NIPPON KOEI

Challenging mind, Changing dynamics

Annual Report 2010

Year Ended March 31, 2010

Company Profile

Nippon Koei Co., Ltd. established in 1946, specializes in engineering consulting and electric power engineering. Since its foundation, the Company has adhered to a policy of contributing to society through technology.
Our engineering consulting services, provided by the Consulting Administration Group, draws on the technical expertise of specialists in diverse fields. Since our first overseas venture, a hydroelectric power project in Myanmar in 1954, we have participated in a broad variety of sophisticated development projects worldwide.
The Engineering Administration Group spearheads the Company's electric power engineering business. Here, we provide a complete engineering package, from surveys and designs to the installation of a wide range of equipment, including power stations and substations, transmission lines, and end-user equipment. We are active both in Japan and overseas.
Committed to responsible corporate citizenship, Nippon Koei and its employees dedicate their efforts to creating comfortable living environments for people around the world.

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Financial Highlights

Consolidated

Years Ended March 31	Millions of Yen 2010	2009	Thousands of U.S. Dollars 2010
Net sales	**¥65,096**	¥64,198	**$699,656**
Net income	**2,026**	301	**21,776**
Net income per share (Yen/Dollars)	**25.17**	3.73	**0.27**
As of March 31			
Total assets	**80,100**	77,582	**860,920**
Equity	**43,361**	40,711	**466,046**

Non-Consolidated

Years Ended March 31	Millions of Yen 2010	2009	Thousands of U.S. Dollars 2010
Net sales	**¥47,006**	¥47,015	**$505,224**
Net income (loss)	**1,396**	(188)	**15,004**
Net income (loss) per share (Yen/Dollars)	**17.34**	(2.33)	**0.19**
As of March 31			
Total assets	**69,030**	67,313	**741,939**
Equity	**38,006**	36,154	**408,491**

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each period.
2. The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥93.04=US$1, the rate of exchange at March 31, 2010

Consolidated Business Report for Fiscal 2009 (Fiscal Year Ended March 31, 2010)

1. Overview of Performance and Cash Flow

(1) Performance

Though exports showed favorable growth, little recovery was seen in the Japanese economy in the current year with production, personal consumer expenditures and corporate profits and the employment situation unable to recover to former levels and continuing to show little improvement.
These trends therefore show an economy unable to recover under its own steam and circumstances continue to remain harsh.
Among the economic circumstances surrounding the Nippon Koei Group, although the government granted a supplementary budget including public works projects, the new administration which took power after the general elections has made a drastic review of public works projects. Moreover, because Japan's ODA (Official Development Assistance) general account budget continued to shrink and private sector companies had weak equipment investment, the harsh economic climate remained bleak.
Amidst this economic climate, the Nippon Koei Group worked to unify and consolidate itself so as to optimize business operations throughout the entire corporate group. It also intensified efforts to allocate business resources to business operations with good prospects and boost measures taken in new business areas. Along with more sophisticated technical capacity and higher production, Nippon Koei took an even more rigorous stance on risk management and worked to improve corporate quality in response to the changing business environment.
As a result of these measures, business figures in the current year were mostly favorable with consolidated orders increasing 5.6% over last year's level to total 69,683 million yen primarily due to the fact that our corporate affiliate Nippon Koei Latin America-Caribbean Co., Ltd. was added as a consolidated subsidiary in the current year. Large-scale projects ordered in the previous year contributed to the rise in sales and overseas consulting operations had increased business that at 65,096 million yen slightly exceeded results from the previous year.
On the income side, the current year net income reached 2,026 million yen, up 574.0% over the previous year.

Business orders and sales per each business sector are given next.

Domestic Consulting Operations

An increase in IT public works projects in the IT (information technology) field such as design of disaster communication network systems as well as river planning, soil environmental research surveys, and road/bridge design work yielded a 5.9% increase in orders received over the previous year amounting to 36,651 million yen but sales were substantially the same as the previous year level of 35,932 million yen.

Overseas Consulting Operations

Along with an increase in work such as surveys due to orders received from JICA (Japan International Cooperation Agency), Nippon Koei Latin America-Caribbean Co., Ltd. that was added this year as a consolidated subsidiary received orders that helped to reach a figure of 20,159 million yen or a 5.5% increase over the previous year. Sales from large scale jobs from Iraq and Vietnam in the prior year contributed to sales of 16,723 million yen or a 14.5% increase over the prior year.

Manufacturing Operations

Though new orders were received for computer control systems and water-wheel electrical generating equipment mainly for hydroelectric plants, fewer orders were received for electrical transformer equipment so overall orders received were about the same as the previous year at 8,620 million yen, and sales were 7,855 million yen, down 3.0% from the previous year.

Engineering Operations

An increase in distribution equipment investments for public power utilities helped increase electrical transformer installation work including expansion and improvement of transformer substation so orders received were 3,493 million yen, up 32.3% compared to the previous year. However, because some of these orders relate to next year, the actual sales figure was 2,541 million yen, down 15.5% from the previous year.

Real Estate Leasing

Sales for real estate leasing operations were 1,256 million yen which was the same level as the previous year.

Other Business Operations

Orders for other business operations, including software development and sales, were 760 million yen, down 14.8% from the previous year mainly because orders received from telecommunication firms for system development work remained weak. Accordingly, sales also dropped 8.2% from the previous year reaching a figure of 789 million yen.

(2) Cash Flow

Cash and cash equivalents at the end of the current year were 6,237 million yen, which was down 360 million yen compared to the end of the previous year. The main reasons for this drop were as follows.

Net cash provided by operating activities in the current year came to 1,443 million yen (vs. 5,703 million yen in the previous year). This was mainly due to an increase of 2,402 million yen in income before income taxes and minority interests to reach 3,591 million yen compared to the previous consolidated fiscal year, and an increase of 7,066 million yen in trade accounts receivable and inventories to reach 2,554 million yen compared to the previous consolidated fiscal year.

Net cash used in investing activities reached 817 million yen (vs. 1,512 million yen in previous year). This was primarily due to purchases of investment securities declining 1,568 million yen compared to the previous consolidated fiscal year to reach 1,466 million yen; proceeds from sales of investment securities decreasing 1,194 million yen compared to the previous consolidated fiscal year reaching a figure of 1,120 million yen; and purchases of property, plant and equipment declining 272 million yen compared to the previous consolidated fiscal year to reach a figure of 335 million yen.

Net cash used in financing activities amounted to 1,114 million (vs. 2,407 million yen in the previous year). This was mainly due to a decrease of 2,500 million yen in the net decrease in short-term borrowings compared to the previous consolidated fiscal year, which resulted in no net increase/decrease, and repayments of long-term debt down 3,999 million yen compared to the previous consolidated fiscal year reaching a figure of 191 million yen purchase of treasury stock increasing by 203 million yen compared to the previous consolidated fiscal year to reach 228 million yen; and dividends paid declining by 3 million yen compared to the previous consolidated fiscal year to reach 604 million yen.

Reference: Trends in cash flow related indicators

	Fiscal Year Ended March 2006	Fiscal Year Ended March 2007	Fiscal Year Ended March 2008	Fiscal Year Ended March 2009	Fiscal Year Ended March 2010
Capital-to-asset ratio (%)	52.1	53.1	52.1	52.2	53.8
Capital-to-asset ratio on market value basis (%)	47.2	36.2	25.4	22.7	27.5
Interest-bearing debt-to-cash flow ratio (annual)	11.7	2.7	17.8	2.5	9.5
Interest coverage ratio	6.2	27.5	10.2	28.0	9.8

Capital-to-asset ratio: stockholders' equity / total assets
Capital-to-asset ratio on market value basis: market capitalization / total assets
Interest-bearing debt-to-cash flow ratio: interest-bearing debts / cash flow
Interest coverage ratio: cash flow / interest payment

Notes: 1. All figures are calculated on the basis of consolidated financial figures.
2. Market capitalization is computed on the basis of the number of shares issued, excluding treasury stock.
3. Cash flow here signifies operating cash flow.
4. Interest-bearing debt here comprises all debts included in the consolidated balance sheet on which interest is paid.

2. Production, New Orders and Sales

(1) New Orders

Business Category	**This Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year (%)**
New Orders		
Domestic consulting operations	¥36,651	5.9
Overseas consulting operations	20,159	5.5
Power equipment manufacturing operations	8,620	-1.5
Electric power engineering operations	3,493	32.3
Other business operations	760	-14.8
Total new orders	69,683	5.6
Outstanding orders		
Domestic consulting operations	14,381	5.3
Overseas consulting operations	33,734	11.3
Power equipment manufacturing operations	2,454	45.3
Electric power engineering operations	2,059	86.0
Other business operations	20	-56.6
Total orders on hand	¥52,648	12.5

Notes: 1. Above amounts include outstanding orders of 2,270 million yen at Nippon Koei Latin America-Caribbean Co., Ltd. a local affiliate, which has been consolidated from the start of operations this fiscal year.
2. Above amounts do not include consumption tax.
3. Above amounts involve transactions with non-Group customers: These amounts do not include internal transactions between Group segments or the transfer amounts involved.

(2) Sales Performance

Business Category	**This Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year (%)**
Domestic consulting operations	¥35,932	-1.2
Overseas consulting operations	16,723	14.5
Power equipment manufacturing operations	7,855	-3.0
Electric power engineering operations	2,541	-15.5
Real estate leasing operations	1,256	-0.4
Other business operations	789	-8.2
Total 2010 sales	¥65,096	1.4

Notes: 1. Production status is not stated due to difficulties in defining consolidated group production performance.
2. Transactions between business segments are offset and eliminated.
3. Amounts above do not include consumption tax.
4. Sales to major customers as a proportion of total sales are given as follows.

