NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

(1) Summary of Significant Accounting Policies

(a) Basis of presenting consolidated financial statements:

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

Certain reclassifications and rearrangements were made for the convenience of readers outside Japan.

(b) Basis of consolidation:

The Company had 17 majority-owned subsidiaries as of March 31, 2010 and 2009.

The consolidated financial statements for the years ended March 31, 2010 and 2009 include the accounts of the Company and 8 majority-owned subsidiaries of the Company.

The consolidated subsidiaries for 2010 were
TOA Real Estate Co., Ltd., TOA Tekko Co., Ltd.,
TOA Kikai Kogyo Co., Ltd., Shinko Corporation,
TOA Builtec Co., Ltd., TOA Agency Co., Ltd.,
TOA Kaiun Sangyo Co., Ltd. and Tsurumi Rinko Co., Ltd.

Consolidated subsidiaries have the same financial period as the Company that ends on March 31.

TOA Concrete Co., Ltd. was excluded from the Company's consolidation scope due to sale of shares in March 2009.

Other subsidiaries are not consolidated as they are not significant in terms of total assets, net sales, retained earnings or net income in the aggregate.

The assets and liabilities of consolidated subsidiaries are incorporated into the consolidated financial statements at fair value at the time of acquisition, and the differences between the cost of investments in consolidated subsidiaries and the equity in their net assets at date of acquisition are amortized over a period of five years.

Investments in non-consolidated subsidiaries and affiliates are excluded from application of the equity method as they are not significant in terms of net income or retained earnings in the aggregate.

All significant inter-company accounts and transactions have been eliminated in consolidation.

(c) Foreign currency translation:

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

(d) Cash and cash equivalents:

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

(e) Financial instruments:

(I) Derivatives

With changes in fair value included in net income or loss for the period in which they arise, derivatives are stated at fair value, except for derivatives that are designated as “hedging instruments" (see (III) Hedge Accounting, specified below).

(II) Securities

Securities held by the Companies are classified into three categories;

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

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of the net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving average cost method. Other than temporary declines in the value of other securities are reflected in net income.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net income or loss for the period.

(III) Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Companies are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable as well as bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation and adverse fluctuation in foreign exchange rates. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards.

The amounts received or paid for such interest swap arrangements are charged or credited to income as incurred.

(f) Inventories:

Cost on construction contracts in progress and real estate for sale are stated at specific cost for each contract. Materials and supplies are stated at moving average cost.

However, in the case that net selling value falls below the acquisition cost at the end of the period, inventories except for cost on construction contracts in progress are carried at the net selling value on the balance sheet, regarded as decreased profitability of assets.

(g) Research and development expenses:

Research and development expenses are charged to income as incurred. Research and development expenses charged to income in each two years ended March 31, 2010 and 2009 were ¥999 million (US$ 10,741 thousand) and ¥1,075 million, respectively.

(h) Allowance for doubtful accounts:

Allowance for general receivables are established in amounts considered to be appropriate based upon credit loss experience. For specific receivables such as doubtful accounts, allowance for these are established in amounts considered to be uncollectible based upon an evaluation of possibility of collection in each outstanding receivable.

(i) Reserve for indemnity on completed contracts:

Reserve for indemnity on completed contracts is provided for the future defect expenses based upon the estimated indemnity amount for net sales for the year.

(j) Reserve for loss on construction works:

Reserve for loss on construction works is provided for the amount equivalent to cover future loss by evaluating individual construction from which loss is assumed and estimated.

Cost on construction contracts in progress and reserve account in relation to the construction works, which loss is assumed, are represented in current assets and liabilites, respectively without setoff.

Among cost on contracts in progress, amount in aggregate corresponding to reserve for loss on construction works for the years ended March 31, 2010 and 2009 were ¥1,818 million (US$ 19,551 thousand) and ¥1,343 million, respectively.

(k) Reserve for retirement benefits:

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets as adjusted for unrecognized actuarial differences and unrecognized prior service cost.

Unrecognized actuarial differences are amortized on a straight-line basis over a period of 13 years commencing the year following the year in which they arise.

Unrecognized prior service costs are amortized based on the straight-line method over a period of five years, beginning at the date of adoption of the plan amendment.

