Consolidated Financial Statements

KOKUSAI KOGYO HOLDINGS CO., LTD.
and Consolidated Subsidiaries

Years ended March 31, 2009 and 2010

KOKUSAI KOGYO HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2009 and 2010

Contents

Consolidated Balance Sheets
As of March 31, 2009 and 2010

	March 31, 2009	March 31, 2010	March 31, 2010
	(Millions of Yen)	(Millions of Yen)	(Thousands of Euro)
Assets			
Current Assets:			
Cash and deposits (Note 4)	¥9,636	¥12,690	€ 101,601
Trade notes and accounts receivable	22,736	23,023	184,331
Securities (Note 10)	200	-	-
Real estate for sale (Note 4)	8,751	6,653	53,267
Finished goods (Note 4)	-	2,849	22,810
Work in process (Note 4)	2,271	1,234	9,880
Raw materials	150	22	176
Deferred tax assets -current (Note13)	63	436	3,491
Short-term loans receivable	272	82	657
Other current assets	1,453	3,204	25,653
Less: Allowance for doubtful accounts	(700)	(66)	(529)
Total current assets	44,832	50,127	401,337
Fixed Assets:			
Property, plant and equipment:			
Buildings and structures	7,202	7,189	57,559
Less: Accumulated depreciation	(3,528)	(3,740)	(29,944)
Buildings and structures, net (Note 4)	3,674	3,449	27,615
Machinery, equipments, and vehicles	332	402	3,219
Less: Accumulated depreciation	(275)	(283)	(2,266)
Machinery, equipments, and vehicles, net	57	119	953
Tools, furniture and fixtures	667	691	5,532
Less: Accumulated depreciation	(574)	(604)	(4,835)
Tools, furniture and fixtures, net	93	87	697
Land (Note 4)	5,419	5,388	43,139
Leased assets	950	929	7,438
Less: Accumulated depreciation	(601)	(566)	(4,532)
Leased assets, net	349	363	2,906
Construction in progress	46	48	383
Total property, plant and equipment	9,638	9,454	75,693
Intangible Fixed Assets:			
Goodwill	2,591	2,410	19,295
Leased assets	19	23	184
Software	203	575	4,604
Software in progress	445	570	4,564
Other intangible fixed assets	26	124	992
Total intangible fixed assets	3,284	3,702	29,639
Investments and other assets:			
Investment securities (Note 4) (Note 10)	7,268	5,178	41,457
Long-term loans receivable	453	719	5,757
Deferred tax assets—non-current (Note 13)	148	511	4,091
Other investments and assets (Note 4)	2,229	3,173	25,404
Less: Allowance for doubtful accounts	(414)	(1,065)	(8,526)
Total investments and other assets	9,684	8,516	68,183
Total fixed assets	22,606	21,672	173,515
Total assets	¥67,438	¥71,799	€ 574,852

Consolidated Balance Sheets
As of March 31, 2009 and 2010

	March 31,		
	2009	**2010**	**2010**
	(Millions of Yen)		*(Thousands of Euro)*
Liabilities and net assets			
Current Liabilities:			
Accounts payable	¥4,815	¥5,232	€ 41,890
Short-term loans payable (Note 4)	9,400	12,276	98,287
Current portion of long-term loans payable (Note 4)	1,635	2,781	22,266
Current portion of bonds	4,265	720	5,765
Lease obligations—current	306	239	1,914
Accrued income taxes	340	580	4,644
Deferred tax liabilities—current (Note 13)	80	5	40
Advances received on uncompleted contracts	1,379	1,616	12,938
Accrued bonuses to employees	202	604	4,836
Allowance for loss on orders	132	100	801
Warranty reserve	52	45	360
Interest rate swap contracts—current	11	16	128
Other current liabilities	1,470	2,045	16,371
Total current liabilities	24,087	26,259	210,240
Non-current Liabilities:			
Bonds	1,580	1,290	10,328
Long-term loans payable (Note 4)	4,386	8,334	66,725
Lease obligations—non-current	395	324	2,594
Deferred tax liabilities—non-current	1,151	726	5,813
Provision for retirement benefits (Note 12)	1,281	1,404	11,241
Provision for directors retirement benefits	120	142	1,137
Long-term guarantee deposits received	733	693	5,548
Long-term accounts payable - other	801	159	1,273
Interest rate swap contracts—non-current	12	29	232
Other non-current liabilities	-	6	49
Total non-current liabilities	10,459	13,107	104,940
Total liabilities	34,546	39,366	315,180
Net Assets :			
Shareholders' equity:			
Common stock	16,939	16,939	135,620
Capital surplus	15,264	15,264	122,210
Less: Deficit	(1,653)	(2,102)	(16,830)
Less: Treasury stock	(692)	(693)	(5,548)
Total shareholders' equity	29,858	29,408	235,452
Valuation and translation adjustments :			
Valuation difference on available-for-sale securities	544	636	5,092
Deferred gains or losses on hedges	(21)	(37)	(296)
Foreign currency translation adjustment	2	33	265
Total valuation and translation adjustments	525	632	5,061
Minority interests:	2,509	2,393	19,159
Total net assets	32,892	32,433	259,672
Total liabilities and net assets	¥67,438	¥71,799	€ 574,852

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
For the year ended March 31, 2009 and 2010

	Year ended March 31,		
	2009	**2010**	**2010**
	(Millions of yen)		*(Thousands of Eur*
Net sales	¥49,427	¥49,583	€ 396,982
Cost of goods sold	38,729	38,484	308,119
Gross profit	10,698	11,099	88,863
Selling, general and administrative expenses :			
Directors' compensations	141	148	1,185
Salaries, allowances, and bonuses	4,104	4,990	39,952
Provision for accrued bonuses	50	238	1,906
Retirement benefit costs	260	269	2,154
Traveling, transportation, and communication expenses	783	814	6,517
Rental charges	786	881	7,054
Depreciation	151	138	1,105
Research and development expenses	360	170	1,361
Amortization of goodwill	201	305	2,442
Other Selling, general and administrative expenses	3,057	2,855	22,857
Total Selling, general and administrative expenses	9,893	10,808	86,533
Operating income	805	291	2,330
Non-operating income :			
Interest income	97	122	977
Dividend income	81	71	568
Amortization of negative goodwill	13	18	144
Other non-operating income	108	96	769
Total non-operating income	299	307	2,458
Non-operating expenses :			
Interest expenses on loans	245	340	2,722
Interest expenses on bonds	99	57	456
Amortization of bond issue costs	41	9	72
Foreign exchange loss	164	246	1,970
Equity in loss of affiliates	524	454	3,635
Provision for bad debts	255	23	184
Other non-operating expenses	56	116	929
Total non-operating expenses	1,384	1,245	9,968
Ordinary loss	(280)	(647)	(5,180)

