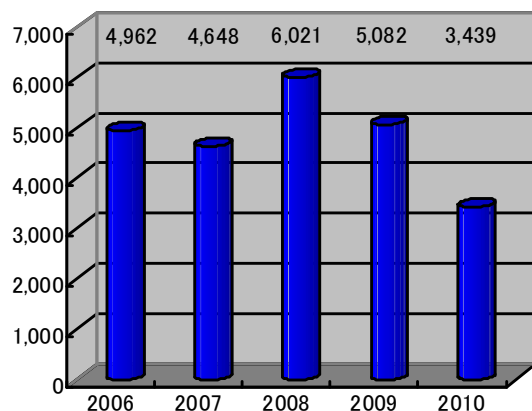
Net Sales

Millions of yen



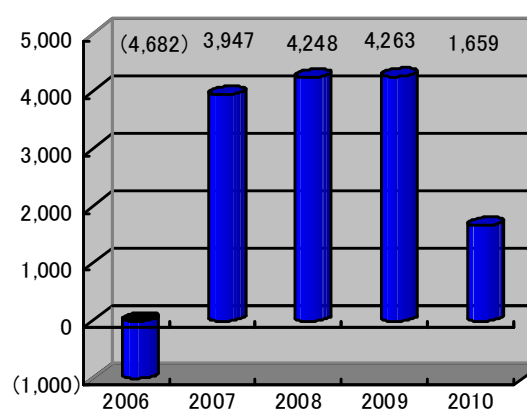
Operating Income

Millions of yen



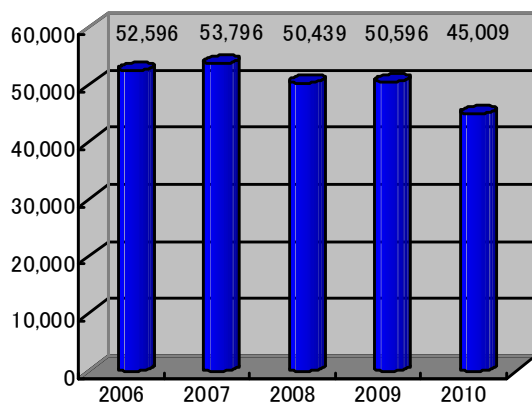
Net Income (Loss)

Millions of yen



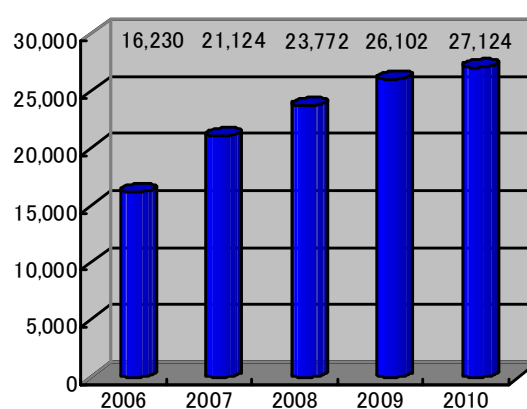
Total Assets

Millions of yen



Net Assets

Millions of yen



Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Assets			
Current assets:			
Cash and time deposits <i>(Notes 16 and 17)</i>	¥ 8,718	¥ 8,044	\$ 93,702
Notes and accounts receivable <i>(Note 17)</i> :			
Notes	1,669	2,398	17,939
Accounts	12,193	14,563	131,051
	13,862	16,961	148,990
Inventories <i>(Note 5)</i>	3,311	4,391	35,587
Deferred income taxes <i>(Note 10)</i>	638	848	6,857
Other current assets	68	89	731
Less: Allowance for doubtful receivables	(41)	(60)	(441)
Total current assets	26,556	30,273	285,426
Property, plant and equipment <i>(Notes 6, 8 and 19)</i> :			
Land	11,628	13,388	124,979
Buildings and structures	7,896	7,600	84,866
Machinery, equipment and construction in progress	5,238	5,278	56,298
	24,762	26,266	266,143
Accumulated depreciation	(9,486)	(9,145)	(101,956)
Property, plant and equipment, net	15,276	17,121	164,187
Investments and other assets:			
Investments in securities <i>(Notes 4 and 17)</i>	2,158	1,720	23,194
Deferred income taxes <i>(Note 10)</i>	452	726	4,858
Other assets	663	922	7,126
Less: Allowance for doubtful receivables	(96)	(166)	(1,031)
Total investments and other assets	3,177	3,202	34,147
Total assets	¥ 45,009	¥ 50,596	\$ 483,760

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities			
Current liabilities:			
Short-term bank loans <i>(Notes 8 and 17)</i>	¥ 1,345	¥ 1,641	\$ 14,456
Current portion of long-term debt <i>(Notes 8 and 17)</i>	2,162	3,667	23,237
Notes and accounts payable <i>(Note 17)</i> :			
Notes	2,002	3,576	21,518
Accounts	3,414	4,215	36,694
	<u>5,416</u>	<u>7,791</u>	<u>58,212</u>
Advances received on uncompleted contracts	701	1,161	7,534
Income taxes payable <i>(Note 10)</i>	212	237	2,279
Allowance for compensation for completed construction	107	118	1,150
Accrued employees' bonuses	352	391	3,783
Allowance for bonuses to directors and corporate auditors	60	69	645
Allowance for losses on construction contracts	24	17	258
Other current liabilities	681	751	7,320
Total current liabilities	<u>11,060</u>	<u>15,843</u>	<u>118,874</u>
Long-term liabilities:			
Long-term debt <i>(Notes 8 and 17)</i>	2,008	3,045	21,582
Accrued retirement benefits for employees <i>(Note 11)</i>	1,050	1,056	11,285
Accrued retirement benefits for directors and corporate auditors	287	254	3,085
Deferred income taxes <i>(Note 10)</i>	2,991	3,698	32,147
Negative goodwill	67	83	720
Other long-term liabilities	422	515	4,536
Total long-term liabilities	<u>6,825</u>	<u>8,651</u>	<u>73,355</u>
Contingent liabilities <i>(Note 7)</i>			
Net assets			
Shareholders' equity <i>(Note 12)</i> :			
Common stock:			
Authorized – 190,000,000 shares			
Issued – 63,386,718 shares at March 31, 2010 and 2009	6,889	6,889	74,043
Capital surplus	1,000	1,000	10,748
Retained earnings	18,840	18,308	202,494
Less: Treasury stock, at cost	(1,742)	(1,989)	(18,723)
Total shareholders' equity	<u>24,987</u>	<u>24,208</u>	<u>268,562</u>
Valuation and translation adjustments:			
Net unrealized holding gain on securities	336	161	3,611
Surplus arising from land revaluation <i>(Note 13)</i>	767	767	8,244
Foreign currency translation adjustments	204	187	2,193
Total valuation and translation adjustments	<u>1,307</u>	<u>1,115</u>	<u>14,048</u>
Stock acquisition rights <i>(Note 20)</i>	9	–	97
Minority interests in consolidated subsidiaries	821	779	8,824
Total net assets <i>(Note 21)</i>	<u>27,124</u>	<u>26,102</u>	<u>291,531</u>
Total liabilities and net assets	<u>¥ 45,009</u>	<u>¥ 50,596</u>	<u>\$ 483,760</u>