As for the amortization period of unrecognized actuarial differences, the Company has changed its period to 13 years from 15 years due to the fact that the average service period remained has been shorter than an amortization period by review for the year ended March 31, 2009.

As a result, both operating income and income before income taxes and minority interests decreased by ¥133 million for the year ended March 31, 2009.

Effective the year ended March 31, 2010, the Companies have adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008).

Referring to the amended standard, the Companies have no change in a discount rate from past year and there is no impact on this consolidated financial statements.

(l) Depreciation for property, plant and equipment and other:

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives. Useful lives and residual value are in conformity with the provisions of the Corporation Tax Law of Japan. However, depreciation of buildings which the Companies acquired on or after April 1, 1998, is computed on a straight-line basis over the estimated period.

The Company and its domestic consolidated subsidiaries reviewed the useful lives of both machinery and equipment and adopted the revised useful lives in accordance with changes in the Corporation Tax Law introduced in the 2008 tax reform, concerning useful lives of depreciable assets from the year ended March 31, 2009.

This change did not affect net income and segment information significantly for the year ended March 31, 2009.

As for intangible fixed assets, amortization is computed by the straight-line method and the useful lives are in conformity with the provisions of the Corporation Tax Low of Japan. Computer software for internal use is amortized by the straight-line method over the estimated useful lives of five years.

(m) Impairment of fixed assets:

To judge an indicator of impairment of fixed assets, idle properties are grouped by each asset. Loss on impairment of ¥255 million (US$ 2,746 thousand) for the year ended March 31, 2010 and ¥56 million for the year ended March 31, 2009 was recognized on idle properties with no specific plan of future use.

(n) Income taxes:

The Companies have adopted the asset-liability method of tax effect, amounting to recognize the effect of temporary differences in the recognition of tax basis assets and liabilities and their financial report amounts.

(o) Consumption tax:

In Japan, consumption tax at the flat rate of 5% for 2010 and 2009 on all domestic consumption of goods and services (with certain exemptions) is levied.

The Companies have adopted the accounting method by which the consumption tax does not primarily affect net income.

(p) Recognition of contract revenue and cost:

Effective the year ended March 31, 2009, the Companies have adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Statement No.15 issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Guidance No.18 issued on December 27, 2007).

In relation to the introduction of the above Statement and Guidance, the Companies adopt the percentage-of-completion method for revenue recognition for the construction-type contracts where the outcome of the construction activities is deemed accurate by the end of this year. Completion method is adopted otherwise. The percentage of completion are measured by the ratio of the costs incurred to the estimated total costs for each contract.

This adoption increased net sales by ¥5,990 million, operating income and income before income taxes and minority interests by ¥351 million for the year ended March 31, 2009.

The amounts of contract revenue for the year ended March 31, 2010 and 2009, which are accounted for by the percentage-of-completion method, were ¥161,383 million (US$ 1,735,298 thousand) and ¥162,082 million, respectively.

(q) Leases:

Leased assets;

As for finance leases, other than those which are deemed to transfer ownership of the leased assets to the lessee, depreciation is principally computed by the straight-line basis over the useful lives equivalent to lease term and residual value is equal to zero. However, leases whose commencement date were on or before March 31, 2008, are accounted for as ordinary operating lease transactions.

As for finance leases, other than those which are deemed to transfer ownership of the leased assets to lessee, accounting treatments were based on ordinary operating lease transactions until the year ended March 31, 2008.

Effective the year ended March 31, 2009, the Company has adopted the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Statement No. 13 issued on June 17, 1993; revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (Accounting Standard Board of Japan Guidance No. 16 issued on January 18, 1994; revised on March 30, 2007).

In relation to this adoption, accounting treatments are based on ordinary sales transactions and no impact is on net income.

(r) Net income and cash dividends and net assets per share:

Net income per share before dilution is based on the weighted average number of shares of common stock outstanding during the respective years.

Diluted net income per share was not disclosed in 2010 and 2009 due to the fact that there were no bonds with warrants and convertible bonds for the year ended March 31, 2010 and 2009.

Cash dividends per share for each year represent the dividends declared as applicable to the respective years.