Consolidated Statements of Income
For the year ended March 31, 2009 and 2010

	Year ended March 31,		
	2009	2010	2010
	(Millions of yen)		*(Thousands of Euro)*
Extraordinary income :			
Gain on sales of investment in securities	¥39	¥375	€ 3,002
Reversal of allowance for doubtful accounts	9	7	56
Total extraordinary income	48	382	3,058
Extraordinary loss :			
Impairment loss	196	-	-
Loss on disposal of fixed assets	46	3	24
Loss on sales of fixed assets	0	19	152
Loss on devaluation of investment securities	27	254	2,034
Loss on devaluation of related companies' stock	4	-	-
Effect of the application of new lease accounting standards	14	-	-
Compensation for damages	37	-	-
Loss by implementation of defect liability	-	93	745
Other extraordinary loss	2	14	111
Total extraordinary loss	326	383	3,066
Net loss before income taxes and minority interests	(558)	(648)	(5,188)
Income taxes—current	306	589	4,716
Income taxes—deferred	(180)	(913)	(7,310)
Total income taxes	126	(324)	(2,594)
Minority interests	46	125	1,001
Net loss	¥(730)	(¥449)	(€ 3,595)

Consolidated Statements of Changes in Net Assets
For the year ended March 31, 2009and 2010

	Shareholders' equity				
	Common stock	Capital surplus	Deficit	Treasury stock	Total shareholders' equity
	(Millions of yen)				
Balance as of March 31, 2008	¥16,939	¥15,264	¥(874)	¥(382)	¥30,947
Changes of items during the period					
Net income (loss)			(730)		(730)
Purchase of treasury stock				(310)	(310)
Dividends from surplus to minority interests			(49)		(49)
Total changes of items during the period	-	-	(779)	(310)	(1,089)
Balance as of March 31, 2009	¥16,939	¥15,264	¥(1,653)	¥(692)	¥29,858

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
	(Millions of yen)					
Balance as of March 31, 2008	¥1,255	¥(30)		¥1,225	¥5	¥32,177
Changes of items during the period						
Net income (loss)						(730)
Purchase of treasury stock						(310)
Minority interests in income					46	46
Dividends from surplus to minority interests						(49)
Changes in minority interests due to changes in scope of consolidation					2,919	2,919
Changes in interest due to purchase of consolidated subsidiaries' stock					(440)	(440)
Net changes of items other than those in shareholders' equity	(711)	9	2	(700)	(21)	(721)
Total changes of items during the period	(711)	9	2	(700)	2,504	715
Balance as of March 31, 2009	¥544	¥(21)	¥2	¥525	¥2,509	¥32,892

Consolidated Statements of Changes in Net Assets
For the year ended March 31, 2009and 2010

	Shareholders' equity				
	Common stock	Capital surplus	Deficit	Treasury stock	Total shareholders' equity
	(Millions of yen)				
Balance as of March 31, 2009	¥16,939	¥15,264	¥(1,653)	¥(692)	¥29,858
Changes of items during the period					
Net income (loss)			(449)		(449)
Purchase of treasury stock				(1)	(1)
Minority interests in income					
Total changes of items during the period	-	-	(449)	(1)	(450)
Balance as of March 31, 2010	¥16,939	¥15,264	¥(2,102)	¥(693)	¥29,408

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
	(Millions of yen)					
Balance as of March 31, 2009	¥544	¥(21)	¥2	¥525	¥2,509	¥32,892
Changes of items during the period						
Net income (loss)						(449)
Purchase of treasury stock						(1)
Minority interests in income					125	125
Net changes of items other than those in shareholders' equity	92	(16)	31	107	(241)	(134)
Total changes of items during the period	92	(16)	31	107	(116)	(459)
Balance as of March 31, 2010	¥636	¥(37)	¥33	¥632	¥2,393	¥32,433

Consolidated Statements of Changes in Net Assets
For the year ended March 31, 2009 and 2010

	Shareholders' equity				
	Common stock	Capital surplus	Deficit	Treasury stock	Total shareholders' equity
	(Thousands of Euro)				
Balance as of March 31, 2009	€ 135,620	€ 122,210	(€ 13,235)	(€ 5,540)	€ 239,055
Changes of items during the period					
Net income (loss)			(3,595)		(3,595)
Purchase of treasury stock				(8)	(8)
Minority interests in income					
Total changes of items during the period	-	-	(3,595)	(8)	(3,603)
Balance as of March 31, 2010	€ 135,620	€ 122,210	(€ 16,830)	(€ 5,548)	€ 235,452

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
	(Thousands of Euro)					
Balance as of March 31, 2009	€ 4,355	(€ 168)	€ 18	€ 4,205	€ 20,088	€ 263,348
Changes of items during the period						
Net income (loss)						(3,595)
Purchase of treasury stock						(8)
Minority interests in income					1,001	1,001
Net changes of items other than those in shareholders' equity	737	(128)	247	856	(1,930)	(1,074)
Total changes of items during the period	737	(128)	247	856	(929)	(3,676)
Balance as of March 31, 2010	€ 5,092	(€ 296)	€ 265	€ 5,061	€ 19,159	€ 259,672