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Years ended March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Net sales <i>(Notes 14 and 23)</i>	¥ 39,653	¥ 47,288	\$ 426,193
Cost of sales <i>(Notes 15 and 22)</i>	31,995	38,116	343,884
Gross profit	7,658	9,172	82,309
Selling, general and administrative expenses <i>(Note 22)</i>	4,219	4,090	45,346
Operating income <i>(Note 23)</i>	3,439	5,082	36,963
Other income (expenses):			
Interest and dividend income	50	82	537
Rental income on real estate <i>(Note 19)</i>	136	192	1,461
Gain on cancellation of insurance contracts	–	57	–
Reversal of allowance for doubtful receivables	25	70	269
Foreign exchange loss	(12)	(311)	(129)
Interest expense	(102)	(195)	(1,096)
Cost of rent on real estate <i>(Note 19)</i>	(65)	(93)	(699)
Loss on devaluation of investments in securities <i>(Note 4)</i>	(52)	(94)	(559)
Loss on impairment of fixed assets <i>(Note 6)</i>	(1,789)	–	(19,228)
Loss on sales of investments in securities	–	(18)	–
Other, net	21	8	226
	(1,788)	(302)	(19,218)
Income before income taxes and minority interests	1,651	4,780	17,745
Income taxes <i>(Note 10)</i> :			
Current	288	254	3,095
Deferred	(341)	199	(3,665)
	(53)	453	(570)
Income before minority interests	1,704	4,327	18,315
Minority interests in earnings of consolidated subsidiaries	(45)	(64)	(484)
Net income <i>(Note 21)</i>	¥ 1,659	¥ 4,263	\$ 17,831

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Years ended March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 1,651	¥ 4,780	\$ 17,745
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	479	472	5,148
Loss on impairment of fixed assets	1,789	-	19,228
Increase (decrease) in allowance for losses on construction contracts	7	(21)	75
Increase in accrued retirement benefits	28	41	301
Decrease in allowance for doubtful receivables	(89)	(70)	(956)
Interest and dividend income	(50)	(82)	(537)
Interest expense	102	195	1,096
Foreign exchange loss, net	20	9	215
Loss on devaluation of financial instruments	2	14	21
Loss on devaluation of investments in securities	52	94	559
(Gain) loss on sales of investments in securities, net	(5)	18	(54)
Changes in operating assets and liabilities:			
Notes and accounts receivable	3,100	(742)	33,319
Inventories	1,080	(292)	11,608
Notes and accounts payable	(2,292)	297	(24,635)
Advances received on uncompleted contracts	(460)	74	(4,944)
Other, net	(30)	256	(322)
Subtotal	5,384	5,043	57,867
Interest and dividends received	53	84	570
Interest paid	(102)	(194)	(1,096)
Income taxes paid	(315)	(230)	(3,386)
Net cash provided by operating activities	5,020	4,703	53,955
Cash flows from investing activities			
Decrease in time deposits, net	93	317	1,000
Increase in investments in securities	(206)	(136)	(2,214)
Proceeds from sales of investments in securities	13	89	140
Purchases of property, plant and equipment	(585)	(923)	(6,288)
Other, net	157	11	1,687
Net cash used in investing activities	(528)	(642)	(5,675)
Cash flows from financing activities			
(Decrease) increase in short-term bank loans, net	(296)	961	(3,181)
Proceeds from long-term debt	1,300	4,300	13,972
Repayment of long-term debt	(3,642)	(7,393)	(39,143)
Repayment of bonds	(200)	(200)	(2,150)
Payments under finance lease obligations	(0)	(29)	(0)
Cash dividends paid to shareholders of minority interests of consolidated subsidiaries	(4)	-	(43)
Increase in treasury stock	(529)	(1,100)	(5,686)
Cash dividends paid	(348)	(375)	(3,740)
Other, net	0	(5)	0
Net cash used in financing activities	(3,719)	(3,841)	(39,972)
Effect of exchange rate changes on cash and cash equivalents	(5)	(83)	(53)
Increase in cash and cash equivalents	768	137	8,255
Cash and cash equivalents at beginning of year	7,753	7,622	83,329
Decrease in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	-	(6)	-
Cash and cash equivalents at end of year (Note 16)	¥ 8,521	¥ 7,753	\$ 91,584

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Preparation of Consolidated Financial Statements

Meisei Industrial Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records 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. Its overseas subsidiaries maintain their accounts and records in conformity with the requirements of their respective countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as additional information.

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

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 12 and 10 majority-owned subsidiaries (collectively, the "Companies") for the years ended March 31, 2010 and 2009, respectively. All significant intercompany transactions and accounts have been eliminated in consolidation.

The overseas consolidated subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these overseas subsidiaries and the year end of the Company.

Negative goodwill is amortized using the straight-line method over the respective determinable useful life or a period of five years if the useful life is indeterminable.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(d) Investments in Securities

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

If the fair value of other securities declines significantly and the impairment in value is not deemed temporary, these securities are written down to fair value and the resulting loss is charged to income as incurred.

(e) Inventories

Construction projects in progress are stated at cost determined on an individual project basis.

Materials and supplies as well as merchandise and finished goods are mainly stated at the lower of cost or net selling value, cost being determined by the moving average method.