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

(2) U.S. Dollar Amounts

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate of ¥93 = US$1, the approximate rate of exchange prevailing on March 31, 2010. The inclusion of such dollar amounts is solely for convenience of readers outside of Japan and is not intended to imply that yen and assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at this or any other rates.

(3) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2010 and 2009 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Cash and bank deposits	**¥ 45,062**	¥ 33,981	**$ 484,536**
Time deposits due over three months	**(146)**	(1,789)	**(1,564)**
Repurchase agreement in other current assets	—	300	—
Cash and cash equivalents	**¥ 44,916**	¥ 32,492	**$ 482,972**

The Companies trade repurchase agreements and take marketable securities in pledge from repo counterparty.
Fair value of the marketable securities as of March 31, 2009 was ¥300 million.

Supplementary Cash Flow Information

The Company excluded TOA Concrete Co., Ltd. from its consolidated subsidiaries scope by sales of its shares in March 2009. The total amount of sales was ¥900 million

(US$9,184 thousand) determined by the estimated value at the date of transaction.

	Millions of Japanese Yen
	2009
Current assets	¥ 496
Fixed assets	686
Current liabilities	(339)
Long-term liabilities	(9)
Minority interest	(360)
Gain on sale of shares	426
Total sale of shares	900
Cash and cash equivalents	(164)
Proceeds from sale of shares	¥ 736

(4) Financial Instruments

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

(I) Summary of financial instruments

a) Policy for financial instruments

The Companies limit low-risk financial instruments in fund management by use of bank deposits in a short period and have a policy to raise low-interest funds through bank borrowings flexibly. The Company utilizes derivatives in order to reduce the risk of fluctuation in interest rates and foreign exchange rates for debts and credits in foreign currencies. The Company, furthermore, utilizes the hedging instruments for the purpose of stabilizing the cost on contracts and does not enter into derivatives for speculative purpose.

b) Contents of financial instruments, related risk and risk management

Notes and accounts receivable which categorized into operating receivables are exposed to client's credit risk. These risks are reviewed at entering into contract and the concerned counterparts are managed by the administration headquarters in each case.

Investments in securities are exposed to fluctuation risks of market price. Those securities are mainly shares of other companies with which the Company has business relationships and the Company monitors the monthly fair value.

Among the debt, short-term borrowings are principally applicable to funds for business activities and long-term debt (maturities are within five years in principle) are funds for capital investments. Long-term debt with variable interest rates are exposed to the risk of interest rate fluctuation. The Company utilizes derivatives which are the interest swaps in each contracts in order to avoid fluctuation risk of interest expenses and stabilize interest cost. Conducting of derivative transactions is managed by gaining approval by board members and derivatives provided by the highly-rated financial institutions are available in order to avoid credit risk.

c) Supplemental explanation for fair value of financial instruments

Notional amounts of derivatives are not indicative of the actual market risk involved in derivative transactions.

(II) Fair value of financial instruments

As of March 31, 2010, carrying amount, fair value and unrealized gain(loss) are as follows:

	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
	Millions of Japanese Yen		
Cash and bank deposits	¥ 45,062	¥ 45,062	¥ —
Notes and accounts receivable, trade	65,327	65,327	—
Investments in securities Other securities	8,435	8,435	—
Notes and accounts payable, trade	(54,935)	(54,935)	—
Short-term borrowings	(17,400)	(17,400)	—
Deposits received	(12,813)	(12,813)	—
Long-term debt (*2)	(18,496)	(18,603)	(107)
Derivative transactions (*3)			
Hedge accounting unapplied	—	—	—
Hedge accounting applied	¥ (147)	¥ (147)	¥ —

	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
	Thousands of U.S. Dollars		
Cash and bank deposits	$ 484,536	$ 484,536	$ —
Notes and accounts receivable, trade	702,436	702,436	—
Investments in securities Other securities	90,700	90,700	—
Notes and accounts payable, trade	(590,703)	(590,703)	—
Short-term borrowings	(187,097)	(187,097)	—
Deposits received	(137,776)	(137,776)	
Long-term debt (*2)	(198,882)	(200,032)	(1,150)
Derivative transactions (*3)			
Hedge accounting unapplied	—	—	—
Hedge accounting applied	$ (1,581)	$ (1,581)	$ —

(*1) The amount in parentheses represents liability position.