Customer	**This Consolidated Fiscal Year**		Previous Consolidated Fiscal Year	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Ministry of Land, Infrastructure, Transport and Tourism	**¥12,993**	**20.0**	¥10,225	15.9
Tokyo Electric Power Co., Ltd.	**6,712**	**10.3**	6,807	10.6
Japan International Cooperation Agency	**6,210**	**9.5**	3,860	6.0

3. Future Challenges

(1) Management Policy

Taking the concept “Reform for Growth” as its theme, our company group is currently working hard to fulfill its medium-term management planning (2008 fiscal year through 2010 fiscal year). Based on our management policy “Act with sincerity and contribute to society through technology” the Nippon Koei Group is making a never ending effort to “earn high marks from both the customer and society while taking pride in being a company employee” using the slogan “Challenging mind, Changing dynamics” as its guide. We will continue to focus and unify with greater effort along our future course while providing high quality services and products by acting not just in terms of individual performance but also as an “organization” that obtains a fair profit via customer satisfaction and in this way help our company group develop.

The business environment our group is facing can expect drastic cuts in the public work project budget along with ever harsher technical and price competition from other companies. However there are some positive signs including budget increase of yen loan finance for a boost in ODA project funding, and a business recovery by power companies reflecting greater spending in power company utility equipment investments, etc. Under these circumstances, our corporate group intends to make major efforts on the following critical points based on medium-term management planning and pour its total strength into improved business results and sales figures.

(i) We will mainly allocate our management resources to prospective businesses likely to perform well in meeting market needs in fields relating to environmental technology, energy (including railways). We will take aggressive measures to find new business opportunities where we can make optimum use of the company technology such as private investment projects, and enterprises that integrate and unify design, procurement, and construction work.

(ii) We will strive to boost our corporate group’s technical strength by challenging ourselves to make strong, positive efforts at handling high value jobs demanding sophisticated technical capabilities while also recruiting and training a highly qualified engineering staff.

(iii) We will actively work to boost production efficiency in company divisions while sharing our group’s internal knowledge and expertise to further advance the productivity of the group as a whole.

(iv) We will create better labor welfare conditions that are a suitable match for job quality by a full and substantial health care management system, a good work-life balance (harmonizing work and private life) and work performance compensation standards aimed at improving work motivation and ensuring a talented workforce serving as the backbone of our corporate group.

Our corporate group will pioneer new businesses and new fields, along with boosting our international corporate competitiveness through active overseas business efforts, by strengthening collaborations between business divisions and aggressive technical exchange. Moreover, besides effective use of internal regulatory system and meticulous risk management, safety management, and quality control management, we will enforce compliance with our corporate management base to a higher degree to establish our place as a leading company trusted by both the customer and society as a whole.

In April 2010, the Nippon Koei Group merged with our consolidated subsidiary Nippon Koei Power Systems Co., Ltd. and has worked to fully integrate this new company and will strive to streamline group management to a yet higher level.

All of the above measures are aimed at yet higher company performance and attaining our medium-term management planning goals.

In the “Can Tho Bridge Construction Project” in the country of Vietnam, an accident occurred in September 2007 during construction in which a portion of the bridge girder collapsed. Construction was later recommenced in August 2008, and finished in April 2010, and an opening ceremony was held.

(2) Basic Policy Governing Corporate Decision-makers on Financial Affairs and Operations

Our continuing policy on resisting corporate buyouts (hostile takeovers)

Our corporation has established basic guidelines (called “basic policy” from hereon) that regulate those who make decisions that set policies on business operations and financial affairs.

1) Governance Principals
We believe our corporation shoulders a large social responsibility and is highly accountable to the public since it functions not only as a construction consultant but also as it handles tasks mainly involving public utilities and public affairs. The Nippon Koei Group also has innate commercial brand appeal backed by highly wide-ranging specialist knowledge, ample experience and company achievements. A relationship of deep mutual trust fostered between management and interested parties that includes domestic and overseas customers, employees, and business partners is indispensable to future understanding. A loss of this trust would mean no further gains in corporate value or stockholder profits.
In view of the damage posed by substantial acquisition of shares (or large-scale buyouts) of our corporate stock (called, “substantial acquisition of shares” hereafter) we believe necessary and ample information regarding these acquisitions should be provided in advance to company stockholders before a bidder (called “bidder for substantial acquisition of shares” from hereon) makes a takeover bid.

2) Preventing Undesirable Takeover
We believe it is to the advantage of both the Nippon Koei Group and its shareholders to ensure that the buying up of a large quantity of shares conforms to fixed logical rules and therefore established a set of rules (called “Rules on Substantial Acquisition of Shares” from hereon) as part of our corporate policy (called “Policy on Substantial Acquisition of Shares” from hereon) and that is intended to regulate the large scale acquisition of company shares. These “Rules on Substantial Acquisition of Shares” are intended to apply to bidders attempting to obtain control of 20% or more of the voting rights of a designated shareholder group or obtaining sufficient shares to alter the balance that gave a group of shareholders control of 20% or more of voting rights. These rules make it compulsory for a bidder to: a) provide the Nippon Koei Board of Directors in advance with all required information in sufficient amounts including documents showing his/her exact intentions and, b) start buying the shares after the fixed period for evaluation by the Nippon Koei Board of Directors has elapsed.
Moreover, on May 12, 2008, the Nippon Koei Board of Directors decided to revise this Policy on Substantial Acquisition of Shares that was first implemented in May 2006 and then continued by a board voting decision in June 2007. These revisions were deemed necessary to make the Policy on Substantial Acquisition of Shares more effective in securing profits for all shareholders and to boost corporate value, and in order to confirm that these revisions and continuance of the Policy on Substantial Acquisition of Shares were the desire of the shareholders, this matter was brought up at the 63rd Ordinary General Meeting of Stockholders on June 27, 2008 and received the stockholders assent.
The details of this Policy on Substantial Acquisition of Shares were publicly announced on May 12, 2008 and the entire text is also available on the Nippon Koei Group website (http://www.n-koei.co.jp/).

3) Board of Directors Ruling on the System disclosed in 2) above
This Policy on Substantial Acquisition of Shares is in line with basic policy described above in 1), and does not have the intent of maintaining the position of the corporate board of directors at the expense of the stockholders in general.

a. This policy is intended to allow shareholders to correctly decide whether to comply with the hostile takeover (corporate buyout) or not and also to protect against clear and apparent threats to shareholder profit and the corporate value.

b. In view of our goal to protect shareholder profits and corporate value, these rules on the substantial acquisition of shares and provisions for enforcing countermeasures are deemed appropriate.

c. These rules on the substantial acquisition of shares and provisions or conditions for enforcing countermeasures are specific and clear in all cases, so that shareholders, investors and bidders (for substantial shares) are given an opportunity to sufficiently predict future events.

d. Rulings on the appropriateness of enforcing, continuing, abolishing or amending these rules are made via the general meeting of stockholders in order to reflect the intent of the shareholders.

e. This policy establishes a prior condition whereby the board of directors must sufficiently confer with an independently established ad hoc committee on whether to enforce countermeasures, and after giving maximum consideration to the guidance and advice from this committee, the board of directors shall decide whether or not to implement those countermeasures, and shall render a scheme sufficient to ensure the reasonableness and objectiveness of the board of director's ruling.

f. The ad hoc committee shall be able to obtain advice and guidance from an outside, independent specialist whose fee is paid at corporate expense, and a scheme shall be established to ensure the ruling made by the ad hoc committee is sufficiently fair and objective.

g. This policy on rules for substantial acquisition of shares is not intended as a dead hand provision to prevent hostile takeovers and can be abolished by a ruling made at the general meeting of stockholders or may be abolished by a ruling made by the board of directors made up of company officers appointed at the general meeting of stockholders of the Nippon Koei Group.

4. Business Risks

The following are deemed as risks that might affect Nippon Koei Group's future financial status or corporate performance as of the date this report was submitted. These risks moreover are not limited to those listed below.

Uneven Annual Distribution of Performance Results

The primary operations of the Nippon Koei include construction consultancy and electric power engineering. The construction consultancy operations entail mainly government and public agency projects whose orders are heavily weighted towards the end of the financial year (March). As a result, 70-80% of Group sales tend to occur in the second half of the year.

Dependence on Major Customers

Our construction consultancy operations rely on foreign and national government contracts for some 90% its sales. Sales performance on the domestic front tends to be affected by trends in government spending while our international orders are a reflection of the Japanese ODA budget.

Since about 60-80% of our electric power engineering operations are for the Tokyo Electric Power Company (TEPCO), our sales performance is largely dictated by capital investments at TEPCO.

5. Operationally Significant Contracts

The Nippon Koei Board of Directors deliberated on a merger to take effect on April 1, 2010 with its consolidated subsidiary, Nippon Koei Power Systems Co., Ltd., at a meeting on January 13, 2010, and the two companies were then bound into a merger on the planned date of April 1, 2010.

(1) Objective of Merger

The present merger was implemented to promote the further streamlining of corporate group business operations based on management goals towards unification and consolidation.

(2) Merger overview

1) Schedule

Board of directors gives assent to merger	Jan. 13, 2010
Merger contract concluded	Jan. 13, 2010
Appointed merger date (date takes effect)	Apr. 1, 2010
Merger officially registered	Apr. 7, 2010

2) Merger method

The absorption merger method was utilized with Nippon Koei as the continuing company and Nippon Koei Power Systems Co., Ltd. was dissolved.

3) Merger ratio and merger cash grants

Nippon Koei holds all stock of Nippon Koei Power Systems Co., Ltd. and there is no arrangement on merger ratios. Moreover, there is no issue of new stock, additional capital, or merger cash grants resulting from this merger.

4) New share subscription rights and corporate bonds with share subscription rights for dissolved company

There were no new share subscription rights or corporate bonds with share subscription rights issued for Nippon Koei Power Systems Co., Ltd.

(3) Name, main business operations and scope of merged company (current as of March 31, 2010)

1) Name: Nippon Koei Power Systems Co., Ltd.
2) Main business operations: Manufacture of electrical equipment and construction work
3) Current location: 1-22 Aza Doukyu, Morijuku, Sukagawa-shi, Fukushima, Japan
4) Sales: 6,945 million yen
5) Current year net profit: 358 million yen
6) Common stock: 1,000 million yen
7) Net assets: 3,408 million yen
8) Total assets: 8,014 million yen
9) Number of employees: 257

6. Research and Development

The Nippon Koei Group puts its guiding philosophy to “act with sincerity and contribute to society through technology” into practice by putting technology to work in creating a better world for all.