(Change in accounting policy)

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

(f) Property, Plant and Equipment (other than leased assets)

Property, plant and equipment are stated at cost. For the Company and its domestic consolidated subsidiaries, depreciation is computed at rates based on the estimated useful lives of the respective assets by the declining-balance method, except for buildings (other than structures attached to the buildings) acquired on or subsequent to April 1, 1998 to which the straight-line method is applied.

For the overseas consolidated subsidiaries, fixed assets are depreciated at rates based on their respective estimated useful lives by the straight-line method.

(Supplementary information)

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

1. Summary of Significant Accounting Policies (continued)

(g) Leased Assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life. Finance lease transactions which do not transfer ownership to lessee, commencing on or before March 31, 2008, are accounted for in the same manner as operating leases.

(h) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful receivables at the estimated aggregate amount of probable bad debts plus an amount calculated based on their historical experience with bad debts. The overseas consolidated subsidiaries provide an allowance for doubtful receivables at the estimated aggregate amount of probable bad debts.

(i) Allowance for Compensation for Completed Construction

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

(j) Accrued Employees' Bonuses

The Company and certain domestic consolidated subsidiaries provide for accrued employees' bonuses at an estimate of the amounts to be paid.

(k) Allowance for Bonuses to Directors and Corporate Auditors

The Company and certain domestic consolidated subsidiaries provide for allowance for bonuses to directors and corporate auditors at an estimate of the amounts to be paid.

(l) Allowance for Losses for Construction Contracts

Allowance for losses on construction contracts is provided based on an estimate of the losses expected to be incurred subsequent to the balance sheet date.

(m) Retirement Benefits

The Company and its domestic consolidated subsidiaries have non-contributory defined benefit pension plans and retirement allowances plans. The overseas consolidated subsidiaries also have retirement benefit plans.

The employees' retirement benefit plans provide for a lump-sum payment to employees' upon retirement determined by reference to their current rate of pay, length of service and the conditions under which termination occurs.

To provide for the payment of retirement benefits and pension plan payments to their employees, the Company and certain consolidated subsidiaries record a reserve equivalent to the amount recognized as required at the end of the year based on the estimated retirement benefit obligation and the fair value of the pension plan assets at the end of the year.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

In addition, directors and corporate auditors of the Company and certain domestic consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement allowances plans. Accrued retirement benefits for directors and corporate auditors have been made at an estimated amount based on their internal rules.

(Change in accounting policy)

Effective the year ended March 31, 2010, "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No.19 issued on July 31, 2008) has been applied.

There was no impact on the consolidated statement of income for the year ended March 31, 2010.

(n) Foreign Currency Translation

The financial statements of the overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date of the respective overseas consolidated subsidiaries except that the components of net assets excluding minority interests are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas consolidated subsidiaries are not included in the determination of net income but are reported as foreign currency translation adjustments and minority interests in separate components of net assets in the accompanying consolidated balance sheets at March 31, 2010 and 2009.

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rates of exchange in effect at the balance sheet date and the resulting gain or loss is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates in effect at the respective transaction dates.

(o) Revenue Recognition and Construction Contracts

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

1. Summary of Significant Accounting Policies (continued)

(o) Revenue Recognition and Construction Contracts (continued)

Net sales related to construction contracts accounted for by the percentage-of-completion method totaled ¥12,000 million (\$128,977 thousand) and ¥5,799 million for the years ended March 31, 2010 and 2009, respectively.

(Change in accounting policy)

Revenues from, and the related costs of, the construction contracts of the Company and its domestic subsidiaries were previously recorded by the completed-contract method; unless the construction work was longer than one year and the contract amount exceeded ¥500 million, in which case the percentage-of-completion method was applied.

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

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

As a result of the adoption of this standard and guidance, net sales increased by ¥707 million (\$7,599 thousand) and operating income and income before income taxes and minority interests increased by ¥85 million (\$914 thousand) for the year ended March 31, 2010 from the corresponding amounts which would have been recorded under the method applied in the previous year. The effect of this change on segment information was disclosed in Note 23.

For construction contracts commencing on or before March 31, 2009, revenue and cost of construction is accounted for in the same manner as the previous method.

(p) Hedge Accounting

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

2. U.S. Dollar Amounts

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

3. Changes in Accounting Policies

(a) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective the year ended March 31, 2009, the Companies adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006).

There was no effect on operating results as a result of adoption of this accounting standard.

(b) Application of Accounting Standards for Leases

Previously, finance lease transactions which do not transfer ownership to the lessee were accounted for in the same manner as operating lease transactions. However, effective the year ended March 31, 2009, the Company and its 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).

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

There was no effect on operating results as a result of adoption of this accounting standard for the year ended March 31, 2009.

4. Investments in Securities

Marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2010 and 2009 were summarized as follows:

Marketable held-to-maturity debt securities

	2010		
	Carrying value	Estimated fair value	Unrealized gain(loss)
	(Millions of yen)		
Securities whose estimated fair value exceeds their carrying value:			
National government bonds	¥10	¥10	¥ 0
Subtotal	10	10	0
Securities whose carrying value exceeds their estimated fair value:			
National government bonds	-	-	-
Subtotal	-	-	-
Total	¥ 10	¥ 10	¥ 0

	2009		
	Carrying value	Estimated fair value	Unrealized gain(loss)
	(Millions of yen)		
Securities whose estimated fair value exceeds their carrying value:			
National government bonds	¥ -	¥ -	¥ -
Subtotal	-	-	-
Securities whose carrying value exceeds their estimated fair value:			
National government bonds	10	10	(0)
Subtotal	10	10	(0)
Total	¥ 10	¥ 10	¥ (0)

	2010		
	Carrying value	Estimated fair value	Unrealized gain(loss)
	(Thousands of U.S. dollars)		
Securities whose estimated fair value exceeds their carrying value:			
National government bonds	\$ 107	\$ 107	\$ 0
Subtotal	107	107	0
Securities whose carrying value exceeds their estimated fair value:			
National government bonds	-	-	-
Subtotal	-	-	-
Total	\$ 107	\$ 107	\$ 0

Other securities

	2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 566	¥ 1,144	¥ 578
Corporate bonds	201	205	4
Subtotal	767	1,349	582
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	112	101	(11)
Corporate bonds	201	199	(2)
Other bonds	51	51	-
Other	72	67	(5)
Subtotal	436	418	(18)
Total	¥ 1,203	¥ 1,767	¥ 564