Consolidated Statements of Cash Flows
For the year ended March, 31 2009 and 2010

	Year ended March 31		
	2009	2010	2010
	(Millions of yen)		*(Thousands of Euro)*
Cash flows from Operating Activities			
Net income or loss before income taxes and minority interests	(¥558)	(¥648)	(€ 5,188)
Depreciation	576	576	4,612
Amortization of goodwill	201	305	2,442
Amortization of negative goodwill	(13)	(18)	(144)
Equity in loss or earnings of affiliates	524	454	3,635
Increase or decrease in allowance for doubtful receivables	270	18	144
Increase or decrease in allowance for bonuses to employees	(686)	402	3,219
Interest and dividend income	(178)	(193)	(1,545)
Interest expenses on loans and bonds	345	397	3,179
Amortization of bond issue costs	41	9	72
Exchange loss or gain	164	246	1,970
Net loss or gain on disposal/sales of fixed assets	47	22	176
Loss or gain on sale of investment securities	(39)	(374)	(2,994)
Loss on devaluation of investment securities	27	254	2,034
Loss on devaluation of related companies’ stock	4	-	-
Impairment loss	196	-	-
Other extraordinary loss or income	53	107	857
Increase or decrease in allowance for loss on orders	15	(31)	(248)
Increase or decrease in warranty reserve	(23)	(7)	(56)
Increase or decrease in reserve for retirement benefits	22	122	977
Increase or decrease in provision for directors' retirement benefits	17	22	176
Increase or decrease in receivables	(1,600)	(510)	(4,083)
Increase or decrease in inventories	2,074	(1,501)	(12,018)
Increase or decrease in payables	191	433	3,467
Increase or decrease in accrued consumption tax	(434)	330	2,642
Others	(306)	(310)	(2,485)
Subtotal	930	105	841
Interest and dividends received	162	231	1,849
Interest paid	(346)	(393)	(3,147)
Income taxes paid	(139)	(414)	(3,314)
Net cash provided by operating activities	607	(471)	(3,771)

Consolidated Statements of Cash Flows
For the year ended March, 31 2009 and 2010

	Year ended March 31		
	2009	**2010**	**2010**
	(Millions of yen)		*(Thousands of Euro)*
Cash Flows from Investing Activities			
Payment for time deposits	(4,443)	(1,932)	(15,468)
Proceeds from time deposits	2,556	2,799	22,410
Payment for acquisition of tangible and intangible fixed assets	(1,954)	(726)	(5,813)
Proceeds from sales of tangible and intangible fixed assets	0	10	80
Payment for purchase of securities	(200)	(1,000)	(8,006)
Proceeds from sales of securities	600	-	-
Proceeds from redemption of securities	-	1,845	14,772
Payment for purchase of investment securities	(3,655)	(485)	(3,883)
Proceeds from sales of investment securities	349	287	2,298
Payment for loans	(2,245)	(7,731)	(61,898)
Proceeds from collection of loans	4,061	7,603	60,873
Payment for purchase of subsidiaries' stocks with causing changes in scope of consolidation	(3,105)	(1)	(8)
Payment for additional purchase of consolidated subsidiaries' stock	(352)	(1)	(8)
Others	90	(11)	(89)
Net cash provided by investing activities	(8,298)	657	5,260
Cash Flows from Financing Activities			
Proceeds from short-term loans payable	19,495	23,548	188,535
Repayment of short-term loans payable	(18,280)	(20,512)	(164,227)
Proceeds from long-term loans payable	3,589	8,403	67,278
Repayment of long-term loans payable	(3,914)	(3,187)	(25,516)
Proceeds from issuance of bonds	1,689	431	3,451
Redemption of bonds	(2,131)	(4,275)	(34,227)
Payment for purchase of treasury stock	(310)	(1)	(8)
Dividends paid for minority interests	(48)	-	-
Repayment of lease obligations	(362)	(332)	(2,660)
Net cash used in financing activities	(272)	4,075	32,626
Effect of exchange rate changes on cash and cash equivalents	52	(47)	(376)
Net increase or decrease in cash and cash equivalents	(7,911)	4,214	33,739
Cash and cash equivalents at the beginning of the year	15,470	7,559	60,520
Cash and cash equivalents at the end of the year (Note 7)	¥7,559	¥11,773	€ 94,259

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2009 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

KOKUSAI KOGYO HOLDINGS CO., LTD. (the “Company”) and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all of the significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements by the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company had 41 subsidiaries and 4 affiliates to which equity method is applied as of March 31, 2009 while 55 subsidiaries and 6 affiliates to which the same method is applied as of March 31, 2010.

(c) Investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities in Japanese GAAP. The Company has no trading and held-to maturity securities. Marketable securities classified as other securities are stated at fair value with any changes in unrealized gains or losses, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving average cost method.

(d) Inventories

Inventories are stated at the lower of cost or market determined by the specific-identification method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method.

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

Leased assets under finance lease transactions other than those that are deemed to transfer ownership of the leased assets are depreciated over the respective lease period by the straight-line method with a zero salvage value.

Additional information on depreciation

Effective the year ended March 31, 2009, pursuant to the revision to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries reduced the useful lives of certain assets after having reviewed the status of machinery and equipment usage. As a result of this change in useful lives, net loss before income taxes and minority interests decreased by ¥20 million for the year ended March 31, 2009.

(f) Research and development costs and computer software

Research and development costs are charged to income when incurred. Software for sales purpose is amortized by comparing the amount based on estimated revenue from sales and the amount to be evenly distributed over the residual effective period for sales is estimated as 3 years. Expenditures relating to computer software developed for internal use are charged to income as incurred unless these are deemed to contribute to the generation of future income or cost savings. Software capitalized as assets is amortized by the straight-line method over their useful lives, generally a period of 5 years.

(g) Goodwill and negative goodwill

Goodwill and negative goodwill is amortized using the straight-line method over a reasonable period of years determined by the estimated respective useful lives.

(h) Impairment of fixed assets

Fixed assets are reviewed for impairment in accordance with the accounting standards for impairment of fixed assets whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(i) Foreign currency translation

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

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the average rates of exchange in effect during the year. Gain or loss on foreign exchange is credited or charged to income in the period in which such gain or loss is recognized for reporting purposes.