Overall Group research and development costs for the consolidated fiscal year under review amounted to 341 million yen.

Domestic and Overseas Consulting Operations

Research and development over a wide range of construction consulting services is conducted at our Central Research Laboratory. We monitor research by means of adjusted return mapping in order to accelerate the research process and evaluate the results with an eye to practical application. The following R&D projects were conducted during the consolidated fiscal year under review:

(1) Research and development of advanced numerical analysis techniques and general-purpose software applications

Research work was conducted on the development of geographical information and NK-GIAS hydrology application software, automated design software for canal/dock management, research relating to practical applications of two- and three-dimensional hydraulic analysis, applied research in neural networks and other soft computing technologies.

(2) Research and development relating to national disaster prevention

Research was also focused on uplift in ground surface due to the recovery of groundwater levels, development of a risk assessment technique for tsunamis and storm surges, development of a method for assessing the impact of landslides on tunnels, research to enhance systems designed to detect slope failure, development of a comprehensive river basin sediment control model as well as the study of earthquake fault and seismic load design.

(3) Research and development for global warming measures

Research efforts involved developing: multi layer flow analysis techniques for CO2 aquifer storage, localized weather prediction aimed at reducing water damage risk caused by seasonal fluctuations, seawater prevention prediction and well water resource management technology, real-time information technology for disaster information, and development of water environmental control simulator including the ecosystem.

(4) Research and development in performance verification and management support systems

Research was carried out on dynamic crack propagation analysis of concrete structures, as well as developing a project assessment model for social infrastructure improvements.

(5) Technical exchanges with overseas research institutes

Technical exchange activities were conducted with Asian Institute of Technology, the United Nations University, and Korean Electrical Power Research Authority.
Research and development costs paid in support of these operations totaled 215 million yen.

Manufacturing and Engineering Operations

R&D work in this field was mainly carried out by the Fukushima operation site (formerly, Nippon Koei Power systems Co., Ltd.). Main R&D efforts for this fiscal year were as follows:

(1) Developing modified down-sized monitor control panels

To meet needs for a lower cost, down-sized monitor control panel for use at power-feed substations of 275-kv or less, an internal structure LAN was utilized for inter-machine connections as a cost reduction measure. The overall structural design and the basic design of the IF board were completed in FY2009. The basic design for the monitor control panel will proceed from hereon in sequence via consultation with the customer and is then scheduled to shift to product development.

(2) Developing large-capacity IP type TC for 275-kv or less

Our customer (TEPCO) plans use of large-capacity IP telecontrol equipment for power-feed substations of 275-kv or less. To secure this market we developed a large-capacity IP type TC based on equipment designed for power distribution tasks. In FY2009, we completed the development and fabrication of the hardware as well as creation of standard type data. From hereon, we will proceed to verify use as a simple in-house machine and are aiming to start receiving orders in the latter part of FY2010.

(3) Research on improving water-wheel performance

We reviewed the design of the new Runner which did not attain its target goals in the previous tests. Model testing performed after changing the number of vanes (blades) from 15 to 13 vanes, resulted in completion of a new Runner II that successfully boosted waterwheel efficiency to 92.5%. These results brought our waterwheel performance to a level competitive with those seen in models by major manufacturers.
In simultaneously implemented flow analysis, the analysis of the actual equipment was completed at Sawana River power station of TEPCO for the proposal of the equipment modification, and evaluation of the next runner modifications has been scheduled.

Research and development costs in support of these totaled 126million yen.

7. Analysis of Financial Status, Management Performance

An analysis of the Nippon Koei Group financial status, management performance as well as cash flow status for the current consolidated fiscal year is described next.

(1) Analysis of financial status

Group consolidated assets at the end of the fiscal year under review amounted to 80,100 million yen which was an increase of 2,518 million yen compared to the previous year. The main causes for this increase were an increase in current assets of 2,195 million yen and an increase in fixed assets of 323 million yen. The main reason for the increase in current assets was an increase in account receivables (trade note and trade accounts) of 2,554 million yen. The main reason for the increase in fixed assets was a drop of 801 million yen in tangible fixed assets and intangible fixed assets, and an increase of 1,104 million yen in investment securities and investments in unconsolidated subsidiaries and associated companies from the current value of retained stock holding accompanying the recovery of the stock market.
Consolidated liabilities at the end of the fiscal year under review on the other hand, decreased 132 million yen compared to the previous year to reach a figure of 36,739 million yen. The main reason for the decrease was an increase of 4,274 million yen in current liabilities, offset by a decrease of 4,406 million yen in long-term liabilities. The main cause behind these increases and decreases was an increase of 3,916 million yen in long-term loans due for repayment within the year, as well as a drop of 4,139 million yen in long-term loans.
Equity at the end of this fiscal year increased 2,650 million yen compared to the previous year to reach a figure of 43,361 million yen. The main cause behind this increase was an increase of 1,531 million yen in retained earnings, and also a decrease of 1,298 million yen in unrealized loss on available-for-sale securities.

(2) Analysis of Performance

Net sales in the current fiscal year increased 898 million yen (1.4%) over the previous year to reach a figure of 65,096 million yen.

Overseas consulting operations in particular increased 2,121 million yen (14.5%) over the previous year to reach a figure of 16,723 million yen. Sales from overseas consulting operations were in fact 25.7% of sales overall, increasing 3.0 point from 22.7% in the previous year.
Operating income for the current year increased by 1,639 million yen (94.9%) over the previous year reaching a figure of 3,367 million yen. The cost to sales ratio was 73.3% which was a decline of 2.5 points over the previous year but the ratio of SG&A expenses to sales was 21.5% which was an increase of 0.03 points over the previous year. This has resulted in the ratio of operating income to sales increasing of 2.5 points over the previous year.
Based on the above results, the income before income taxes and minority interests was 3,591 million yen. The net income for the current year after deducting minority interests in net income and adjusting for corporate tax, resident tax, and business tax was 2,026 million yen, which was an increase of 1,725 million yen over the previous year.
The basic net income per share in the current year was 25.17 yen, increasing 21.44 yen from 3.73 yen in the previous year.

Noriaki Hirose
President:

Consolidated Balance Sheets

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
ASSETS	**2010**	2009	**2010**
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥ 6,237**	¥ 6,597	**$ 67,036**
Marketable securities (Note 3)		14	
Receivables (Note 13) :			
Trade notes	**33**	38	**355**
Trade accounts	**28,248**	25,689	**303,611**
Allowance for doubtful accounts	**(107)**	(179)	**(1,150)**
Inventories (Note 4)	**7,696**	6,981	**82,717**
Deferred tax assets (Note 10)	**1,241**	1,738	**13,338**
Prepaid expenses and other current assets	**1,557**	1,832	**16,735**
Total current assets	**44,905**	42,710	**482,642**
PROPERTY, PLANT AND EQUIPMENT (Notes 5, 6 and 8)**:**			
Land	**13,644**	13,644	**146,647**
Buildings and structures	**19,863**	19,788	**213,489**
Machinery and equipment	**2,272**	2,230	**24,420**
Furniture and fixtures	**2,678**	2,578	**28,783**
Lease assets	**346**	314	**3,719**
Construction in progress	**10**		**107**
Total	**38,813**	38,554	**417,165**
Accumulated depreciation	**(15,011)**	(14,234)	**(161,339)**
Net property, plant and equipment	**23,802**	24,320	**255,826**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	**6,853**	5,695	**73,656**
Investments in unconsolidated subsidiaries and associated companies (Note 13)	**530**	584	**5,696**
Long-term loans receivable	**34**	122	**365**
Goodwill	**1,545**	1,857	**16,606**
Receivables in bankruptcy	**118**	129	**1,268**
Deferred tax assets (Note 10)	**423**	262	**4,546**
Other assets	**2,122**	2,148	**22,809**
Allowance for doubtful accounts	**(232)**	(245)	**(2,494)**
Total investments and other assets	**11,393**	10,552	**122,452**
TOTAL	**¥80,100**	¥77,582	**$860,920**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2010	2009	Thousands of U.S.Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	**¥ 8,000**	¥ 8,000	**$ 85,985**
Current portion of long-term debt (Notes 6 and 13)	**4,185**	269	**44,981**
Payables (Note 13) :			
Trade notes	**411**	421	**4,417**
Trade accounts	**5,295**	5,197	**56,911**
Income taxes payable	**828**	528	**8,899**
Advances received	**6,524**	6,270	**70,120**
Accrued bonuses	**1,681**	1,568	**18,067**
Allowance for anticipated project loss	**259**	136	**2,784**
Other current liabilities	**3,311**	3,831	**35,588**
Total current liabilities	**30,494**	26,220	**327,752**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**448**	4,587	**4,815**
Liability for retirement benefits (Note 7)	**3,242**	3,068	**34,845**
Deposits received (Note 8)	**2,335**	2,505	**25,097**
Deferred tax liabilities (Note 10)	**68**	434	**731**
Other liabilities	**152**	57	**1,634**
Total long-term liabilities	**6,245**	10,651	**67,122**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 9 and 16)**:**			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares in 2010 and 2009	**7,393**	7,393	**79,460**
Capital surplus	**6,132**	6,132	**65,907**
Retained earnings	**32,400**	30,869	**348,237**
Unrealized loss on available-for-sale securities	**(600)**	(1,898)	**(6,449)**
Deferred loss on derivatives under hedge accounting	**(7)**		**(75)**
Treasury stock—at cost 6,923,529 shares in 2010 and 6,081,506 shares in 2009	**(2,245)**	(2,017)	**(24,129)**
Total	**43,073**	40,479	**462,951**
Minority interests	**288**	232	**3,095**
Total equity	**43,361**	40,711	**466,046**
TOTAL	**¥80,100**	¥77,582	**$860,920**