(*2) Current portion of long-term debt of ¥7,000 million (US$75,269 thousand) is included in long-term debts and carrying amount and fair value are represented.

(*3) Net amount of debt and credit arising from derivative transactions are represented. The amount in parentheses represents net liabilities in total.

a) Computation of fair value for financial instruments, marketable securities and derivative transactions

Cash and bank deposits

Cash and bank deposits are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Notes and accounts receivable, trade

Notes and accounts receivable, trade are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Investments in securities

Fair value of investments in securities is based on market price at Stock Exchange.

Notes and accounts payable, trade

Notes and accounts payable, trade are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Short-term borrowings

Short-term borrowings are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Deposits received

Deposits received which are contained in other current liabilities are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Long-term debt

Fair value of Long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied, provided that the equivalent loans are newly entered into.

b) Financial instruments for which it is extremely difficult to determine fair value

Unlisted stocks of ¥2,455 million (US$26,400 thousand) are not included in investment in securities, since those have no market price and its future cash flows cannot be estimated and it is extremely difficult to determine fair value.

c) Projected redemption

	within one year	over one year within five years	over five years within ten years	over ten years
	Millions of Japanese Yen			
Cash and bank deposits	¥ 44,991	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	64,895	432	—	—
Investments in securities Other securities with maturities (Government bonds)	—	25	—	35
Total	¥ 109,886	¥ 457	¥ —	¥ 35

	within one year	over one year within five years	over five years within ten years	over ten years
	Thousands of U.S. Dollars			
Cash and bank deposits	$ 483,773	$ —	$ —	$ —
Notes and accounts receivable, trade	697,796	4,640	—	—
Investments in securities Other securities with maturities (Government bonds)	—	272	—	375
Total	$ 1,181,569	$ 4,912	$ —	$ 375

Derivative Transactions

Delivative transactions for the year ended March 31, 2010 were classftied into:

a) Hedge accounting unapplied

Not applicable

b) Hedge accounting applied

Notional amounts and fair value conditioned on contracts in each hedge accounting method are as follows:

Millions of Japanese Yen

Hedge accounting method	Types of derivative	Hedge coverage	Notional amount	Maturing over one year	Fair value
Principle (*1)	Interest rate swaps Pay/fixed and receive/floating	Short-term borrowings	5,200	5,200	(147)
Short-cut	Interest rate swaps Pay/fixed and receive/floating	Long-term debt	14,942	9,203	(*2)

Thousands of U.S. Dollars

Hedge accounting method	Types of derivative	Hedge coverage	Notional amount	Maturing over one year	Fair value
Principle (*1)	Interest rate swaps Pay/fixed and receive/floating	Short-term borrowings	55,914	55,914	(1,581)
Short-cut	Interest rate swaps Pay/fixed and receive/floating	Long-term debt	160,667	98,957	(*2)

(*1) Computation of fair value is based on the amounts provided by financial institutions.

(*2) Fair value based on the short-cut method is represented included in fair value of these long-term debt, since the delivative transations are treated with the hedged long-term debts collectively.

(5) Marketable Securities and Investments in Securities

The following is certain information related to the aggregate acquisition costs, carrying amount and fair value of securities.

(a) Held-to-maturity debt securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Carrying amount			
Government bond, municipal bond and other	—	¥ 57	—
Total	—	¥ 57	—

At March 31, Goverment bond, municipal bond and other	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Carrying amount	—	¥ 57	—
Fair value	—	58	—
Unrealized gain	—	¥ 1	—

(b) Other securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
At March 31,	**2010**	2009	**2010**
Carrying amount			
Marketable equity securities	**¥ 8,375**	¥ 7,263	**$ 90,053**
Other	**60**	83	**647**
Total	**¥ 8,435**	¥ 7,346	**$ 90,700**

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Acquisition cost	**¥ 8,449**	¥ 8,225	**$ 90,848**
Fair value (Carrying value)	**8,435**	7,346	**90,700**
Unrealized gain (loss)	**¥ (14)**	¥ (879)	**$ (148)**

Securities for which market quotations are not available are principally unlisted securities.