	2009		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 266	¥ 625	¥ 358
Subtotal	266	625	358
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	446	382	(64)
Corporate bonds	202	197	(5)
Other bonds	71	71	-
Other	72	54	(18)
Subtotal	791	704	(87)
Total	¥ 1,057	¥ 1,329	¥ 272

	2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 6,084	\$ 12,296	\$ 6,212
Corporate bonds	2,160	2,203	43
Subtotal	8,244	14,499	6,255
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	1,204	1,086	(118)
Corporate bonds	2,160	2,139	(21)
Other bonds	548	548	-
Other	774	720	(54)
Subtotal	4,686	4,493	(193)
Total	\$ 12,930	\$ 18,992	\$ 6,062

4. Investments in Securities

The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2010 and 2009 were summarized as follows:

	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales	¥ 13	¥ 89	\$140
Gross realized gain	5	0	54
Gross realized loss	–	18	–

A breakdown of other securities whose market value was not determinable at March 31, 2010 and 2009 was summarized as follows:

	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted equity securities	¥ 381	¥ 381	\$ 4,095

The redemption schedule for held-to-maturity debt securities and debt securities classified as other securities at March 31, 2010 was summarized as follows:

	<i>Millions of yen</i>		
	National government bonds	Corporate bonds	Other
	Due in one year or less	¥ –	¥ –
Due after one year but within five years	10	–	–
Due after five years but within ten years	–	304	–
Due after ten years	–	100	–
	<i>Thousands of U.S. dollars</i>		
	National government bonds	Corporate bonds	Other
	Due in one year or less	\$ –	\$ –
Due after one year but within five years	107	–	–
Due after five years but within ten years	–	3,267	–
Due after ten years	–	1,075	–

The Company recorded a loss on impairment of marketable other securities of ¥52 million (\$559 thousand) and ¥94 million for the years ended March 31, 2010 and 2009, respectively.

5. Inventories

Inventories at March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Uncompleted construction contracts	¥ 2,723	¥ 3,996	\$ 29,267
Materials and supplies	263	169	2,827
Merchandise and finished goods	325	226	3,493
	¥ 3,311	¥ 4,391	\$ 35,587

6. Impairment of Fixed Assets

The Company and its consolidated subsidiaries primarily group their operating fixed assets based on business units and investment and rental properties are grouped individually.

For the year ended March 31, 2010, the Company and its consolidated subsidiaries wrote down the following investment and rental properties, whose fair value had decreased significantly, to their respective recoverable value and recorded a related loss on impairment of fixed assets totaling ¥1,789 million (\$19,228 thousand) in the accompanying consolidated statement of income for the year ended March 31, 2010:

Usage	Classification	Location
Investment and rental properties	Buildings and Land	Osaka City, Osaka Prefecture
Investment and rental properties	Buildings and Land	Toyonaka City, Osaka Prefecture

Regarding the loss on impairment of fixed assets by classification, buildings were reduced by ¥1,759 million (\$18,906 thousand) and land was reduced by ¥30 million (\$322 thousand) for the year ended March 31, 2010.

In addition, the recoverable value of the fixed assets presented in the above table has been measured at net realizable value based on appraisals by real estate appraisers.

7. Contingent Liabilities

One bank has issued guarantee letters for contract guarantees in connection with a construction order of PT. TERAS TEKNIK PERDANA / PT. MEISEI INDONESIA in the amount of ¥53 million (\$570 thousand). The Company was contingently liable for these letters of guarantee to the bank at March 31, 2010.

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

Average interest rates on short-term bank loans outstanding at March 31, 2010 and 2009 were 1.01% and 1.33%, respectively.

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

	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
0.67% bonds due August 2010	¥ 300	¥ 500	\$ 3,224
Loans from banks payable in yen, at rates ranging from 1.2375% to 2.495%, due through March 2011	3,870	6,212	41,595
	4,170	6,712	44,819
Less current portion	(2,162)	(3,667)	(23,237)
	¥ 2,008	¥ 3,045	\$ 21,582

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

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 2,162	\$ 23,237
2012	1,558	16,745
2013	450	4,837
	¥ 4,170	\$ 44,819

At March 31, 2010, the Company had a line-of-credit commitment for short-term financing arrangements of ¥4,000 million (\$42,992 thousand), of which ¥3,000 million (\$32,244 thousand) was available at March 31, 2010.

Assets pledged as collateral for short-term debt of ¥2,300 million (\$24,721 thousand), long-term debt of ¥2,150 million (\$23,108 thousand), including the current portion thereof, at March 31, 2010 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, at net book value, in the form of fixed mortgages	¥ 10,257	\$ 110,243

9. Leases

The Companies mainly use leased assets under finance lease transactions that do not transfer ownership to the lessee as office equipment. The pro forma amounts of the acquisition cost, accumulated depreciation and net book value of these leased assets under lease transactions commencing on or before March 31, 2008, at March 31, 2010 and 2009 if finance leases other than those which transfer the ownership of the leased property to the Company had been capitalized have been omitted because those amounts were immaterial.

10. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rate in Japan for the years ended March 31, 2010 and 2009 was, in the aggregate, approximately 40.6%.

A reconciliation of the statutory tax rate to the effective tax rates for the years ended March 31, 2010 and 2009 was presented as follows:

	2010	2009
Statutory tax rate	40.6 %	40.6 %
Effect of:		
Expenses not deductible from taxable income	2.8	1.6
Per capita portion of inhabitants' taxes	3.4	1.1
Valuation allowance	(46.9)	(33.9)
Other	(3.1)	0.1
Effective tax rates	(3.2)%	9.5%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. Significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2010 and 2009 were summarized as follows:

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars)
Deferred tax assets:			
Tax loss carry forwards	¥ 1,911	¥ 2,899	\$ 20,539
Allowance for doubtful receivables	61	72	655
Accrued bonuses	142	159	1,526
Accrued retirement benefits for employees	424	428	4,557
Accrued retirement benefits for directors and corporate auditors	117	103	1,258
Loss on impairment of fixed assets	25	—	269
Other	573	733	6,159
Gross deferred tax assets	3,253	4,394	34,963
Less valuation allowance	(1,935)	(2,709)	(20,797)
Total deferred tax assets	1,318	1,685	14,166
Deferred tax liabilities:			
Difference on revaluation of land	(2,346)	(3,056)	(25,215)
Surplus arising from land revaluation	(642)	(642)	(6,900)
Net unrealized holding gain on securities	(229)	(111)	(2,461)
Other	(2)	(0)	(22)
Total deferred tax liabilities	(3,219)	(3,809)	(34,598)
Net deferred tax liabilities	¥(1,901)	¥(2,124)	\$ (20,432)