Consolidated Statements of Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2010	2009	**2010**
NET SALES	**¥65,096**	¥64,198	**$699,656**
COST OF SALES	**47,734**	48,690	**513,048**
Gross profit	**17,362**	15,508	**186,608**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**13,995**	13,780	**150,419**
Operating income	**3,367**	1,728	**36,189**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**300**	382	**3,224**
Interest expense	**(125)**	(184)	**(1,344)**
Foreign currency exchange gain (loss)	**114**	(409)	**1,225**
Loss on disposal of property, plant and equipment	**(26)**	(54)	**(279)**
Gain on sales of investment securities	**88**	165	**946**
Loss on sales of investment securities	**(181)**	(175)	**(1,945)**
Loss on valuation of investment securities	**(8)**	(182)	**(86)**
Loss on valuation of inventories		(191)	
Other-net	**62**	109	**666**
Other income (expenses)-net	**224**	(539)	**2,407**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**3,591**	1,189	**38,596**
INCOME TAXES (Note 10)**:**			
Current	**1,170**	703	**12,575**
Deferred	**367**	178	**3,945**
Total income taxes	**1,537**	881	**16,520**
MINORITY INTERESTS IN NET INCOME	**28**	7	**300**
NET INCOME	**¥ 2,026**	¥ 301	**$ 21,776**

	Yen		U.S.Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note2. o.)**:**			
Basic net income	**¥ 25.17**	¥ 3.73	**$ 0.27**
Cash dividends applicable to the year	**7.50**	7.50	**0.08**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (loss) on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	**80,672**	**¥7,393**	**¥6,132**	**¥31,173**	**¥ (125)**	**¥38**	**¥(1,992)**	**¥42,619**	**¥227**	**¥42,846**
Net income				301				301		301
Cash dividends, ¥7.50 per share				(605)				(605)		(605)
Purchase of treasury stock	(97)						(25)	(25)		(25)
Net change in the year					(1,773)	(38)		(1,811)	5	(1,806)
BALANCE, MARCH 31, 2009	**80,575**	**7,393**	**6,132**	**30,869**	**(1,898)**		**(2,017)**	**40,479**	**232**	**40,711**
Adjustment of retained earnings for a newly consolidated subsidiary				109				109		109
Net income				2,026				2,026		2,026
Cash dividends, ¥7.50 per share				(604)				(604)		(604)
Purchase of treasury stock	(842)						(228)	(228)		(228)
Net change in the year					1,298	(7)		1,291	56	1,347
BALANCE, MARCH 31, 2010	**79,733**	**¥7,393**	**¥6,132**	**¥32,400**	**¥ (600)**	**¥(7)**	**¥(2,245)**	**¥43,073**	**¥288**	**¥43,361**

	Thousands of U.S.Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (loss) on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2009	**$79,460**	**$65,907**	**$331,782**	**$(20,400)**		**$(21,679)**	**$435,070**	**$2,494**	**$437,564**
Adjustment of retained earnings for a newly consolidated subsidiary			1,171				1,171		1,171
Net income			21,776				21,776		21,776
Cash dividends, $0.08 per share			(6,492)				(6,492)		(6,492)
Purchase of treasury stock						(2,450)	(2,450)		(2,450)
Net change in the year				13,951	(75)		13,876	601	14,477
BALANCE, MARCH 31, 2010	**$79,460**	**$65,907**	**$348,237**	**$ (6,449)**	**$(75)**	**$(24,129)**	**$462,951**	**$3,095**	**$466,046**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
OPERATING ACTIVITIES:	**2010**	2009	**2010**
Income before income taxes and minority interests	**¥ 3,591**	¥ 1,189	**$ 38,596**
Adjustments for:			
Income taxes – paid	**(874)**	(597)	**(9,394)**
Depreciation and amortization	**1,088**	1,121	**11,694**
(Gain) loss on sales of property, plant and equipment	**(4)**	25	**(43)**
Loss on disposal of property, plant and equipment	**25**	27	**269**
Loss on sales of investment securities	**93**	11	**1,000**
Changes in assets and liabilities, net of effects from a newly consolidated subsidiary:			
(Increase) decrease in trade accounts receivable	**(1,854)**	2,882	**(19,927)**
(Increase) decrease in inventories	**(700)**	1,630	**(7,524)**
Decrease in trade accounts payable	**(41)**	(634)	**(441)**
Increase (decrease) in liability for retirement benefits	**173**	(12)	**1,859**
Other—net	**(54)**	61	**(580)**
Net cash provided by operating activities	**1,443**	5,703	**15,509**
INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities	**14**		**150**
Proceeds from sales of property, plant and equipment	**9**	8	**97**
Purchases of property, plant and equipment	**(335)**	(607)	**(3,601)**
Proceeds from sales and redemption of investment securities	**1,120**	2,314	**12,038**
Purchases of investment securities	**(1,466)**	(3,034)	**(15,757)**
Increase in other assets	**(159)**	(193)	**(1,708)**
Net cash used in investing activities	**¥ (817)**	¥(1,512)	**$ (8,781)**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
FINANCING ACTIVITIES:	**2010**	2009	**2010**
Net decrease in short-term borrowings		¥ 2,500	
Repayments of long-term debt	**¥ (191)**	(4,190)	**$ (2,053)**
Repayments of lease obligations	**(89)**	(84)	**(957)**
Purchase of treasury stock	**(228)**	(25)	**(2,451)**
Dividends paid	**(604)**	(607)	**(6,492)**
Other—net	**(2)**	(1)	**(20)**
Net cash used in financing activities	**(1,114)**	(2,407)	**(11,973)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**15**	(86)	**161**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(473)**	1,698	**(5,084)**
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	**113**		**1,215**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**6,597**	4,899	**70,905**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 6,237**	¥ 6,597	**$ 67,036**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets increased by consolidation of a subsidiary previously unconsolidated	**¥ 113**		**$ 1,215**
Liabilities increased by consolidation of a subsidiary previously unconsolidated	**90**		**967**

Notes to Consolidated Financial Statements

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Koei Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U. S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 93.04 to $1, the rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation —The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its ten significant (nine in 2009) subsidiaries (together, the "Group").

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill and negative goodwill are amortized using the straight-line method over 5 to 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents —Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. Inventories —Work in process is stated at the lower of cost, mainly determined by the specific identification cost method, or net selling value.

d. Marketable and Investment Securities —Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. *Property, Plant and Equipment* —Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 and lease assets as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. *Allowance for Doubtful Accounts* —The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. *Retirement and Pension Plans* —The Group has contributory defined benefit pension plans and unfunded retirement benefit plans for the benefit of its employees.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥2,016 million for the subsidiaries, determined as of April 1, 2000, is being amortized over mainly 15 years.
Unrecognized actuarial gain or loss is recognized by the straight-line method over mainly 13 years.

Unrecognized prior service costs are recognized by the straight-line method over mainly 13 years.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. *Allowance for Anticipated Project Loss* — The Group has made a provision for anticipated losses on uncompleted project contracts.

i. *Leases* —In March 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases at the transition date.

All other leases are accounted for as operating leases.

j. *Accrued Bonuses* —Bonuses to employees, directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

k. *Income Taxes* — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. ***Foreign Currency Transactions*** —All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

m. ***Revenue Recognition*** —If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method which is measured by reference to the percentage of total cost incurred to date to estimated total cost.
All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

n. ***Derivatives and Hedging Activities*** —The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are measured at their fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

o. ***Per Share Information*** —Basic net income per share is computed by dividing net income available to shareholders of common stock, by the weighted-average number of shares of common stock outstanding for the period. The weighted-average numbers of shares of common stock for the years ended March 31, 2010 and 2009 were 80,482,654 and 80,615,830, respectively.

Diluted net income per share of common stock is not disclosed because the Group has nothing which might dilute the per share information for the years ended March 31, 2010 and 2009.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

p. ***New Accounting Pronouncements***
Asset Retirement Obligations —In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections —In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.
This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures —In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Government and corporate bonds		¥ 14	
Total		¥ 14	
Non-current:			
Marketable equity securities	**¥4,994**	¥4,000	**$53,676**
Government and corporate bonds	**970**	910	**10,426**
Other	**889**	785	**9,554**
Total	**¥6,853**	¥5,695	**$73,656**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,351**	**¥339**	**¥ 975**	**¥4,715**
Debt securities	**967**		**143**	**824**
Other	**1,112**	**7**	**230**	**889**
Total	**¥7,430**	**¥346**	**¥1,348**	**¥6,428**

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,780	¥146	¥1,258	¥3,668
Debt securities	981		209	772
Other	1,369		583	786
Total	¥7,130	¥146	¥2,050	¥5,226

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$57,512**	**$3,644**	**$10,479**	**$50,677**
Debt securities	**10,393**		**1,537**	**8,856**
Other	**11,952**	**75**	**2,472**	**9,555**
Total	**$79,857**	**$3,719**	**$14,488**	**$69,088**

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 13.

	Carrying amount
March 31, 2009	Millions of Yen
Available-for-sale:	
Equity securities	¥332
Other	1
Held-to-maturity	151
Total	¥484

Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 were ¥1,160 million. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥165 million and ¥175 million, respectively, for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of Yen		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥ 872**	**¥77**	**¥ 97**
Debt securities			
Other	**243**	**11**	**84**
Total	**¥1,115**	**¥88**	**¥181**

	Thousands of U.S. Dollars		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$ 9,371**	**$828**	**$1,043**
Debt securities			
Other	**2,612**	**118**	**902**
Total	**$11,983**	**$946**	**$1,945**

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥8 million ($86 thousand) and ¥182 million, respectively.

The carrying values of debt securities and other by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥ 110	$ 1,182
Due after ten years	1,102	11,844
Total	¥1,212	$13,026

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Merchandise	**¥ 92**	¥ 96	**$ 989**
Work in process	**7,436**	6,676	**79,922**
Raw materials and supplies	**168**	209	**1,806**
Total	**¥7,696**	¥6,981	**$82,717**

5. INVESTMENT PROPERTY

On November 28, 2008, the ASBJ issued ASBJ Statement No.20 “Accounting Standard for Investment Property and Related Disclosures” and issued ASBJ Guidance No.23 “Guidance on Accounting Standard for Investment Property and Related Disclosures”. This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the new accounting standard and guidance effective March 31, 2010.