Other securities sold during the financial year ended March 31, 2010 and 2009 were amounting ¥133 million (US$ 1,427 thousand) and ¥1,138 million, respectively.

Investments in securities at March 31, 2010 and 2009 comprise investment in securities lent to the third parties under security loan agreements amounting to ¥106 million (US$1,144 thousand) and ¥83 million, respectively.

(6) Short-term Borrowings and Long-term Debt

Short-term borrowings were represented generally by 365-day notes in 2010 and 2009 issued by the Companies, and bore interest principally at the short-term prime rates in effect in 2010 and 2009.

As is customary in Japan, the Company and its consolidated domestic subsidiaries maintain deposit balances with banks with which they have short-term bank loans or long-term debt.

Such deposit balances are not legally or contractually restricted as to withdrawal.

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Loans from banks and insurance companies with interest ranging from 2.075% to 2.147%, due various dates through 2015:	**¥ 18,496**	¥ 20,085	**$ 198,882**
Total	**18,496**	20,085	**198,882**
Current portion included in current liabilities	**(7,000)**	(9,339)	**(75,269)**
Total	¥ 11,496	¥ 10,746	$ 123,613

Note:The interest rates in long-term debt are balanced by the weighted average.

Lease obligations as of March 31, 2010 and 2009 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current	**¥ 15**	¥ 14	**$ 156**
Non-current	**25**	32	**271**
Total	**¥ 40**	¥ 46	**$ 427**

Certain Companies' long-term debt agreements provide that the lender may request the Companies to submit proposals for appropriations of retained earnings (including payment of dividends) for review and, in some instances, approval prior to presentation to the shareholders. However, the Companies have never received such a request.

In addition, as is customary in Japan, substantially all of the Companies' bank borrowings are subject to general agreements with each bank which provide that the relevant bank may treat any security furnished to the bank as well as cash deposited with it as security for all present and future indebtedness and may, when the bank deems it necessary, request additional security for loans.

The Company had credit lines from 7 banks amounting to ¥29,000 million (US$311,828 thousand)in total at March 31, 2010 and 2009.

Assets pledged as collateral and secured liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
Assets pledged as collateral:	**2010**	2009	**2010**
Investment in securities	**¥ 2,680**	¥ 2,257	**$ 28,814**
Loans	**593**	595	**6,377**
Other	**38**	28	**415**
Total	**¥ 3,311**	¥ 2,880	**$ 35,606**
Liabilities secured thereby:			
Contingent liabilities and other	**¥ 1,702**	¥ 1,683	**$ 18,304**

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2010 were as follows:

Year ending March 31,	Millions of Japanese Yen	Thousands of U.S. Dollars
2011	**¥ 7,000**	**$ 75,269**
2012	**5,832**	**62,710**
2013	**2,943**	**31,645**
2014	**1,899**	**20,419**
2015	**822**	**8,839**
Total	**¥ 18,496**	**$ 198,882**

(7) Advances Received on Construction Contracts in Progress

The Companies usually receive payments from customers in the public sector on a progress basis in accordance with terms of the respective construction contracts.

(8) Reserve for Retirement Benefits and Pension Plan

The Company and its consolidated subsidiaries adopt the cash balance plan, retirement lump sum allowance plan, and additional severance payment covering substantially all employees for the defined benefit retirement plans. Furthermore, the Company set up the retirement benefit trust.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligations	**¥(22,962)**	¥(23,267)	**$(246,904)**
Plan assets	**15,204**	12,354	**163,489**
Unfunded retirement benefit obligations	**(7,758)**	(10,913)	**(83,415)**
Unrecognized actuarial differences	**5,220**	8,814	**56,125**
Reserve for employee retirement benefits	**¥ (2,538)**	¥ (2,099)	**$ (27,290)**

Net pension and severance costs expense related to the retirement benefits for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥ 769**	¥ 777	**$ 8,266**
Interest cost	**571**	571	**6,136**
Expected return on plan assets	**(220)**	(250)	**(2,367)**
Amortization of unrecognized actuarial differences	**966**	621	**10,394**
Net pension and severance costs	**¥ 2,086**	¥ 1,719	**$ 22,429**

Assumptions used in the calculation of the above information were as follows:

	2010	2009
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization period of unrecognized actuarial differences	13 years	13 years
Amortization period of prior service cost	5 years	5 years

The balance of reserve for retirement benefits included the reserve for retirement allowance for directors and statutory auditors in amounts of ¥80 million (US$866 thousands) and ¥71 million as of March 31, 2010 and 2009, respectively.