11. Accrued Retirement Benefits for Employees

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

	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars)
Retirement benefit obligation at end of year	¥(2,011)	¥(2,319)	\$ (21,614)
Fair value of plan assets at end of year	648	826	6,965
Unfunded retirement benefit obligation	(1,363)	(1,493)	(14,649)
Unrecognized actuarial loss	242	349	2,601
Unrecognized prior service cost	71	88	763
Accrued retirement benefits for employees	¥(1,050)	¥(1,056)	\$ (11,285)

11. Accrued Retirement Benefits for Employees (continued)

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

	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 173	¥ 152	\$ 1,859
Interest cost	36	38	387
Expected return on plan assets	(13)	(19)	(140)
Amortization of actuarial loss	55	35	591
Amortization of prior service cost	17	17	183
Total retirement benefit expenses	<u>¥ 268</u>	<u>¥ 223</u>	<u>\$ 2,880</u>

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

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%

Information on the multi-employer pension plans, contributions to which are reported as retirement benefit expenses, was as follows:

(i) Funded status of pension plans (as of March 31, 2009)

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Plan assets	¥ 14,000	\$ 150,473
Retirement benefit obligation	13,800	148,323
Net balance	<u>¥ 200</u>	<u>\$ 2,150</u>

(ii) The number of participating employees of the Company and its domestic subsidiaries represent approximately 12.0% of the total participants in the plan (as of March 31, 2009).

12. Shareholders' Equity

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

The Company's legal reserve included in retained earnings at March 31, 2010 and 2009 amounted to ¥138 million (\$1,483 thousand) and ¥103 million, respectively.

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

12. Shareholders' Equity (continued)

Movements in treasury stock during the years ended March 31, 2010 and 2009 were summarized as follows:

	Number of shares			
	2010			
	March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock	7,281,493	2,450,777	3,000,593	6,731,677

	Number of shares			
	2009			
	March 31, 2008	Increase	Decrease	March 31, 2009
Treasury stock	2,784,676	4,500,944	4,127	7,281,493

13. Land Revaluation

Effective March 31, 2002, the Company revalued its land held for business use in accordance with the "Land Revaluation Law" and the "Amended Land Revaluation Law." As a result, the Company recognized a gain on land revaluation and recorded deferred income tax liabilities related to this gain. The resulting gain, net of the relevant tax effect, has been accounted for under net assets as surplus arising from land revaluation. The method followed for this land revaluation was determined in accordance with the "Land Valuation Tax Law" as stipulated in the "Enforcement Act Concerning Land Revaluation" and other regulations. The fair values of the revalued land at March 31, 2010 and 2009 were less than its corresponding carrying value by ¥1,022 million (\$10,985 thousand) and ¥950 million, respectively.

14. Sales Calculated by the Percentage-of-Completion Method

Estimated sales recognized with respect to construction projects accounted for by the percentage-of-completion method for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Estimated sales	¥ 12,000	¥ 5,799	\$ 128,977

15. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the year ended March 31, 2010 amounted to ¥24 million (\$258 thousand).

16. Supplemental Information on Statements of Cash Flows

A reconciliation between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and time deposits in the accompanying consolidated balance sheets as of March 31, 2010 and 2009 were presented as follows:

	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥ 8,718	¥ 8,044	\$ 93,702
Time deposits with original maturities in excess of three months	(197)	(291)	(2,118)
Cash and cash equivalents	<u>¥ 8,521</u>	<u>¥ 7,753</u>	<u>\$ 91,584</u>

17. Financial Instruments

Description of financial instruments

(a) Policy for financial instruments

The Companies raise necessary capital by bank borrowings and corporate bonds for capital expenditures and operating funds. The Companies manage surplus capital by investing only in short-term deposits and others and by low-risk financial assets in accordance with cash management plans. The Company and certain consolidated subsidiaries trade in derivatives related to foreign currencies and interest rates primarily as a way of hedging the risk of future fluctuation in exchange rates and interest rates. The Companies do not enter into derivatives transactions for speculative or short-term trading purposes.

(b) Types of financial instruments and related risk

Trade receivables, notes receivable and accounts receivable on completed construction contracts, are exposed to credit risk of customers. Certain trade receivables denominated in foreign currencies resulting from the operation of construction works and other activities overseas, are exposed to market risk of fluctuation in foreign currencies. In principle, the foreign currency exchange rate fluctuation risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contract and currency option agreements.

Investments in securities are mainly composed of held-to-maturity debt securities and stocks of the companies with which the Company has business relationships and they are exposed to fluctuation risk of market prices.

Trade payables, which are notes, accounts payable and accounts payable on construction contracts, are due within one year. Certain trade payables denominated in foreign currencies resulting from the operation of construction works overseas and the purchase of raw materials, are exposed to fluctuation risk of foreign currencies. In principle, the foreign currency exchange rate fluctuation risks deriving from the trade payables denominated in foreign currencies are mitigated by using foreign currency deposits in hand or hedging by forward foreign exchange contracts and others.

Short-term loans are mainly utilized for the purpose of operating funds. Long-term loans are mainly utilized for capital investments and have due dates within principally 3 years.

Regarding derivative transactions, the Company and certain consolidated subsidiaries enter into forward foreign exchange contracts and currency option agreements to mitigate the foreign currency exchange risk arising from the trade receivables and payables denominated in foreign currencies. The Company and certain consolidated subsidiaries also enter into interest swap agreements to mitigate fluctuation risk deriving from interest payable for long-term debt bearing interest at variable rates.

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

Pursuant to the credit control policy established by the Company, the Companies timely monitor the financial conditions of major customers, manage credit balances of each customer on a monthly basis and try to identify credit risk of customers with worsening financial conditions at the early stage and mitigate the risk.