The Group holds some rental properties such as office buildings and land in the metropolitan area. Net of rental income and operating expenses for those rental properties was ¥881 million ($9,469 thousand) for the fiscal year ended March 31, 2010.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows.

Millions of Yen			
Carrying amount			Fair value
April 1, 2009	Decrease	March 31,2010	March 31,2010
8,426	**(173)**	**8,253**	**16,018**

Thousands of U.S. Dollars			
Carrying amount			Fair value
April 1, 2009	Decrease	March 31,2010	March 31,2010
90,563	**(1,859)**	**88,704**	**172,163**

Notes:
1) Carrying amount recognized in balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Decrease during the fiscal year ended March 31, 2010 represents the recognition of depreciation of ¥173 million ($1,859 thousand).
3) Fair value of properties as of March 31, 2010 is measured by the Group in accordance with its Real-estate Appraisal Standard.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2010 and 2009 consisted of notes to banks. The annual interest rates applicable to the short-term borrowings ranged from 0.630% to 0.637% and 0.930% to 0.997% at March 31, 2010 and 2009, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Unsecured loans from banks due serially to 2013 with interest rates ranging from 1.250% to 1.670%	**¥4,433**	¥4,551	**$47,646**
Unsecured loans from Fukushima Prefecture due serially to 2009 without interest:		73	
Obligation under finance leases	**200**	232	**2,150**
Total	**4,633**	4,856	**49,796**
Less current portion	**(4,185)**	(269)	**(44,981)**
Long-term debt, less current portion	**¥ 448**	¥4,587	**$ 4,815**

Annual maturities of long-term debt at March 31, 2010 for the five years and thereafter were as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Long-term debt	Lease obligations	Long-term debt	Lease obligations
2011	¥4,118	¥ 67	$44,261	$ 720
2012	118	48	1,268	516
2013	118	35	1,268	377
2014	79	23	849	247
2015 and thereafter		27		290
Total	¥4,433	¥200	$47,646	$2,150

The Group had commitment-line contracts of ¥8,000 million ($85,985 thousand) in total over three years with financial institutions in order to secure the stability of long-term funding. Each contract includes a financial covenant. At March 31, 2010, the Group had utilized ¥8,000 million ($85,985 thousand) of the commitment-line. In addition, the Group had overdraft contracts of ¥5,200 million ($55,890 thousand) in total. At March 31, 2010, the Group had not utilized the overdraft.

Financial covenants

Short-term borrowings of ¥8,000 million and ¥4,000 million of current portion of long-term debt include financial covenants, with which the Group is in compliance.
The major financial covenants are as follows:
If the Group fails to comply with the following covenants, creditors may require repayment of all debt.

(1) About ¥8,000 million of short-term borrowings
Shareholder's equity of each fiscal year will not fall below 75% of the higher of the following:

a. Shareholder's equity of fiscal year immediately preceding the fiscal year; or
b. Shareholder's equity of fiscal year ending on March 31, 2008

(2) About ¥4,000 million of long-term debt
Net assets of each fiscal year will not fall below 75% of the higher of the following:

a. Net assets of fiscal year immediately preceding the fiscal year; or
b. Net assets of fiscal year ending on March 31, 2005

(3) Ordinary income for each fiscal year will not be negative for two consecutive fiscal years.

At March 31, 2010, land, building and structures of ¥2,108 million ($22,657 thousand) were pledged as collateral for long-term debt of ¥433 million ($4,654 thousand).

7. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liabilities for retirement benefits at March 31, 2010 and 2009 for directors and corporate auditors were ¥103 million ($1,107 thousand) and ¥114 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥(13,468)**	¥(13,529)	**$(144,755)**
Fair value of plan assets	**7,520**	6,130	**80,825**
Unrecognized actuarial loss	**2,642**	4,181	**28,397**
Unrecognized transitional obligation	**638**	779	**6,857**
Unrecognized prior service cost	**(127)**	(140)	**(1,365)**
Prepaid pension cost	**344**	375	**3,697**
Net liability	**¥ (3,139)**	¥ (2,954)	**$ (33,738)**

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥ 907**	¥ 914	**$ 9,748**
Interest cost	**303**	306	**3,257**
Expected return on plan assets	**(184)**	(232)	**(1,978)**
Amortization of prior service cost	**(13)**	(13)	**(140)**
Recognized actuarial loss	**497**	347	**5,343**
Amortization of transitional obligation	**135**	135	**1,451**
Net periodic benefit costs	**¥1,645**	¥1,457	**$17,681**

Note:
The net periodic benefit costs above excludes required funding for the multi-employer pension plan amounting to ¥831 million ($8,932 thousand) and ¥818 million at March 31, 2010 and 2009 respectively, for which plan assets could not be allocated to each participating employer.

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	**2.50%**	2.50%
Expected rate of return on plan assets	**3.00%**	3.00%
Amortization of prior service cost	**13 years**	13 years
Recognition period of actuarial gain / loss	**13 years**	13 years
Amortization period of transitional obligation	**15 years**	15 years

Funded status of the multi-employer pension plan at March 31, 2009 (available information as of March 31, 2010), to which contributions were recorded as net periodic retirement benefit costs, was as follow:

	Millions of Yen
	2009
Fair value of plan assets	**¥119,464**
Pension benefit obligation recorded by pension fund	**183,702**
Difference	**(64,238)**

The Groups' contribution percentage for multi-employer pension plan...... 11.6%

Note:
1. The difference mainly resulted from prior service cost of ¥31,009 million and deficiency carried-forward of ¥33,229 million.
2. Prior service cost is amortized over 20 years.
3. The Group expensed special contributions of ¥317 million in the consolidated statements of income in the fiscal year ended March 31, 2010.
4. The above contribution ratio does not conform to the actual ratio applied to the Group.

8. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥2,045 million ($21,980 thousand) at March 31, 2010 and ¥2,213 million at March 31, 2009.

At March 31, 2010, land, building and structures for rent of ¥1,567 million ($16,842 thousand) were pledged as collateral for these deposits.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.
Under the Companies Act, stock acquisition rights are presented as a separate component of equity.
The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries were subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.5% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets :			
Unrealized loss on available-for-sale securities	**¥ 396**	¥ 8	**$ 4,256**
Accrued bonuses	**791**	791	**8,502**
Tax loss carryforwards	**1,537**	2,357	**16,520**
Liability for retirement benefits for directors and corporate auditors	**42**	46	**451**
Liability for retirement benefits for employees	**1,260**	1,192	**13,543**
Allowance for anticipated project loss	**103**	54	**1,107**
Loss on impairment of long-lived assets	**109**	110	**1,172**
Other	**570**	570	**6,126**
Less valuation allowance	**(2,791)**	(3,129)	**(29,998)**
Total	**¥2,017**	¥1,999	**$21,679**
Deferred tax liabilities :			
Reserve for deferred gains on sale of property	**¥ 214**	¥ 218	**$ 2,300**
Unrealized gain on available-for-sale securities			
Prepaid pension cost	**136**	148	**1,462**
Other	**71**	68	**763**
Total	**¥ 421**	¥ 434	**$ 4,525**
Net deferred tax assets	**¥1,596**	¥1,565	**$17,154**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 was as follows:

	2010	2009
Normal effective statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**3.6**	10.9
Expenses not deductible for tax purposes	**1.4**	4.4
Valuation allowance	**(8.3)**	3.7
Other – net	**6.6**	15.6
Actual effective tax rate	**42.8%**	74.1%

As of March 31, 2010, the Company and certain subsidiaries had tax loss carryforwards aggregating approximately ¥3,809 million ($40,939 thousand) which were available to be offset against taxable income of these companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	17	183
2012	7	75
2013	3,534	37,984
2015	133	1,429
2016	98	1,053
2017	20	215
Total	**¥3,809**	**$40,939**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥341 million ($3,665 thousand) and ¥342 million for the years ended March 31, 2010 and 2009, respectively.

12. LEASES

(1) Lessee

The Group leases certain machinery, computer equipment and other assets.

The minimum rental commitments under noncancellable operating leases at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥0**	¥1	**$0**
Due after one year		0	
Total	**¥0**	¥1	**$0**

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥ 676**	¥ 678	**$ 7,266**
Due after one year	**3,233**	3,909	**34,748**
Total	**¥3,909**	¥4,587	**$42,014**

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments
The Group uses financial instruments (mainly bank loans) based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below. To clarify the accountability for transactions, the Group set up the investment committee and it examines basic principles of transactions and each financial instrument.

(2) Nature and extent of risks arising from financial instruments
Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of a portion of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.
Maturities of bank loans and lease obligation are less than eight years after the balance sheet date. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest-rate swaps.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables, payables and investment securities, and from changes in interest rates of bank loans. Please see Note 14 for more detail about derivatives.

(3) Risk management for financial instruments

Credit Risk Management
Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in early stage. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with in its internal guidelines. Please see Note 14 for the detail about derivatives.
The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2010.

Market risk management (foreign exchange risk and interest rate risk)
Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been approved by the investment committee based on the internal guidelines which prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made, and the transaction data has been reported to the chief financial officer on a monthly basis.

Liquidity risk management
Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by concluding the commitment-line and overdraft contracts, along with adequate financial planning by the corporate treasury department.

(4) Concentration of credit risk
48.4% of total receivables is from three major customers of the Group as of March 31, 2010.