The reserve for retirement allowance for directors and statutory auditors are provided at the amount required on balance sheet dates in accordance with the internal rules of certain consolidated subsidiaries.

(9) Selling, General and Administrative Expenses

The significant items of selling, general and administrative expenses for 2010 and 2009 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Salaries to employees	**¥ 4,358**	¥ 4,389	**$ 46,862**
Expenses for retirement benefits for employees	**688**	586	**7,398**
Provision for retirement benefits for directors and statutory auditors	**24**	29	**257**
Provision for doubtful accounts, trade	**169**	501	**1,822**
Depreciation	**194**	199	**2,088**
Reseach expenses	**¥ 979**	951	**$ 10,527**

(10)Income Taxes

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred Tax Assets:			
Pension and severance costs	**¥ 2,205**	¥ 1,959	**$ 23,709**
Reserve for loss on construction works	**1,015**	951	**10,909**
Unrealized losses on securities	**65**	445	**698**
Write-down of utility rights	**427**	432	**4,594**
Write-down of investment in securities	**190**	194	**2,041**
Accrued bonus to employees	**584**	459	**6,281**
Other	**1,879**	1,627	**20,201**
Valuation allowance	**(1,000)**	(978)	**(10,756)**
Deferred Tax Assets	**¥ 5,365**	¥ 5,089	**$ 57,677**

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred Tax Liabilities:			
Unrealized gains on securities	**¥ (31)**	¥ (32)	**$ (332)**
Revaluation reserve for land	**(1,009)**	(1,102)	**(10,847)**
Other	**(115)**	(100)	**(1,238)**
Deferred Tax Liabilities	**(1,155)**	(1,234)	**(12,417)**
Net Deferred Tax Assets	**¥ 4,210**	¥ 3,855	**$ 45,260**

(b) A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2010 and 2009, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2010	2009
Normal effective statutory tax rate	**40.4%**	40.4%
Expenses not deductible for income tax purposes	**7.1**	11.7
Non-taxable income	**(1.5)**	(3.9)
Per capita levy of inhabitant taxes	**5.6**	8.8
Change in valuation allowance	**(5.3)**	(23.6)
Other-net	**0.5**	0.8
Actual Effective Tax Rates	**46.8%**	34.2%

(11)Net Assets

Under Corporation Law of Japan ("the Law"), certain issuance of common shares is required to be credited to the common stock account for 50% of the proceeds. The Law permits, by resolution of the shareholders' meeting, transfer from amounts of additional paid-in capital to the common stock.

The Law provides that an amount equal to 10% of dividends of surplus shall be appropriated as a legal reserve or additional paid-in capital until the total amount of legal reserve and additional paid-in capital equals 25% of the stated amount of capital stock. Legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be transferred to common stock by resolution of the shareholders' meeting. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, they are available for distributions by the resolution of the shareholders' meeting.

(12)Leases

Finance Lease

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

Tools, equipment and other	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Acquisition costs	**¥ 200**	¥ 1,472	**$ 2,153**
Accumulated depreciation	**125**	1,226	**1,343**
Net book value	**¥ 75**	¥ 246	**$ 810**

The scheduled maturities of future lease payments, including an interest portion on such lease contracts as of March 31, 2010 and 2009 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥ 40**	¥ 171	**$ 427**
Due over one year	**35**	75	**383**
	¥ 75	¥ 246	**$ 810**

Lease expenses incurred in connection with finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessee, amount to ¥170 million (US$1,831 thousand) and ¥259 million for the year ended March 31, 2010 and 2009, respectively.

Operating Lease

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2010 and 2009 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥ 520**	¥ 6	**$ 5,592**
Due over one year	**2,910**	3	**31,294**
	¥ 3,430	¥ 9	**$ 36,886**

(13)Revaluation of Land

The Company revalued its land held for business purposes based on the value appraised by an appraiser which is regulated by Article 2 No.4 of an Enforcement Ordinance, and No.119 of Law Concerning Land Revaluation (effective March 31, 1998) with certain necessary adjustments.