The financial statements of the overseas subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date except that the components of net assets excluding minority interests are translated at their historical exchange rates. Adjustments resulting from translating the foreign currency financial statements are not included in the determination of net income and have been reported as translation adjustment and minority interests in net assets in the accompanying consolidated balance sheets.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is determined based on the Company’s and its consolidated subsidiaries’ historical experience of losses on bad debts and write-offs as a percentage of the balance of total receivables plus an additional amount deemed necessary to cover estimated future losses on specific doubtful accounts.

(k) Accrued bonuses to employees

The amount of employees’ bonuses is accrued based on the anticipated bonus payments to employees.

(l) Allowance for loss on orders

Since there is a high likelihood of losses for certain orders on hand as of the end of each fiscal year, an allowance is provided against future losses on order contracts based on reasonable estimation.

(m) Warranty reserve

A warranty reserve for repair service to cover all repair expenses is provided based on the past warranty experience.

(n) Provision for retirement benefits

Allowance for employees’ pension and retirement benefits at the balance sheet date is recorded based on the estimated amounts of projected benefit obligation. Prior service cost is amortized by the straight-line method mainly over 10 years which are shorter than the average remaining years of service of the employees. Actuarial differences are amortized by the straight-line method mainly over 5 years, from the fiscal year following the fiscal year in which such differences incur.

(o) Provision for directors retirement benefits

Provision for retirement benefit for directors and corporate auditors represents 100% of such retirement benefit obligations as of the balance sheet date calculated in accordance with policies of certain consolidated subsidiaries.

(p) Derivative financial instruments

Various derivative transactions have been entered into in order to manage certain risks arising from adverse fluctuations in interest rates. Derivative financial instruments are stated at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

(q) Income taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitants' taxes and enterprise tax.

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes, which they enter into the determination of taxable income in a different period. The Company has recognized the tax effect of such temporary differences in the accompanying consolidated financial statements.

(r) Cash and cash equivalents

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

(s) Recognition of contract revenue

The Company and certain of its consolidated subsidiaries recognize revenue by applying the percentage-of-completion method for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to the estimated total cost (= cost proportion method) shall be applied.

For other construction projects, the completed-contract method shall be applied.

(t) Hedge accounting

1) Hedge accounting

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses on derivatives are deferred until the corresponding hedged items are recognized in earnings. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

2) Hedging instruments and hedged items

Hedging instruments: Interest rate swap
Hedged items : Interest expenses for loans and bonds

3) Hedging policy

The Company and its consolidated subsidiaries use interests rate swap to hedge interest rate fluctuation in accordance with their internal policies and procedures authorized by the board meeting.

4) Assessment method for hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items.

2. EURO AMOUNTS

Solely for the convenience of the reader and as a matter of arithmetic computation only, the amounts in the consolidated financial statements have been translated from Japanese yen into Euro, at the rate of ¥124.9 = € 1, the approximate rate prevailing on March 31, 2010. The translation should not be construed as a representation that Japanese yen could be converted into Euro at this or any other rate.

3. CHANGES OF ACCOUNTING POLICIES

(a) Construction Contracts

Previously, for the recognition of revenue from construction contracts, the percentage of completion method was applied to long-term contracts which require a period of one year or more to complete and short-term contracts by governments or public agencies which are completed within a period of less than one year, whereas the completed-contract method was applied to any other contract. Pursuant, however, to the fact that Accounting Standard for Construction Contracts (Accounting Standards Board of Japan ("ASBJ") Statement No.15; December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No.18; December 27, 2007) had became applicable from a consolidated fiscal year starting before April 1, 2009, these accounting standards were applied to the Company's consolidated financial statements for the consolidated fiscal year ended, March 31, 2009. Thus, for construction contracts whose work started in the consolidated fiscal year, the percentage of completion method was applied to contracts for which the outcome of the construction activity is deemed certain by the end of the year, with the percentage of completion estimated by the cost-to-cost method. As a result of this accounting change, operating income increased by ¥264 million, ordinary loss, and net loss before income taxes and minority interests decreased by ¥264 million for the year ended, March 31, 2009.

(b) Leases

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in 1993. The revised accounting standard for lease transactions became effective for the fiscal years beginning on or after April 1, 2008. Under the previous accounting standard, finance leases deemed to transfer the ownership of the leased asset to the lessee were to be capitalized, but other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was described in the notes to the financial statements. The revised accounting standard requires that all lease transactions should be capitalized to recognized leased assets and lease obligations in the balance sheet. As a result of this accounting change, net loss before income taxes and minority interests increased by ¥15 million for the year ended March 31, 2009.

4. PLEDGED ASSETS

As of March 31, 2010, the following assets of the Company and its consolidated subsidiaries were pledged to secure the repayment of short-term loans payable of ¥3,528 million (€28,247 thousand), the current portion of long-term loans payable of ¥2,569 million (€20,568 thousand), and long-term loans payable of ¥8,189 million (€65,564thousand).

	2009	2010	2010
	(Millions of Yen)		*(Thousands of Euro)*
Cash and deposits	-	¥99	€ 793
Time deposits	¥1,705	665	5,324
Trade notes and accounts receivable	-	5	40
Real estates for sale	5,714	4,998	40,016
Finished goods	-	1,595	12,770
Work in process	-	646	5,172
Other current assets	-	55	440
Buildings and structures, net	3,119	2,905	23,259
Land	4,360	4,344	34,780
Investment securities	3,049	3,429	27,454
Other investments and other assets	870	1,260	10,088
Total	¥18,817	¥20,001	€ 160,136

5. CONTINGENT LIABILITIES

As of March 31, 2010, the Company and its consolidated subsidiaries guarantee the loan of ¥9 million (€72 thousand) to those employees from the Welfare and Medical Service Agency and of ¥45 million (€360 thousand) to those customers, who purchased houses and lots, from the Minato Bank.