(5) Fair values of financial instruments
Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 14 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**¥ 6,237**	**¥ 6,237**	
Receivables	**28,281**	**28,281**	
Investment securities	**6,574**	**6,574**	
Total	**¥41,092**	**¥41,092**	
Short-term borrowings	**¥ 8,000**	**¥ 8,000**	
Payables	**5,706**	**5,706**	
Long-term debt	**4,633**	**4,648**	**¥15**
Total	**¥18,339**	**¥18,354**	**¥15**

	Thousands of U.S. Dollars		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**$ 67,036**	**$ 67,036**	
Receivables	**303,966**	**303,966**	
Investment securities	**70,658**	**70,658**	
Total	**$441,660**	**$441,660**	
Short-term borrowings	**$ 85,985**	**$ 85,985**	
Payables	**61,328**	**61,328**	
Long-term debt	**49,796**	**49,957**	**$161**
Total	**$197,109**	**$197,270**	**$161**

Cash and cash equivalents, receivables, payables and short-term borrowings
The carrying values of these approximate fair values because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Long- term debt
The fair value of long-term debt is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives
The information of the fair value for derivatives is included in Note 14.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	**¥810**	**$8,706**

(6) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥ 6,237**			
Receivables	**28,281**			
Investment securities				
Held-to-maturity securities		**¥ 10**		**¥ 145**
Available-for-sale securities with contractual maturities		**100**		**957**
Total	**¥34,518**	**¥110**		**¥1,102**

	Thousands of U.S. Dollars			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$ 67,036**			
Receivables	**303,966**			
Investment securities				
Held-to-maturity securities		**$ 107**		**$ 1,558**
Available-for-sale securities with contractual maturities		**1,075**		**10,286**
Total	**$371,002**	**$1,182**		**$11,844**

Please see Note 6 for annual maturities of long-term debt.

14. DERIVATIVES

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks.

It is the Group's policy to use derivatives only for the purpose of reducing risks, not for trading or speculative purpose.

Because the counterparties to these derivatives are limited to domestic banks having high reputations, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

As noted in Note 13, the Group applied ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010

	Millions of Yen			
March 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts:				
Selling EURO	**¥631**	**¥631**	**¥11**	**¥11**
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	**¥140**	**¥ 0**	**¥(1)**	**¥ 1**

	Thousands of U.S. Dollars			
March 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts:				
Selling EURO	**$6,782**	**$6,782**	**$118**	**$118**
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	**$1,505**	**$ 0**	**$(11)**	**$ 11**

Derivative transactions to which hedge accounting is applied at March 31, 2010

	Millions of Yen			
March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts: Selling U.S.$	Investment securities	**¥ 399**	**¥399**	**¥(12)**
Interest rate swaps: (fixed rate payment, floating rate receipt)	Current portion of long-term debt	**¥4,000**	**¥ 0**	**¥(30)**

	Thousands of U.S. Dollars			
March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts: Selling U.S.$	Investment securities	**$ 4,288**	**$4,288**	**$(129)**
Interest rate swaps: (fixed rate payment, floating rate receipt)	Current portion of long-term debt	**$42,992**	**$ 0**	**$(322)**

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

	Millions of Yen		
March 31, 2009	Contract Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts: Selling U.S.$	¥972	¥971	¥(1)
Interest rate swaps: (fixed rate payment, floating rate receipt)	¥280	¥ (3)	¥(3)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

15. CONTINGENT LIABILITIES

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥201	$2,160

16. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On May 20, 2010, the following appropriation of retained earnings at March 31, 2010 was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.08) per share	¥598	$6,427

17. SEGMENT INFORMATION

The Group operates in the following segments:

Domestic consulting services in public and private sectors related to mainly infrastructure development;
Overseas consulting services related to mainly ODA funded development projects;
Manufacturing of products and appliances related to electric production and distribution systems;
Engineering services related to construction and maintenance of public and private electric power facilities;
Real estate leasing sales of our Group's real estate leasing operation;
Others software development and sales, staffing service and others

Information about business segments, geographic segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009, is as follows:

(1) Business Segments
a. Sales and Operating Income

	Millions of Yen							
	2010							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli -dated
Sales to customers	**¥35,932**	**¥16,723**	**¥7,855**	**¥2,541**	**¥1,256**	**¥ 789**		**¥65,096**
Intersegment sales	**207**	**44**	**82**	**1,948**	**138**	**1,396**	**¥(3,815)**	
Total sales	**36,139**	**16,767**	**7,937**	**4,489**	**1,394**	**2,185**	**(3,815)**	**65,096**
Operating expenses	**35,670**	**15,535**	**6,998**	**4,234**	**513**	**2,207**	**(3,428)**	**61,729**
Operating income	**¥ 469**	**¥ 1,232**	**¥ 939**	**¥ 255**	**¥ 881**	**¥ (22)**	**¥ (387)**	**¥ 3,367**

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen							
	2010							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli -dated
Total assets	**¥28,425**	**¥10,102**	**¥7,073**	**¥1,894**	**¥10,647**	**¥1,519**	**¥20,440**	**¥80,100**
Depreciation	**351**	**61**	**235**	**7**	**187**	**58**	**488**	**1,387**
Capital expenditures	**270**	**61**	**148**	**7**	**1**		**38**	**525**

a. Sales and Operating Income

	Thousands of U.S. Dollars							
	2010							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli-dated
Sales to customers	**$386,199**	**$179,740**	**$84,426**	**$27,311**	**$13,500**	**$ 8,480**		**$699,656**
Intersegment sales	**2,225**	**473**	**881**	**20,937**	**1,483**	**15,005**	**$(41,004)**	
Total sales	**388,424**	**180,213**	**85,307**	**48,248**	**14,983**	**23,485**	**(41,004)**	**699,656**
Operating expenses	**383,383**	**166,971**	**75,215**	**45,507**	**5,514**	**23,721**	**(36,844)**	**663,467**
Operating income	**$ 5,041**	**$ 13,242**	**$10,092**	**$ 2,741**	**$ 9,469**	**$ (236)**	**$ (4,160)**	**$ 36,189**

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars							
	2010							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli-dated
Total assets	**$305,514**	**$108,577**	**$76,021**	**$20,357**	**$114,435**	**$16,326**	**$219,690**	**$860,920**
Depreciation	**3,773**	**656**	**2,526**	**75**	**2,010**	**623**	**5,245**	**14,908**
Capital expenditures	**2,902**	**656**	**1,591**	**75**	**11**		**408**	**5,643**

a. Sales and Operating Income

	Millions of Yen							
	2009							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli-dated
Sales to customers	¥36,367	¥14,602	¥8,101	¥3,007	¥1,262	¥ 859		¥64,198
Intersegment sales	122	7	159	1,922	194	1,346	¥(3,750)	
Total sales	36,489	14,609	8,260	4,929	1,456	2,205	(3,750)	64,198
Operating expenses	36,036	15,070	7,240	4,663	584	2,156	(3,279)	62,470
Operating income	¥ 453	¥ (461)	¥1,020	¥ 266	¥ 872	¥ 49	¥ (471)	¥ 1,728

b. Total Assets, Depreciation assets and Capital Expenditures

	Millions of Yen							
	2009							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli-dated
Total assets	¥26,817	¥9,229	¥6,649	¥1,407	¥10,591	¥ 967	¥21,922	¥77,582
Depreciation	317	62	248	9	192	1	526	1,355
Capital expenditures	264	29	97	3	378	2	36	809

(2) Geographical Segments

The Group was located in Japan for the years ended March 31, 2010 and 2009, and is not subject to the disclosure of market value information.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥16,710 million ($179,600 thousand) and ¥14,710 million, respectively.

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nippon Koei Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nippon Koei Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Koei Co., Ltd. and consolidated subsidiaries as of 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.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2010

Non-consolidated Balance Sheets

Nippon Koei Co., Ltd.
March 31, 2010 and 2009

	Million of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2010**	2009	**2010**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 4,561**	¥ 5,076	**$ 49,022**
Marketable securities (Note 3)		14	
Receivables:			
Trade notes	**27**	36	**290**
Trade accounts	**21,337**	20,373	**229,331**
Allowance for doubtful accounts	**(22)**	(69)	**(236)**
Short-term loan receivables	**4,164**	3,919	**44,755**
Inventories - work in process	**3,664**	2,932	**39,381**
Deferred tax assets (Note 9)	**694**	1,132	**7,459**
Prepaid expenses and other current assets	**1,410**	1,450	**15,155**
Total current assets	**35,835**	34,863	**385,157**
PROPERTY, PLANT AND EQUIPMENT (Note 7)**:**			
Land	**10,248**	10,248	**110,146**
Buildings and structures	**16,266**	16,279	**174,828**
Machinery and equipment	**1,156**	1,165	**12,425**
Furniture and fixtures	**1,144**	1,113	**12,296**
Lease assets	**222**	197	**2,386**
Total	**29,036**	29,002	**312,081**
Accumulated depreciation	**(11,423)**	(10,956)	**(122,775)**
Net property, plant and equipment	**17,613**	18,046	**189,306**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**6,710**	5,509	**72,120**
Investments in and advances to subsidiaries and associated companies (Note 4)	**6,156**	6,388	**66,165**
Deferred tax assets (Note 9)	**204**		**2,193**
Other assets	**2,535**	2,530	**27,245**
Allowance for doubtful accounts	**(23)**	(23)	**(247)**
Total investments and other assets	**15,582**	14,404	**167,476**
TOTAL	**¥69,030**	¥67,313	**$741,939**

See notes to non-consolidated financial statements.