Deferences arising from the land revaluation have been accounted for as revaluation reserve for land under net assets at a net-of -tax amount. The carrying value of the land after revaluation exceeded its fair value as of March 31, 2010 and 2009 by ¥6,074 million (US$65,315 thousand) and ¥5,716 million, respectively.

(14)Commitments and Contingent Liabilities

The Companies are contingently liable for the following at March 31, 2010 and 2009:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Trade notes receivable discounted and endorsed ...	**¥ 140**	—	**$ 1,508**
Guarantees of short-term and long-term debt of employee, customers, unconsolidated subsidiaries and affiliates	**2,104**	2,427	**22,629**
	¥ 2,244	¥ 2,427	**$ 24,137**

On December 11, 2007, the Company was brought a lawsuit by a logistic agency on commission fee amounting ¥123 million (US$ 1,330 thousand). At present, the lawsuit is pending and its result of arbitration is not predictable.

(15)Investment and Rental Property

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

Due to the low level of importance in total amounts of investment and rental property, the Companies have omitted note from notes to consolidated financial statement.

(16)Segment Information

a. Business Segments

Business segments are principally composed of the following:

Construction............Civil Engineering and Architectural Construction

Real Estate ....Purchase, sale and rent of real estate

Other Businesses.....Building and Repair of Vessels and Agency Businesses

Year Ended March 31, 2010

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
External customers	¥ 185,197	¥ 1,494	¥ 3,610	¥ 190,301	¥ —	¥ 190,301
Inter-segment	449	330	2,255	3,034	(3,034)	—
Total	185,646	1,824	5,865	193,335	(3,034)	190,301
Operating expenses	179,510	4,093	5,675	189,278	(2,977)	186,301
Operating income	6,136	(2,269)	190	4,057	(57)	4,000
Total assets	125,828	14,924	4,579	145,331	49,582	194,913
Depreciation expenses	3,083	157	117	3,357	(40)	3,317
Impairment loss	41	214	—	255	—	255
Capital Expenditure	¥ 2,590	¥ 8	¥ 23	¥ 2,621	¥ 24	¥ 2,645

Year Ended March 31, 2009

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
External customers	¥ 200,205	¥ 1,645	¥ 4,129	¥ 205,979	¥ —	¥ 205,979
Inter-segment	1,434	439	1,370	3,243	(3,243)	—
Total	201,639	2,084	5,499	209,222	(3,243)	205,979
Operating expenses	198,712	1,677	5,129	205,518	(3,198)	202,320
Operating income	2,927	407	370	3,704	(45)	3,659
Total assets	130,942	18,507	5,005	154,454	37,897	192,351
Depreciation expenses	3,416	110	91	3,617	(14)	3,603
Impairment loss	46	10	—	56	—	56
Capital Expenditure	¥ 2,558	¥ 689	¥ 342	¥ 3,589	¥ (64)	¥ 3,525

Year Ended March 31, 2010

Thousands of U.S.Dollars

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
External customers	$1,991,363	$ 16,070	$ 38,816	$ 2,046,249	$ —	$ 2,046,249
Inter-segment	4,826	3,550	24,248	32,624	(32,624)	—
Total	1,996,189	19,620	63,064	2,078,873	(32,624)	2,046,249
Operating expenses	1,930,223	44,008	61,022	2,035,253	(32,014)	2,003,239
Operating income	65,966	(24,388)	2,042	43,620	(610)	43,010
Total assets	1,352,992	160,475	49,242	1,562,709	533,135	2,095,844
Depreciation expenses	33,154	1,686	1,256	36,096	(429)	35,667
Impairment loss	445	2,301	—	2,746	—	2,746
Capital Expenditure	$ 27,850	$ 85	$ 248	$ 28,183	$ 260	$ 28,443

Changes in accounting policies

1. The Company changed the amortization period of unrecognized actuarial differences as described in Note (1)-(k) "Reserve for retirement benefits". As a result, in segment Construction operating expenses increased by ¥133 million, while operating income decreased by the same amount, and in segment Real Estate operating expenses increased by ¥1 million, while operating income decreased by the same amount for the year ended March 31, 2009.
2. The Companies have adopted the "Accounting Standard for Construction Contracts" and the "Guidance on Accounting Standard for Construction Contracts" as described in Note (1)-(p) "Recognition of contract revenue and cost". As a result, net sales in segment Construction increased by ¥5,909 million, while operating income increased by ¥350 million, and net sales in segment Other Businesses increased by ¥87 million, while operating income increased by ¥2 million for the year ended March 31, 2009.