Pursuant to the securities control policy established by the Company, the credit risk of held-to-maturity securities is controlled and is quite low because the Companies only acquire held-to-maturity securities with high credit ratings and limit the trading amounts.

To minimize the credit risk of non-performance by the counterparties to derivative transactions creditors are limited to financial institutions with high credit ratings.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)

The Company and certain consolidated subsidiaries mainly utilize forward foreign currency exchange contracts and currency option agreements based on settlement plans of trade receivables and payables for hedging of fluctuation risk. In addition, the Company and certain consolidated subsidiaries enter into interest swap transactions in order to mitigate the interest rate risk for loans payable at variable rates.

For investments in securities, the Companies continuously review their securities holdings by monitoring periodically the market value or financial condition of the securities' issuer (companies with business relationships with the Companies).

Derivative transactions are carried out after acceptance based on the derivative control policy and the transaction conditions, balances and others all monitored periodically.

17. Financial Instruments (continued)

- (iii) Monitoring of liquidity risk (the risk that the Company and its domestic consolidated subsidiaries may not be able to meet its obligations on scheduled due dates)

The Company manages liquidity risk of the Companies with the finance department of the Company timely preparing and updating cash flow plans, and keeping necessary funds as well as controlling the level of liquidity in hand based on reports from each department or each subsidiary.

- (iv) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated based on certain assumptions. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 18 "Derivative Financial Instruments" are not necessarily indicative of the actual market risk involved in the derivative transactions.

Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2010 and unrealized gains (losses) are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to below).

	2010		
	Carrying value	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Assets:			
Cash and time deposits	¥ 8,718	¥ 8,718	¥ -
Notes and accounts receivable	13,862	13,862	-
Investments in securities	1,778	1,778	-
Total	24,358	24,358	-
Liabilities:			
Short-term bank loans	1,345	1,345	-
Notes and accounts payable	5,416	5,416	-
Long-term bank loans, including current portion of long-term bank loans	3,870	3,876	6
Total	10,631	10,631	6
Derivatives (*1)	¥ (354)	¥ (354)	-

	2010		
	Carrying value	Fair value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Cash and time deposits	\$ 93,702	\$ 93,702	\$ -
Notes and accounts receivable	148,990	148,990	-
Investments in securities	19,110	19,110	-
Total	261,802	261,802	-
Liabilities:			
Short-term bank loans	14,456	14,456	-
Notes and accounts payable	58,212	58,212	-
Long-term bank loans, including current portion of long-term bank loans	41,595	41,660	65
Total	114,263	114,328	65
Derivatives (*1)	\$ (3,805)	\$ (3,805)	\$ -

*1 Assets and liabilities arising from derivatives are shown at net value with the amount in parentheses representing net liability position.

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

Assets

- (1) Cash and time deposits and (2) Notes and accounts receivable
Since these items are settled in a short time period, their carrying value approximates fair value.

- (3) Investment securities
The fair value of stocks is based on quoted market prices.

Liabilities

- (1) Notes and accounts payable and (2) Short-term bank loans
Since these items are settled in a short time period, their carrying value approximates fair value.

- (3) Long-term debt
The fair value of long-term debt is based on the present value of the total of principals discounted by the interest rates to be applied assuming new loans under similar conditions are made.

Derivatives Transactions

Please refer to Note 18 "Derivative Financial Instruments" of in the notes to consolidated financial statements.

17. Financial Instruments (continued)

Fair Value of Financial Instruments (continued)

Financial instruments for which it is extremely difficult to determine the fair value were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2010	
Unlisted equity, securities	¥381	\$4,095

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in Investment securities of the preceding table.

The redemption schedules for held-to-maturity debt securities, debt securities classified as other securities and long-term debt are disclosed in Note 4 "Investments in Securities" and Note 8 "Short-Term Bank Loans and Long-Term Debt" in the notes to consolidated financial statements.

(Supplementary information)

Effective the year ended March 31, 2010, the Companies have adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Investments" (ASBJ Guidance No.19 issued on March 10, 2008).

18. Derivative Financial Instruments

The Company and certain consolidated subsidiaries enter into derivative transactions for the purpose of mitigating the risk of future fluctuation in exchange rates and interest rates. Derivative positions are strictly maintained in accordance with actual demand within the short term. The Companies do not enter into derivatives transactions for speculative or short-term trading purposes.

The Company and certain consolidated subsidiaries have taken various steps, including the establishment of internal management rules, to ensure that all transactions are implemented, reported and monitored appropriately, and that each related risk is managed.

The Company and certain consolidated subsidiaries evaluate the effectiveness of their hedges by comparing the accumulated fluctuation in cash flows resulting from changes in market value of the hedging instruments and the corresponding hedged items under the internal management rules.

At March 31, 2010, the outstanding derivatives positions were as follows:

(a) Outstanding derivatives positions to which hedge accounting has not been applied

Currencies

	2010			
	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value	Unrealized loss
	<i>(Millions of yen)</i>			
Currency option transactions:				
Sell foreign currency (EUR)	¥ 572	¥ 435	¥ 17	¥ (24)
Buy foreign currency (EUR)	1,807	1,374	(372)	(293)
Total	¥2,379	¥1,810	¥ (355)	¥ (317)

	2009			
	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>			
Currency option transactions:				
Sell foreign currency (EUR)	¥ 710	¥ 572	¥ 47	¥ (7)
Buy foreign currency (EUR)	2,197	1,764	(456)	(369)
Buy foreign currency (US\$)	51	-	(0)	(0)
Total	¥2,958	¥2,336	¥ (409)	¥ (376)

18. Derivative Financial Instruments (continued)

	2010			
	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value	Unrealized loss
<i>(Thousands of U.S. dollars)</i>				
Currency option transactions:				
Sell foreign currency (EUR)	\$ 6,148	\$ 4,675	\$ 182	\$ (258)
Buy foreign currency (EUR)	19,422	14,768	(3,998)	(3,149)
Total	\$25,570	\$19,443	\$ (3,816)	\$ (3,407)

(b) Outstanding derivatives positions to which hedge accounting has been applied

Interest-rate related derivatives

The accounting treatment explained in Note 1(p) is applied for interest rate swaps.