LIABILITIES AND EQUITY	Million of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
CURRENT LIABILITIES:			
Short-term borrowings (Note 5)	**¥10,100**	¥ 9,900	**$108,555**
Current portion of long-term debt (Note 5)	**4,048**	57	**43,508**
Payables:			
Trade notes	**56**	20	**602**
Trade accounts	**5,994**	6,309	**64,424**
Income taxes payable	**332**	105	**3,568**
Advances received	**3,931**	3,735	**42,251**
Accrued bonuses	**1,229**	1,137	**13,209**
Allowance for anticipated project loss	**214**	97	**2,300**
Other current liabilities	**2,350**	2,433	**25,259**
Total current liabilities	**28,254**	23,793	**303,676**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**67**	4,078	**720**
Liability for retirement benefits (Note 6)	**368**	416	**3,955**
Deposits received (Note 7)	**2,335**	2,505	**25,097**
Deferred tax liabilities (Note 9)		367	
Total long-term liabilities	**2,770**	7,366	**29,772**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 12)			
EQUITY (Notes 8 and 13):			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares in 2010 and 2009	**7,393**	7,393	**79,460**
Capital surplus			
Additional paid-in capital	**6,093**	6,093	**65,488**
Other capital surplus	**38**	38	**408**
Retained earnings:			
Legal reserve	**1,546**	1,546	**16,617**
Retained earnings - unappropriated	**25,710**	24,918	**276,333**
Unrealized loss on available-for-sale securities	**(592)**	(1,887)	**(6,363)**
Deferred loss on derivatives under hedge accounting	**(7)**		**(75)**
Treasury stock—at cost 6,923,529 shares in 2010 and 6,081,506 shares in 2009	**(2,175)**	(1,947)	**(23,377)**
Total equity	**38,006**	36,154	**408,491**
TOTAL	**¥69,030**	¥67,313	**$741,939**

Non-consolidated Statements of Operations

Nippon Koei Co., Ltd.
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
NET SALES	**¥47,006**	¥47,015	**$505,224**
COST OF SALES	**36,359**	37,630	**390,789**
Gross profit	**10,647**	9,385	**114,435**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**9,154**	9,176	**98,388**
Operating income	**1,493**	209	**16,047**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**550**	586	**5,911**
Interest expense	**(155)**	(218)	**(1,666)**
Foreign currency exchange gain (loss)	**125**	(370)	**1,344**
Gain on sales of investment securities	**59**	161	**634**
Loss on sales of investment securities	**(181)**	(187)	**(1,945)**
Loss on valuation of investment securities	**(6)**	(160)	**(64)**
Reversal of allowance for doubtful accounts	**36**		**387**
Other-net	**326**	225	**3,503**
Other income-net	**754**	37	**8,104**
INCOME BEFORE INCOME TAXES	**2,247**	246	**24,151**
INCOME TAXES (Note 9)**:**			
Current	**593**	242	**6,374**
Deferred	**258**	192	**2,773**
Total income taxes	**851**	434	**9,147**
NET INCOME (LOSS)	**¥ 1,396**	(188)	**$ 15,004**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note2. o.)**:**			
Basic net income (loss)	**¥17.34**	(2.33)	**$0.19**
Cash dividends applicable to the year	**7.50**	7.50	**0.08**

See notes to non-consolidated financial statements.

Non-consolidated Statements of Changes in Equity

Nippon Koei Co., Ltd.
Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain (loss) on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, APRIL 1, 2008	**80,672**	**¥7,393**	**¥6,093**	**¥38**	**¥1,546**	**¥25,710**	**¥ (119)**	**¥38**	**¥(1,922)**	**¥38,777**
Net income						(188)				(188)
Cash dividends, ¥7.50 per share						(604)				(604)
Purchase of treasury stock	(97)								(25)	(25)
Net change in the year							(1,768)	(38)		(1,806)
BALANCE, MARCH 31, 2009	**80,575**	**7,393**	**6,093**	**38**	**1,546**	**24,918**	**(1,887)**		**(1,947)**	**36,154**
Net income						1,396				1,396
Cash dividends, ¥7.50 per share						(604)				(604)
Purchase of treasury stock	(842)								(228)	(228)
Net change in the year							1,295	(7)		1,288
BALANCE, MARCH 31, 2010	**79,733**	**¥7,393**	**¥6,093**	**¥38**	**¥1,546**	**¥25,710**	**¥ (592)**	**¥(7)**	**¥(2,175)**	**¥38,006**

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain (loss) on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2009	**$79,460**	**$65,488**	**$408**	**$16,617**	**$267,821**	**$(20,282)**		**$(20,926)**	**$388,586**
Net income					15,004				15,004
Cash dividends, $0.08 per share					(6,492)				(6,492)
Purchase of treasury stock								(2,451)	(2,451)
Net change in the year						13,919	(75)		13,844
BALANCE, MARCH 31, 2010	**$79,460**	**$65,488**	**$408**	**$16,617**	**$276,333**	**$(6,363)**	**$(75)**	**$(23,377)**	**$408,491**

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

Nippon Koei Co., Ltd.
Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Nippon Koei Co., Ltd. (the "Company") in accordance with the provisions set forth in the Corporate Act of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to $1, the rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Non-consolidation*** —The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. ***Cash Equivalents*** —Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

   Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories*** —Work in process is stated at the lower of cost, mainly determined by the specific identification cost method, or net selling value.

d. ***Marketable and Investment Securities*** —Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
   i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity and iii) investments in subsidiaries and associated companies, are reported at cost.

   Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

   For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to operations.

e. ***Property, Plant and Equipment*** —Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 and lease assets as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. ***Allowance for Doubtful Accounts*** —The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. ***Retirement and Pension Plans*** —The Company has a contributory defined benefit pension plan and unfunded retirement benefit plan for the benefit of its employees.

Effective April 1, 2000, the Company adopted a new accounting standard for the employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.
Unrecognized actuarial gain or loss is recognized by the straight-line method over 13 years.

Unrecognized prior service costs are recognized by the straight-line method over 13 years.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. ***Allowance for Anticipated Project Loss*** —The Company has made a provision for anticipated losses on uncompleted project contracts.

i. ***Accrued Bonuses*** —Bonuses to employees, directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

j ***Income Taxes*** —The provision for income taxes is computed based on the pretax income included in the statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. ***Leases*** —In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases at the transition date.

All other leases are accounted for as operating leases

l. ***Foreign Currency Transactions*** —All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statements of operations.

m. ***Revenue Recognition*** —If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method which is measured by reference to the percentage of total cost incurred to date to estimated total cost.
All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

n. *Derivatives and Hedging Activities* —The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are measured at their fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

o. *Per Share Information* —Basic net operations per share is computed by dividing net operations available to shareholders of common stock, by the weighted-average number of shares of common stock outstanding for the period. The weighted-average numbers of shares of common stock for the years ended March 31, 2010 and 2009 were 80,482,654 and 80,615,830, respectively.

Diluted net operations per share of common stock is not disclosed because the Company has nothing which might dilute the per share information for the years ended March 31, 2010 and 2009.

Cash dividends per share presented in the accompanying non-consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

p. *New Accounting Pronouncements*

Asset Retirement Obligations —In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections —In December 2009, the ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;
(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless revised accounting standards include specific transitional provisions. When revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.
This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Government and corporate bonds		¥14	
Total		¥14	
Non-current:			
Marketable equity securities	**¥4,879**	¥3,851	**$52,440**
Government and corporate bonds	**941**	873	**10,114**
Other	**890**	785	**9,566**
Total	**¥6,710**	¥5,509	**$72,120**

4. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to subsidiaries and associated companies as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Investments	**¥5,618**	¥5,636	**$60,383**
Advances	**538**	752	**5,782**
Total	**¥6,156**	¥6,388	**$66,165**

The value of the investment securities of subsidiaries and associated companies are measured at the original acquisition costs, for the fair value of them cannot be reliably determined at March 31, 2010 since market value and estimated future cash flow are not available.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2010 and 2009 consisted of notes to banks and subsidiaries. The annual interest rates applicable to the short-term borrowings ranged from 0.630% to 1.475% and 0.930% to 1.875% at March 31, 2010 and 2009, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Unsecured loans from banks due serially to 2010 with interest rates ranging from 1.515% to 1.670%	**¥ 4,000**	¥4,000	**$ 42,992**
Obligation under finance leases	**115**	135	**1,236**
Total	**4,115**	4,135	**44,228**
Less current portion	**(4,048)**	(57)	**(43,508)**
Long-term debt, less current portion	**¥ 67**	¥4,078	**$ 720**

The Company had commitment-line contracts of ¥8,000 million ($85,985 thousand) in total over three years with financial institutions in order to secure the stability of long-term funding. Each contract includes a financial covenant. At March 31, 2010, the Company had utilized ¥8,000 million ($85,985 thousand) of the commitment-line. In addition, the Company had overdraft contracts of ¥5,200 million ($55,890 thousand) in total. At March 31, 2010, the Company had not utilized the overdraft.

Financial covenants

Short-term borrowings of ¥8,000 million and ¥4,000 million of current portion of long-term debt include financial covenants, with which the Company is in compliance.
The major financial covenants are as follows:
If the Company fails to comply with the following covenants, creditors may require repayment of all debt.

(1) About ¥8,000 million of short-term borrowings
Shareholder's equity of each fiscal year will not fall below 75% of the higher of the following:

a. Shareholder's equity of fiscal year immediately preceding the fiscal year; or
b. Shareholder's equity of fiscal year ending on March 31, 2008

(2) About ¥4,000 million of long-term debt
Net assets of each fiscal year will not fall below 75% of the higher of the following:

a. Net assets of fiscal year immediately preceding the fiscal year; or
b. Net assets of fiscal year ending on March 31, 2005

(3) Ordinary income for each fiscal year will not be negative for two consecutive fiscal years.

6. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liabilities for retirement benefits at March 31, 2010 and 2009 for directors and corporate auditors were ¥48 million ($516 thousand) and ¥48 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

7. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥2,045 million ($21,980 thousand) at March 31, 2010 and ¥2,213 million at March 31, 2009.

At March 31, 2010, land, building and structures for rent of ¥1,567 million ($16,842 thousand) were pledged as collateral for these deposits.

8. EQUITY

Japanese companies are subject to the Corporate Act of Japan (the "Corporate Act"). The significant provisions in the Corporate Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Corporate Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Corporate Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Corporate Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.
Under the Corporate Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.
The Corporate Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company is subject to Japanese national and local operations taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.5% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets :			
Unrealized loss on available-for-sale securities	**¥ 387**		**$ 4,160**
Accrued bonuses	**514**	¥ 450	**5,525**
Tax loss carryforwards		505	
Liability for retirement benefits for directors and corporate auditors	**19**	19	**204**
Liability for retirement benefits for employees	**127**	145	**1,365**
Allowance for anticipated project loss	**85**	38	**914**
Loss on impairment of long-lived assets	**62**	62	**666**
Other	**205**	244	**2,203**
Less valuation allowance	**(150)**	(331)	**(1,612)**
Total	**¥1,249**	¥ 1,132	**$13,425**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**¥ 214**	¥ 218	**$ 2,300**
Prepaid pension cost	**136**	148	**1,462**
Other	**1**	1	**11**
Total	**¥ 351**	¥ 367	**$ 3,773**
Net deferred tax assets	**¥ 898**	¥ 765	**$ 9,652**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of operations for the years ended March 31, 2010 and 2009 was as follows:

	2010	2009
Normal effective statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**3.4**	31.3
Expenses not deductible for tax purposes	**1.7**	15.7
Valuation allowance	**(8.1)**	72.7
Other – net	**1.4**	16.9
Actual effective tax rate	**37.9%**	176.1%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to operations were ¥214 million ($2,300 thousand) and ¥246 million for the years ended March 31, 2010 and 2009, respectively.