6. IMPAIRMENT ON FIXED ASSETS

The Company and its consolidated subsidiaries reviewed their fixed assets for impairment. For the year ended March 31, 2009, the Company and its consolidated subsidiaries recorded impairment losses of ¥196 million. The carrying amounts of assets impaired were written down to the recoverable amounts. The recoverable amounts of idle assets were measured at the net selling price at disposition. The recoverable amounts of other assets were measured at their value in use and the discount rate used to compute of present value of future cash flow was 4.7%.

	2009	2010	2010
	(Millions of Yen)		*(Thousands of Euro)*
Business Assets :			
Buildings and structures	¥74	-	-
Machinery, equipments and vehicles	1	-	-
Tools, furniture and fixtures	63	-	-
Software	1	-	-
Other intangible fixed assets	7	-	-
Leased assets	48	-	-
Idle Assets :			
Land	2	-	-
Total	¥196	-	-

7. CASH AND CASH EQUIVALENTS

1. Cash and cash equivalents at March 31, 2009 and 2010 consisted of the following:

	2009	2010	2010
	(Millions of Yen)		*(Thousands of Euro)*
Cash and deposits	¥9,636	¥12,691	€ 101,609
Time deposits categorized as investments and other assets	972	1,265	10,128
Time deposits over three months	(3,049)	(1,618)	(12,954)
Pledged time deposits	-	(565)	(4,524)
Cash and cash equivalents	¥7,559	¥11,773	€ 94,259

2. Assets and liabilities of newly consolidated subsidiaries by acquisition of shares

Consolidated fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(1) Assets and liabilities of newly consolidated subsidiaries (KHC ltd. and Gosei Co.,Ltd.) by acquisition of shares at the inception of their consolidation, related acquisition cost and net expenditure for acquisition of shares are as follows:

KHC ltd.

	(Millions of yen)
Current Assets	¥ 13,977
Fixed Assets	3,078
Goodwill	875
Current Liabilities	(6,599)
Non-current Liabilities	(5,032)
Minority interests	(2,642)
Acquisition cost of shares	3,657
Cash and cash equivalents	(2,327)
Net payments for acquisition of shares	¥ 1,330

Gosei Co.,Ltd,

	(Millions of yen)
Current Assets	¥ 1,397
Fixed Assets	683
Goodwill	128
Current Liabilities	(1,436)
Non-current Liabilities	(619)
Minority interests	(10)
Acquisition cost of shares	143
Cash and cash equivalents	(344)
Net payments for acquisition of shares	¥ (201)

Consolidated fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(1) Assets and liabilities of newly consolidated subsidiaries (Kokusai Gersol One Gmbh and two companies) by acquisition of shares at the inception of their consolidation, related acquisition cost and net expenditure for acquisition of shares are as follows:

	(Millions of yen)	*(Thousands of Euro)*
Current Assets	¥ 10	€80
Goodwill	1	8
Acquisition cost of shares	11	88
Cash and cash equivalents	(10)	(80)
Net payments for acquisition of shares	¥ 1	€8

8. LEASED ASSETS

(a) Tangible fixed assets

Tangible fixed assets are, primarily, are production equipments (machinery, tools, furniture and fixtures) used in engineering and consulting services.

(b) Intangible fixed assets

Intangible fixed assets are, primarily, software aimed at improving production efficiency in engineering and consulting services.

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

	(Millions of Yen)	*(Thousands of Euro)*
Due within one year	¥49	€ 392
Due after one year	90	721
Total	¥139	€ 1,113

9. FINANCIAL INSTRUMENTS

Beginning with the fiscal year ended March 31, 2010,"Accounting Standard for Financial Instruments"(ASBJ Statement No.10 ,issued by ASBJ on March 10 ,2008) and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments"(ASBJ Guidance No.19, issued by ASBJ on March 10 ,2008) have been applied.

(1) Current status of financial instruments

(a) Policy for Financial Instruments

Working capital is generally raised through short-term loans from financial institutions. With respect to capital for plants and equipment, the Group makes a determination whether funds on hand are sufficient. If they are insufficient, the Group procures the funds through long-term loans from financial institutions. If a surplus of funds arises, the Group’s basic policy is to raise capital efficiency by repaying loans, but in the case of a temporary surplus, the highest priority is placed on preservation, primarily through term deposits.

(b) Details of and Risks concerning Financial Instruments

Trade notes and accounts receivable, which are operating receivables, entail customer credit risks, but most such receivables are due within one year. These risks are managed by managing payment deadlines for each customer and managing balances and through systems for monitoring the credit status of major trading partners.

Shares held as investment securities entail the risk of changes in market price, but most such securities held are those of businesses with which the Group has business relationships, and market values are regularly monitored.

Most of accounts payable, which are operating obligations, are due within one year. Of the Group's loans, most of short-term loans are for the procurement of funds relating to operating transactions, while most of long-term loans are for the procurement of funds for capital investments. Loans with variable interest rates involve the risk of changes in interest rates, but of these loans, derivative transactions (interest rate swap transactions) are used as a means of hedging for individual agreements to fix interest payments and to avoid the risks of variations in interests paid. With respect to the methods for evaluating the effectiveness of hedges, the requirements for interest rate swap preferential procedures are satisfied, and consequently, this determination is used to omit evaluations of effectiveness.

Corporate bonds are a consistent means of raising capital, primarily for operational transactions.

Implementation and management of derivative transactions are performed in accordance with internal regulations specifying transactional authority, and when derivative transactions are conducted, the Group policy is to limit transactions to those for which there is actual demand and to not engage in any speculative transactions whatsoever.

In addition, operating obligations and loans involve liquidity risks, but the Group manages these risks by having each Group company prepare for monthly cash flow plans.

(c) Supplementary Explanation concerning Market Values of Financial Instruments

The market values of financial instruments are determined based on market prices, and in the case of financial instruments without market prices, reasonable estimates are included in the valuations.

(2) Fair value of financial instruments

The balance of book value on consolidated balance sheet and of fair value, and Gross unrealized gain or loss as of March 31, 2010, is illustrated below. However, if their fair value is hard to be recognized, those financial instruments are not included.