	Hedged items	2010		
		<i>Millions of yen</i>		
		Contract value (notional principal amount) over one year	Contract value (notional principal amount) over one year	Fair value
Interest rate swaps:				
Receive-variable interest rate	Long-term debt	¥1,810	¥1,550	(*1)
Pay-fixed interest rate		—	—	—

	2010		
	<i>Thousands of U.S. dollars</i>		
	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Fair value
Interest rate swaps:			
Receive-variable interest rate	\$19,454	\$16,660	(*1)
Pay-fixed interest rate	—	—	—

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

19. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Osaka and Tokyo. The Company and certain consolidated subsidiaries also own houses for lease in Osaka.

Rental income, net of related expenses relevant to these real estate properties, amounted to ¥71 million (\$763 thousand) for the year ended March 31, 2010. The rental income is included in other income and the rental expense is included in other expenses in the accompanying consolidated statement of income for the year ended March 31, 2010.

The movement of carrying value in the consolidated balance sheets and corresponding fair value of those properties are as follows:

Carrying value		Fair value	
2010	Net change	2009	2010
<i>(Millions of yen)</i>			
¥ 1,837	¥ (1,817)	¥ 3,654	¥ 1,818

Carrying value		Fair value	
2010	Net change	2009	2010
<i>(Thousands of U.S. dollars)</i>			
\$ 19,744	\$ (19,529)	\$ 39,273	\$ 19,540

- (a) The carrying value represents the acquisition cost less accumulated depreciation and accumulative impairment loss.
- (b) The components of net change in carrying value included decreases mainly due to impairment loss recognized in the amount of ¥1,789 million (\$19,228 thousand) for the year ended March 31, 2010.
- (c) The fair value is mainly estimated in accordance with appraisal standards for valuing real-estate.

(Supplementary information)

Effective the year ended March 31, 2010, the Companies have adopted "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20, issued on November 28, 2008) and "Guidance on Accounting Standards for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23 issued on November 28, 2008).

20. Stock Options

Stock option expense, which were included in general and administrative expenses, for the years ended March 31, 2010 amounted to ¥8 million (\$86 thousand).

In accordance with the Corporation Law of Japan, a stock option plan for certain directors, a corporate auditor and certain officers and employees of the Company was approved at the annual general meeting of the shareholders of the Company on June 26, 2009. The exercise price was ¥255 (\$2.74) per share at March 31, 2010. The options will become exercisable on August 11, 2011 and are scheduled to expire on August 10, 2017.

Information regarding the Company's stock option plan was as follows:

	2010
Number of option:	
Non-Vested	
Outstanding at March 31, 2009	–
Granted	305,000
Canceled	–
Vested	–
Outstanding at March 31, 2010	305,000
Vested	
Outstanding at March 31, 2009	–
Vested	–
Exercised	–
Canceled	–
Outstanding at March 31, 2010	–
	(Yen)
Fair value price at the grant date	¥ 86

	2010
	(U.S. dollars)
Fair value price at the grant date	\$ 1

21. Amounts per Share

	2010	2009	2010
	(Yen)		(U.S. dollars)
Basic net income	¥ 28.83	¥ 69.21	\$ 0.31
Net assets	464.12	428.43	4.99

Diluted net income per share has not been disclosed because no potentially dilutive securities were outstanding at March 31, 2010 and 2009.

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

The financial data utilized in the computation of net income per share for the years ended March 31, 2010 and 2009 were summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Information on net income – basic:			
Net income	¥ 1,659	¥ 4,263	\$ 17,831
Deductions from net income	–	–	–
Adjusted net income allocated to common stock	¥ 1,659	¥ 4,263	\$ 17,831
Weighted-average number of shares of common stock outstanding during the year	57,533 thousand shares	61,591 thousand shares	57,533 thousand shares

	2010	2009	2010
	(Yen)		(U.S. dollars)
Cash dividends applicable to the year	¥6.00	¥6.00	\$0.06

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

22. Research and Development Expenses

Research and development expenses, which were included in cost of sales and selling, general and administrative expenses, for the years ended March 31, 2010 and 2009 amounted to ¥150 million (\$1,612 thousand) and ¥124 million, respectively.

23. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the construction of integrated thermal insulation systems in engineering projects for industrial plants ("construction"), and in the design, engineering and construction of industrial boilers ("manufacturing machinery and fixtures") in Japan and overseas.

Business Segments

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 was outlined as follows:

	Year ended March 31, 2010				
	Construction	Manufacturing machinery and fixtures	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income:					
Sales to third parties	¥ 36,074	¥ 3,579	¥ 39,653	¥ -	¥ 39,653
Intergroup sales and transfers	39	884	923	(923)	-
Net sales	36,113	4,463	40,576	(923)	39,653
Operating expenses	32,930	4,247	37,177	(963)	36,214
Operating income	¥ 3,183	¥ 216	¥ 3,399	¥ 40	¥ 3,439
II. Total assets, depreciation and capital expenditures:					
Total assets	¥ 33,102	¥ 4,061	¥ 37,163	¥ 7,846	¥ 45,009
Depreciation and amortization	463	16	479	-	479
Loss on impairment of fixed assets	1,789	-	1,789	-	1,789
Capital expenditures	411	20	431	-	431

	Year ended March 31, 2009				
	Construction	Manufacturing machinery and fixtures	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income:					
Sales to third parties	¥ 42,612	¥ 4,676	¥ 47,288	¥ -	¥ 47,288
Intergroup sales and transfers	72	654	726	(726)	-
Net sales	42,684	5,330	48,014	(726)	47,288
Operating expenses	37,910	5,061	42,971	(765)	42,206
Operating income	¥ 4,774	¥ 269	¥ 5,043	¥ 39	¥ 5,082
II. Total assets, depreciation and capital expenditures:					
Total assets	¥ 38,117	¥ 4,333	¥ 42,450	¥ 8,146	¥ 50,596
Depreciation and amortization	457	15	472	-	472
Capital expenditures	740	20	760	-	760

	Year ended March 31, 2010				
	Construction	Manufacturing machinery and fixtures	Total	Eliminations/ corporate assets	Consolidated
	<i>(Thousands of U.S. dollars)</i>				
I. Sales and operating income:					
Sales to third parties	\$ 387,726	\$ 38,467	\$ 426,193	\$ -	\$ 426,193
Intergroup sales and transfers	419	9,501	9,920	(9,920)	-
Net sales	388,145	47,968	436,113	(9,920)	426,193
Operating expenses	353,934	45,647	399,581	(10,351)	389,230
Operating income	\$ 34,211	\$ 2,321	\$ 36,532	\$ 431	\$ 36,963
II. Total assets, depreciation and capital expenditures:					
Total assets	\$ 355,782	\$ 43,648	\$ 399,430	\$ 84,330	\$ 483,760
Depreciation and amortization	4,976	172	5,148	-	5,148
Loss on impairment of fixed assets	19,228	-	19,228	-	19,228
Capital expenditures	4,417	215	4,632	-	4,632

(Change in accounting policy)

As described in Note 1(o) "Revenue Recognition and Construction Contracts," effective April 1, 2009, the Company and its consolidated subsidiaries have applied a new accounting standard and related implementation guidance for construction contracts.