11. LEASES

(1) Lessee

The Company leases certain machinery, computer equipment and other assets.

The minimum rental commitments under noncancellable operating leases at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥0**	¥1	**$0**
Due after one year		0	
Total	**¥0**	¥1	**$0**

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥ 676**	¥ 678	**$ 7,266**
Due after one year	**3,233**	3,909	**34,748**
Total	**¥3,909**	¥4,587	**$42,014**

12. CONTINGENT LIABILITIES

At March 31, 2010, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to a subsidiary and employees	¥634	$6,814

13. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On May 20, 2010, the following appropriation of retained earnings at March 31, 2010 was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.08) per share	¥598	$6,427

Merger of the Company and its Consolidated Subsidiary

The Nippon Koei Board of Directors deliberated on a merger to take effect on April 1, 2010 with its consolidated subsidiary, Nippon Koei Power Systems Co., Ltd., at a meeting on January 13, 2010, and the two companies were then bound into a merger on the planned date of April 1, 2010.

(1) Objective of Merger
The present merger was implemented to promote the further streamlining of corporate group business operations based on management goals towards unification and consolidation.

(2) Merger overview

1) Schedule

Board of directors gives assent to merger	Jan. 13, 2010
Merger contract concluded	Jan. 13, 2010
Appointed merger date (date takes effect)	Apr. 1, 2010
Merger officially registered	Apr. 7, 2010

2) Merger method
The absorption merger method was utilized with Nippon Koei as the continuing company and Nippon Koei Power Systems Co., Ltd. was dissolved.

3) Merger ratio and merger cash grants
Nippon Koei holds all stock of Nippon Koei Power Systems Co., Ltd. and there is no arrangement on merger ratios. Moreover, there is no issue of new stock, additional capital, or merger cash grants resulting from this merger.

4) New share subscription rights and corporate bonds with share subscription rights for dissolved company
There were no new share subscription rights or corporate bonds with share subscription rights issued for Nippon Koei Power Systems Co., Ltd.

(3) Name, main business operations and scope of merged company (current as of March 31, 2010)

1) Name:	Nippon Koei Power Systems Co., Ltd.
2) Main business operations:	Manufacture of electrical equipment and construction work
3) Current location:	1-22 Aza-Doukyu, Morijuku, Sukagawa-shi, Fukushima, Japan
4) Sales:	6,945 million yen
5) Current year net profit:	358 million yen
6) Common stock:	1,000 million yen
7) Net assets:	3,408 million yen
8) Total assets:	8,014 million yen
9) Number of employees:	257

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nippon Koei Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Nippon Koei Co., Ltd. (the "Company") as of March 31, 2010 and 2009, and the related non-consolidated statements of operations and changes in equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Koei Co., Ltd. as of March 31, 2010 and 2009, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2010

Member of
Deloitte Touche Tohmatsu

Corporate Information

Board of Directors, Officers and Corporate Auditors

Chairperson
Yoshihiko Tsunoda*

President:
Noriaki Hirose*

Director and Executive Vice President:
Seijiro Usuda*

Director and Senior Managing Executive Officer:
Katsumi Yoshida
Shoji Nishitani
Yutaka Murai

Director and Managing Executive Officers:
Tamotsu Yoshida
Yoichi Abe

Director and Executive Officers:
Ryuichi Arimoto
Akira Mizukoshi

Director:
Masahisa Naito

Corporate Auditors:
Kenichi Sakata
Koichi Kosumi
Mineo Enomoto

Executive Vice President:
Kaoru Ono

Managing Executive Officers:
Yoichi Kobayashi
Yoshiki Tamemitsu
Hiromichi Sekine

Executive Officers:
Kunio Kurokawa
Kiyotaka Mizushima
Noboru Takano
Masanao Nishimura
Takashi Seki
Yoshikimi Inoue
Hiroyuki Kasahara
Hiroyuki Akiyoshi

*Representative Directors As of June 29, 2010

Stock Information

Shares authorized	189,580,000
Shares issued	86,656,510
Stockholders of minimum tradable stock unit	7,621

As of March 31, 2010

Major Stockholders

	Share owned (thousands)	Percentage of total owned
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,939	4.55
Meiji Yasuda Life Insurance Company.	3,653	4.21
Credit Suisse Sec (Europe) Ltd. Pb Sec Int Non-Tr Clt	3,383	3.90
The Koei Employees' Stockholders Association	2,469	2.85
The Master Trust Bank of Japan, Ltd. (Trustee)	2,027	2.34
Japan Trustee Services Bank, Ltd. (Trustee)	1,939	2.24
Mizuho Corporate Bank, Ltd.	1,911	2.20
Tsukishima Kikai Co.,Ltd	1,843	2.13
CBNY DFA International Cap Value Portfolio	1,366	1.58
Nippon Life Insurance Company	1,349	1.56

As of March 31, 2010

Major Offices and Facilities

Head Office
4 Kojimachi 5-chome, Chiyoda-ku,
Tokyo 102-8539, Japan

Shin-Kojimachi Office
2 Kojimachi 4-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Hanzomon Office
5 Kojimachi 2-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Domestic Branch Offices
Tokyo, Sapporo, Sendai, Niigata, Nagoya, Osaka, Hiroshima, Shikoku, Fukuoka

Research Facility
Research and Development Center in Tsukuba Science City, Ibaraki

Overseas Offices
Jakarta, Manila, Nairobi, Hanoi, Colombo, New Delhi, Vientiane , Middle East (Amman),
Greater Mekong Subregion (Hanoi)

Major Businesses

Consulting Administration

Field of activity
- Water
- Energy
- Urban & Regional Development
- Transportation
- Agriculture & Rural Development
- Environment
- Climate Change
- Information & Communication Technology
- Geosphere Engineering
- Project and Program Management
- Public Private Partnership/Private Finance Initiative

Services
- Preliminary investigation, Planning, Feasibility studies, Assessment, Detailed design, Construction supervision , Operation and maintenance

Engineering Administration

Field of activity
- Electrical and civil works for electric power facilities (generation, transmission, substation, distribution schemes and wiring of buildings)
- Electric power utilities (turbines, generators, transformers, control deices and communications equipment)
- Electric equipment and devices
- Safety equipment
- Skin electric thermo-system heaters (SECT-heaters)
- Factory automation equipment

Services
- Surveys, Studies, Planning, Design, Construction, Installation, Sale

Major Nippon Koei Group Companies

While mainly focused on technical consulting, electrical power engineering, and power generation, the Nippon Koei Group is also active in a wide range of related fields. The various businesses peripheral to the activities of Nippon Koei, the main company in the Group, are taken on by subsidiaries and affiliates located both at home and abroad.
These related companies, together with the principle corporation, make up the Nippon Koei Group. The various firms maintain close cooperation based on relationships of interdependence that enhance the strength and cohesion of the Group as a whole.
As of March 2010, the total number of employees of the Group companies based in Japan came to about 2700, of which over 1,000 were registered engineers. The Group truly has a wealth of highly skilled technical experts.
The subsidiary companies that comprise the consolidated Nippon Koei Group are as follows:

Tamano Consultants Co., Ltd.
This company is headquartered in the city of Nagoya and provides engineering consulting services centered on the Chubu Region. The company boasts the most highly regarded urban and regional planning group in Japan.

Nippon Civic Consulting Engineers Co., Ltd.
This company provides consulting services centered on planning, design, and construction supervision of underground structures such as urban tunnels. The company specializes in shield tunneling technology and the development of new underground construction technology.

NEPCO Ltd.
This company provides services for geological disaster prevention. Services include landslide prediction and preventative activities such as hazard surveys, action planning, and construction of protective measures. NEPCO also manufactures and sells various types of equipment for landslide monitoring and management.

KRI International Corporation
This company is established to enhance the think tank function required for the Nippon Koei Group's activities. KRI is responsible for providing survey, research, and consulting work for clients, both within and outside the Group, on a contract basis. KRI is also responsible for education, training, and publishing activities.

Nippon Koei U.K. Co., Ltd.
This company provides engineering consulting services to enforce Nippon Koei's overseas operation in the primary fields of transportation, environment, water supply and wastewater.

Nippon Koei Latin America-Caribbean Co., Ltd.
This company provides engineering consulting services to enforce Nippon Koei's operation in Latin America.

Nippon Koei Power Systems Co., Ltd.*
This company manufactures power generation equipment and systems and electronic equipment and devices. A wholly owned subsidiary and the largest in the Group, it works in close partnership with Nippon Koei on business projects.

Nikki Corporation
This company is responsible for real estate management, leasing, and insurance services for Nippon Koei and other Group companies. It also sells, imports, and exports electrical power equipment and rents and leases various goods.

Koei System Inc.
This company develops software programs used in computer control applications, dispatches personnel, and provides support and software development for office automation systems on a consignment basis.

El Koei Co., Ltd.
This company is responsible for employment and staffing solution for Nippon Koei Group. The company provides various fields of qualified human resources to support the activity of the Group Companies.

* Nippon Koei Power Systems Co., Ltd. was merged into Nippon Koei Co., Ltd. on April 1, 2010.

NIPPON KOEI CO.,LTD.
4, Kojimachi 5-chome, Chiyoda-ku, Tokyo 102-8539, Japan
Telephone: +81 3 3238 8027 **Facsimile:** +81 3 3238 8326
http://www.n-koei.co.jp **E-mail:** info@n-koei.co.jp

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