	As of March 31, 2010		
	Book value	Fair value	Gross unrealized gain or loss
	(Millions of Yen)		
Cash and deposits	12,690	12,690	-
Trade notes and accounts receivable	23,023	23,023	-
Investment securities	4,301	4,258	(43)
Accounts payable	(5,232)	(5,232)	-
Short-term loans payable	(12,276)	(12,276)	-
Bonds	(2,010)	(2,020)	(10)
Long-term loans payable	(11,115)	(11,112)	3
Derivatives	-	-	-

	As of March 31, 2010		
	Book value	Fair value	Gross unrealized gain or loss
	(Thousands of Euro)		
Cash and deposits	101,601	101,601	-
Trade notes and accounts receivable	184,331	184,331	-
Investment securities	34,436	34,091	(345)
Accounts payable	(41,890)	(41,890)	-
Short-term loans payable	(98,287)	(98,287)	-
Bonds	(16,093)	(16,173)	(80)
Long-term loans payable	(88,991)	(88,967)	24
Derivatives	-	-	-

(*1) The accounts recognized as liabilities are illustrate as ( ).
(*2) Bonds include those which will be expired within one year.
(*3) Long term loans payable include those will be expired within one year.

Notes:

1. Methods of calculating the market values of financial instruments and matters concerning investment securities and derivatives transactions:

(1) Cash and deposits

Cash and deposits are settled in the short term and the market value is nearly equal to the book value, and consequently they are valued at book value.

(2) Trade notes and accounts receivable

Trade notes and accounts receivable are settled in the short term and the market value is nearly equal to the book value, and consequently they are valued at book value.

(3) Investment securities

Shares are valued at the trading price on closing date.

See 10. Securities for more information concerning marketable securities according to the purpose of the holdings.

(4) Accounts payable

Accounts payable are settled in the short term and the market value is nearly equal to the book value, and consequently they are valued at book value.

(5) Short-term loans payable

Short-term loans are settled in the short term and the market value is nearly equal to the book value, and consequently they are valued at book value.

(6) Bonds (including bonds that will be expired within one year)

Those corporate bonds with market prices are valued at market price, and those without market prices are valued at present value of the principal and interest after discount by an annual rate taking into account the remaining period until maturity of the bonds and credit risks.

(7) Long-term loans payable (including long-term loans payable that will be expired within one year)

Long-term loans are categorized by the loan type (for each company) and the loan term, and loans with fixed interest rates, variable interest rates that are not linked to market interest rates, and interest rate swap preferential treatment are valued by calculating the current value after discount by interest rate taking into account the case where a similar loan for the total principal and interest were obtained.

2. Financial instruments for which it is extremely difficult to determine fair value

	As of March 31, 2010	
	(Millions of Yen)	*(Thousands of Euro)*
Unlisted stock shares	¥877	€ 7,022

3. Planned redemption amounts for monetary assets and short-term investment securities with maturity at March 31, 2010.

	As of March 31, 2010			
	Due in a year or less	1-3 years	3-5 years	Due after 5 years
	(Millions of Yen)			
Cash and deposits	¥12,682	-	-	-
Trade notes and accounts receivable	23,023	-	-	-
Investment securities				
Held-to-maturities bonds	-	-	-	-
Held-to-maturities other securities	-	-	-	-
Total	¥35,705	-	-	-

	As of March 31, 2010			
	Due in a year or less	1-3 years	3-5 years	Due after 5 years
	(Thousands of Euro)			
Cash and deposits	€ 101,537	-	-	-
Trade notes and accounts receivable	184,332	-	-	-
Investment securities				
Held-to-maturities bonds	-	-	-	-
Held-to-maturities other securities	-	-	-	-
Total	€ 285,869	-	-	-

4. Planned redemption amounts for bonds, long-term loans payable at March 31, 2010.

	As of March 31, 2010					
	Due in a year or less	1-2 years	2-3 years	3-4 years	4-5 years	Due after 5 years
	(Millions of Yen)					
Bonds	¥720	¥670	¥250	¥110	¥170	¥90
Long-term loans payables	2,781	2,175	581	444	3,133	2,002
Total	¥3,501	¥2,845	¥831	¥554	¥3,303	¥2,092

	As of March 31, 2010					
	Due in a year or less	1-2 years	2-3 years	3-4 years	4-5 years	Due after 5 years
	(Thousands of Euro)					
Bonds	€ 5,764	€ 5,364	€ 2,001	€ 881	€ 1,361	€ 720
Long-term loans payables	22,266	17,414	4,652	3,555	25,084	16,029
Total	€ 28,030	€ 22,778	€ 6,653	€ 4,436	€ 26,445	€ 16,749

10. SECURITIES

1. Securities classified as other securities at March 31, 2009 and 2010 are as follows:

	As of March 31, 2009		
	Acquisition cost	Book value	Gross unrealized gain or loss
		(Millions of Yen)	
a) Marketable securities			
Securities (book value exceeds acquisition cost)	¥831	¥2,108	¥1,277
Securities (book value does not exceed acquisition cost)	694	554	(140)
Bonds	-	-	-
Others	19	18	(1)
Total	¥1,544	¥2,680	¥1,136
b) Non-marketable securities			
Bonds held to maturity	¥645		
Unlisted securities	¥1,830		
Unlisted bonds	¥200		
c) Other securities sold during the year			
Proceeds from sales	¥349		
Total gain	¥39		

	As of March 31, 2010		
	Book value	Acquisition cost	Gross unrealized gain or loss
		(Millions of Yen)	
a) Marketable securities			
Securities (book value exceeds acquisition cost)	¥2,222	¥902	¥1,320
Securities (book value does not exceed acquisition cost)	628	1,060	(432)
Bonds	-	-	-
Others	-	-	-
Total	¥2,850	¥1,962	¥888
b) Non-marketable securities			
Bonds held to maturity	-		
Unlisted securities	-		
Unlisted bonds	-		
c) Other securities sold during the year			
Proceeds from sales	-		
Total gain	-		