As a result of this change, net sales has increased by ¥651 million (\$6,997 thousand) and operating income has increased by ¥80 million (\$860 thousand) in the Construction segment, net sales has increased by ¥56 million (\$602 thousand) and operating income has increased by ¥5 million (\$54 thousand) in the Manufacturing machinery and fixtures segment, over the corresponding amounts that would have been recorded under the previous method.

23. Segment Information (continued)

Geographical Segments

The geographical segment information of the Company and consolidated subsidiaries for the years ended March 31, 2010 and 2009 was outlined as follows:

	Year ended March 31, 2010				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income:					
Sales to third parties	¥ 37,379	¥ 2,274	¥ 39,653	¥ –	¥ 39,653
Intergroup sales and transfers	239	10	249	(249)	–
Net sales	37,618	2,284	39,902	(249)	39,653
Operating expenses	34,594	1,869	36,463	(249)	36,214
Operating income	¥ 3,024	¥ 415	¥ 3,439	¥ 0	¥ 3,439
II. Total assets	¥ 35,258	¥ 1,207	¥ 36,465	¥ 8,544	¥ 45,009

	Year ended March 31, 2009				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income:					
Sales to third parties	¥ 45,947	¥ 1,341	¥ 47,288	¥ –	¥ 47,288
Intergroup sales and transfers	207	8	215	(215)	–
Net sales	46,154	1,349	47,503	(215)	47,288
Operating expenses	41,109	1,216	42,325	(119)	42,206
Operating income	¥ 5,045	¥ 133	¥ 5,178	¥ (96)	¥ 5,082
II. Total assets	¥ 41,291	¥ 692	¥ 41,983	¥ 8,613	¥ 50,596

	Year ended March 31, 2010				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Thousands of U.S. dollars)</i>				
I. Sales and operating income:					
Sales to third parties	\$ 401,752	\$ 24,441	\$ 426,193	\$ –	\$ 426,193
Intergroup sales and transfers	2,570	107	2,677	(2,677)	–
Net sales	404,322	24,548	428,870	(2,677)	426,193
Operating expenses	371,819	20,088	391,907	(2,677)	389,230
Operating income	\$ 32,503	\$ 4,460	\$ 36,963	\$ 0	\$ 36,963
II. Total assets	\$ 378,955	\$ 12,973	\$ 391,928	\$ 91,832	\$ 483,760

(Change in accounting policy)

As described in Note 1(o) "Revenue Recognition and Construction Contracts," effective April 1, 2009, the Company and its consolidated subsidiaries have applied a new accounting standard and related implementation guidance for construction contracts.

As a result of this change, net sales has increased by ¥707 million (\$7,599 thousand) and operating income has increased by ¥85 million (\$914 thousand) in Japan segment, over the corresponding amounts that would have been recorded under the previous method.

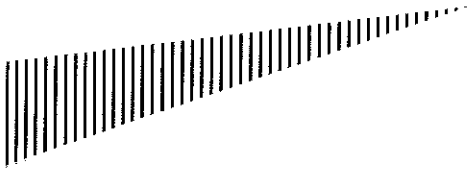
Overseas Sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the overseas subsidiaries, for the years ended March 31, 2010 and 2009 are summarized as follows:

	Year ended March 31, 2010			
	Asia	Africa	Other	Total
	<i>(Millions of yen)</i>			
Overseas sales	¥ 2,395	¥ 755	¥ 89	¥ 3,239
Overseas sales as a percentage of consolidated net sales	6.0%	1.9%	0.2%	8.2%

	Year ended March 31, 2009			
	Asia	Africa	Other	Total
	<i>(Millions of yen)</i>			
Overseas sales	¥ 2,748	¥ 384	¥ 69	¥ 3,201
Overseas sales as a percentage of consolidated net sales	5.8%	0.8%	0.2%	6.8%

	Year ended March 31, 2010			
	Asia	Africa	Other	Total
	<i>(Thousands of U.S. dollars)</i>			
Overseas sales	\$25,742	\$ 8,115	\$956	\$34,813



Report of Independent Auditors

The Board of Directors
Meisei Industrial Co., Ltd.

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

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

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

Osaka, Japan
June 11, 2010

Outline of Meisei Industrial Co., Ltd.

(As of March 31, 2010)

<i>Established</i>	July 2, 1947
<i>Capital</i>	¥6,889,326,595
<i>Number of Employees</i>	309
<i>Head Office</i>	1-8-5 Kyomachibori, Nishi-ku, Osaka, 550-0003 Japan Tel : 81-6-6447-0271 Fax : 81-6-6448-5321
<i>Stock Listing</i>	Osaka Securities Exchange

Main Consolidated Subsidiaries

(Domestic) **Yoshimine Co., Ltd.**

1-8-5 Kyomachibori, Nishi-ku, Osaka, 550-0003 Japan

Meisei Kenko Co., Ltd.

2-13-22 Nagata, Joutou-ku, Osaka, 536-0022 Japan

Nippon Keikal Limited

2020 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu, Shizuoka, 431-1304 Japan

(Overseas) **Meisei International Pte Ltd.**

2 International Business Park, #10-05, Tower 1 of The Strategy, Singapore 609930

Tel : 65-6861-2440

Fax : 65-6861-1840

Meisei International Co., Ltd.

32/29 Sino-Thai Tower, 8th Flr. Zone B Unit C, Sukhumvit 21 (Asoke) Rd.,

Kwaeng, Klongtoey-Nua, Khet Wattana, Bangkok 10110 Thailand

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Fax : 66-2-259-4044

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