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast Asia.............Singapore, Philippines, Vietnam and Indonesia

Figures for the year ended March 31, 2009 do not contain data on Indonesia.

Year Ended March 31, 2010 — Millions of Japanese Yen

	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
External customers	¥ 155,814	¥ 27,834	¥ 6,653	¥ 190,301	¥ —	¥ 190,301
Inter-segment	80	—	—	80	(80)	—
Total	155,894	27,834	6,653	190,381	(80)	190,301
Operating expenses	152,504	26,850	7,027	186,381	(80)	186,301
Operating income	3,390	984	(374)	4,000	—	4,000
Total assets	¥ 128,814	¥ 10,710	¥ 3,489	¥ 143,013	¥ 51,900	¥ 194,913

Year Ended March 31, 2009 — Millions of Japanese Yen

	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
External customers	¥ 159,096	¥ 34,188	¥ 12,695	¥ 205,979	¥ —	¥ 205,979
Inter-segment	178	—	—	178	(178)	—
Total	159,274	34,188	12,695	206,157	(178)	205,979
Operating expenses	154,905	34,783	12,810	202,498	(178)	202,320
Operating income	4,369	(595)	(115)	3,659	(—)	3,659
Total assets	¥ 130,758	¥ 15,633	¥ 5,459	¥ 151,850	¥ 40,501	¥ 192,351

Year Ended March 31, 2010 — Thousands of U.S.Dollars

	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
External customers	$ 1,675,423	$ 299,289	$ 71,537	$ 2,046,249	$ —	$ 2,046,249
Inter-segment	858	—	—	858	(858)	—
Total	1,676,281	299,289	71,537	2,047,107	(858)	2,046,249
Operating expenses	1,639,821	288,714	75,562	2,004,097	(858)	2,003,239
Operating income	36,460	10,575	(4,025)	43,010	—	43,010
Total assets	$ 1,385,100	$ 115,160	$ 37,523	$ 1,537,783	$ 558,061	$ 2,095,844

Changes in accounting policies

1. The Company changed the amortization period of unrecognized actuarial differences as described in Note (1)-(k) "Reserve for retirement benefits". As a result, in segment Japan operating expenses increased by ¥104 million, while operating income decreased by the same amount, in segment Southeast Asia operating expenses increased by ¥21 million, while operating loss increased by the same amount, and in segment Other Areas operating expenses increased by ¥8 million, while operating loss increased by the same amount for the year ended March 31, 2009.
2. The Companies have adopted the "Accounting Standard for Construction Contracts" and the "Guidance on Accounting Standard for Construction Contracts" as described in Note (1)-(p) "Recognition of contract revenue and cost". As a result, net sales in segment Japan increased by ¥5,990 million, and operating income increased by ¥351 million. There were no effects seen in segment Southeast Asia and Other Areas for the year ended March 31, 2009.

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast Asia..............Singapore, Philippines, Vietnam and Indonesia

Figures for the year ended March 31, 2009 do not contain data on Indonesia.

Year Ended March 31, 2010 — Millions of Japanese Yen

	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 27,834	¥ 6,653	¥ 34,487
Consolidated net sales	—	—	190,301
Ratio (%)	14.6	3.5	18.1

Year Ended March 31, 2009 — Millions of Japanese Yen

	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 34,188	¥ 12,695	¥ 46,883
Consolidated net sales	—	—	205,979
Ratio (%)	16.6	6.2	22.8

Year Ended March 31, 2010 — Thousands of U.S.Dollars

	Southeast Asia	Other Areas	Total
Overseas net sales	$ 299,289	$ 71,537	$ 370,826
Consolidated net sales	—	—	$ 2,046,249