	As of March 31, 2010		
	Book value	Acquisition cost	Gross unrealized gain or loss
		(Thousands of Euro)	
a) Marketable securities			
Securities (book value exceeds acquisition cost)	€ 17,790	€ 7,222	€ 10,568
Securities (book value does not exceed acquisition cost)	5,028	8,487	(3,459)
Bonds	-	-	-
Others	-	-	-
Total	€ 22,818	€ 15,709	€ 7,109
b) Non-marketable securities			
Bonds held to maturity	-		
Unlisted securities	-		
Unlisted bonds	-		
c) Other securities sold during the year			
Proceeds from sales	-		
Total gain	-		

2. Securities which had been sold from April 1, 2009 to March 31, 2010

	Sold amounts	Total amounts of realized gain on sale	Total amounts of realized loss on sale
		(Millions of Yen)	
Securities	¥1,790	¥375	(¥1)
Bonds	200	-	-
Others	-	-	-
Total	¥1,990	¥375	(¥1)

	Sold amounts	Total amounts of realized gain on sale	Total amounts of realized loss on sale
		(Thousands of Euro)	
Securities	€ 14,331	€ 3,002	(¥8)
Bonds	1602	-	-
Others	-	-	-
Total	€ 15,933	€ 3,002	(¥8)

11. DERIVATIVES

Year ended March 31, 2009 (from April 1, 2008 to March 31, 2009)

There was no derivative transaction other than those applied by hedge accounting method.

Year ended March 31, 2010 (from April, 2009 to March 31, 2010)

1 Derivative transactions to which hedge accounting method is not applied.
None

2 Derivative transactions to which hedge accounting method is applied.

Interest rate related transactions at March 31, 2010

Hedge accounting method	Derivative classification	Hedged item	Contract amount	Contract amount due after one year	Fair value
					(Millions of Yen)
Principle method	Interest rate swaps, fixed rate payment, floating rate receipt	Short term loans payables and bonds	¥1,540	¥1,540	(¥38)
Shortcut method	Interest rate swaps, fixed rate payment, floating rate receipt	Long-term loans payable	4,790	4,790	(180)
		Total	¥6,330	¥6,330	(¥218)

Hedge accounting method	Derivative classification	Hedged item	Contract amount	Contract amount due after one year	Fair value
					(Thousands of Euro)
Principle method	Interest rate swaps, fixed rate payment, floating rate receipt	Short term loans payables and bonds	€ 12,330	€ 12,330	(€ 304)
Shortcut method	Interest rate swaps, fixed rate payment, floating rate receipt	Long-term loans payable	38,351	38,351	(1,441)
		Total	€ 50,681	€ 50,681	(€ 1,745)

Note : method to measure fair value amounts
Fair value amounts are computed based on the prices provided by financial institutions.

12. RETIREMENT BENEFITS

The Company and certain of its consolidated subsidiaries provide both a lump-sum retirement benefit plan and a defined contribution pension plan. Certain of its consolidated subsidiaries contribute to a multi-employer employees' pension fund plan and its contribution to the pension fund plan is included in the below in "Retirement benefits expenses."

The pension fund assets as of March 31, 2008 and 2009 are as follows:

(1) Accumulated funds for the plan

		(Millions of Yen)
	2008	*2009*
Pension fund assets	¥ 155,926	¥ 121,563
Projected benefit obligations	169,304	172,518
Difference	¥ (13,378)	¥(50,955)

(2) Ratio of total salaries of the consolidated subsidiaries to total funds of the plan

(As of March 31, 2008) 5.01%

(As of March 31, 2009) 5.55%

(3) Supplementary explanation

The main reasons behind the difference in amounts described above in (1) are as follows. The method of depreciation of prior service cost in the current fiscal year is to evenly split principals thereof over a period of 20 years.

		(Millions ofYen)
	2008	*2009*
Balance of prior service cost	¥ 10,279	¥ 9,697
Deficient amount carried forward	¥ 3,099	¥41,258

	March 31, 2009
	(Millions of Yen)
a) Benefit obligation	
Retirement benefit obligation	¥1,658
Plan assets	-
Benefit obligation in excess of plan assets	1,658
Unrecognized net actuarial loss	(36)
Unrecognized past service costs	(341)
Net amount recognized	1,281
Prepaid pension costs	-
Provision for retirement benefits	¥1,281
b) Severance and pension cost	
Service costs	¥251
Interest costs	27
Expected return on plan assets	-
Amortization of net actuarial loss	4
Amortization of past service costs	66
Total	348
Paid premiums to defined contribution plan	327
Retirement payment of temporal imposition	50
Employees' severance and pension expenses	725

	March 31, 2010	March 31, 2010
	(Millions of Yen)	*(Thousands of Euro)*
a) Benefit obligation		
Retirement benefit obligation	¥1,703	€ 13,635
Plan assets	-	-
Benefit obligation in excess of plan assets	1,703	13,635
Unrecognized net actuarial loss	(24)	(192)
Unrecognized past service costs	(275)	(2,202)
Net amount recognized	1,404	11,241
Prepaid pension costs	-	-
Provision for retirement benefits	¥1,404	€ 11,241
b) Severance and pension cost		
Service costs	¥238	€ 1,906
Interest costs	27	216
Expected return on plan assets	-	-
Amortization of net actuarial loss	18	144
Amortization of past service costs	66	528
Total	349	2,794
Paid premiums to defined contribution plan	242	1,938
Retirement payment of temporal imposition	40	320
Employees' severance and pension expenses	¥631	€ 5,052

Basis for calculation of retirement benefit obligations and costs

1)	Method of allocating estimated amount of all retirement benefits tobe paid at future retirement dates	The straight-line method over the estimated years of service of the eligible employees
2)	Discount rate	2.00%
3)	Expected rate of return on plan assets	-%
4)	Amortization of prior service cost	10 years
5)	Amortization of actuarial gain or loss	5 years

13. INCOME TAXES

Significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2010 are as follows:

	2009	2010	2010
	(Millions of Yen)		*(Thousands or Euro)*
Deferred tax assets :			
Accrued enterprise tax	¥39	¥50	€ 400
Accrued bonus payables for employee	93	277	2,218
Provision for retirement benefits	448	504	4,035
Allowance for doubtful accounts	399	425	3,403
Allowance for loss on orders	43	41	328
Warranty reserve	21	18	144
Excess amounts of depreciation including software	48	56	448
Lump-sum depreciation of assets	210	246	1,970
Loss on inventories	156	-	-
Loss on valuation of investment securities	1,154	207	1,657
Loss on valuation of stocks of subsidiaries and affiliates	-	596	4,772
Loss on land revaluation	3,297	3,276	26,229
Impairment loss	736	669	5,356
Tax loss carryforwards	1,357	996	7,974
Others	53	92	738
Sub total	8,054	7,453	59,672
Valuation allowance	(7,430)	(6,477)	(51,858)
Total deferred tax assets	¥624	¥976	€ 7,814
Deferred tax liabilities :			
Profits from percentage-of-completion method	(¥479)	-	-
Reserve for buildings reduction entry	(64)	-	-
Unrealized gains on other securities	(558)	(562)	(4,500)
Others	(543)	(198)	(1,585)
Total deferred tax liabilities	(¥1,644)	(¥760)	(€ 6,085)
Net deferred tax assets / liabilities	(¥1,020)	¥216	€ 1,729

A reconciliation between the effective statutory tax rate and the effective income tax rate as a percentage of income before income taxes and minority interest for the years ended March 31, 2009 and 2010 is as follows:

	2009	2010
Statutory tax rate	40.5%	40.5%
Increase(decrease)in taxes resulting from :		
Non-deductible entertainment expenses	(4.4%)	(3.2%)
Non-taxable dividends received	4.0%	1.8%
Inhabitants per capita tax	(15.6%)	(15.2%)
Valuation allowance	(38.7%)	82.6%
Adjustment by revised return	-	(3.0%)
Investment profits or losses by equity method	-	(28.4%)
Goodwill amortizations	-	(18.0%)
Elimination on consolidation of dividends received	-	(10.6%)
Non-deductible directors' bonus	(0.6%)	-
Non-deductible contributions	(6.2%)	-
Others	(1.6%)	3.4%
Effective income tax rates	(22.6%)	49.9%

14. RENTAL PROPERTY

From the fiscal year ended March 31, 2010, the Accounting Standard for Disclosures about Fair Value of Investment and Rental Property(ASBJ Statement No.20,November 28 ,2008) and the Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (ASBJ Guidance No.23 ,November 28 ,2008) have been applied.

Certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. The carrying value in the consolidated balance sheet and corresponding fair value of those properties are as follows:

(Millions of Yen)

		Carrying amount	Fair value
March 31 2009	Incresase or decrease	March 31 2010	March 31 2010
¥5,976	(151)	5,825	¥7,114

(Thousands of Euro)

		Carrying amount	Fair value
March 31 2009	Incresase or decrease	March 31 2010	March 31 2010
€ 47,846	(1,209)	46,637	€ 56,958

Notes:
1. Carrying amount is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2010 primarily represents the depreciation of office buildings for rent.
3. Fair value of rental properties at March 31, 2010 is principally measured based on the real-estate appraisal assessed by the company.

15. SEGMENT INFORMATION
a) Business segments

	Year ended March 31 , 2009					
	Technology service	Real estate	Others	Total	Elimination/ Corporate	Consolidated
	(Millions of Yen)					
Ⅰ Sales and operating income						
1)Sales to third parties	¥34,327	¥15,076	¥24	¥49,427	-	¥49,427
2)Inter-segment sales or transfers	1	895	6	902	(902)	-
Total sales	34,328	15,971	30	50,329	(902)	49,427
Operating expenses	34,029	15,467	28	49,524	(902)	48,622
Operating income (loss)	¥299	¥504	¥2	¥805	-	¥805
Ⅱ Assets, depreciation, impairment loss and capital expenditure						
Total assets	¥41,597	¥26,298	¥2,591	¥70,486	(¥3,048)	¥67,438
Depreciation	310	454	0	764	-	764
Impairment loss	194	2	-	196	-	196
Capital expenditure	¥2,876	¥1,742	-	¥4,618	-	¥4,618

	Year ended March 31 , 2010					
	Technology service	Real estate	Others	Total	Elimination/ Corporate	Consolidated
	(Millions of Yen)					
Ⅰ Sales and operating income						
1)Sales to third parties	¥34,638	¥14,918	¥27	¥49,583	-	¥49,583
2)Inter-segment sales or transfers	11	910	63	984	(984)	-
Total sales	34,649	15,828	90	50,567	(984)	49,583
Operating expenses	34,832	15,402	42	50,276	(984)	49,292
Operating income (loss)	(¥183)	¥426	¥48	¥291	-	¥291
Ⅱ Assets, depreciation, impairment loss and capital expenditure						
Total assets	¥49,220	¥26,597	¥2,768	¥78,585	(¥6,786)	¥71,799
Depreciation	438	425	0	863	-	863
Capital expenditure	¥865	¥31	-	¥896	-	¥896

	Year ended March 31 , 2010					
	Technology service	Real estate	Others	Total	Elimination/ Corporate	Consolidated
	(Thousands of Euro)					
Ⅰ Sales and operating income						
1)Sales to third parties	€ 277,326	€ 119,440	€ 216	€ 396,982	-	€ 396,982
2)Inter-segment sales or transfers	88	7,286	504	7,878	(7,878)	-
Total sales	277,414	126,726	720	404,860	(7,878)	396,982
Operating expenses	278,879	123,315	336	402,530	(7,878)	394,652
Operating income (loss)	(€ 1,465)	€ 3,411	€ 384	€ 2,330	-	€ 2,330
Ⅱ Assets, depreciation, impairment loss and capital expenditure						
Total assets	€ 394,075	€ 212,946	€ 22,162	€ 629,183	(€ 54,331)	€ 574,852
Depreciation	3,507	3,403	0	6,910	-	6,910
Capital expenditure	€ 6,926	€ 248	-	€ 7,174	-	€ 7,174

Notes:
(1) Method of segmentation of business
Business operations are categorized to Technology service (Engineering and Consultation), Real Estate, and Other businesses according to business purposes.
(2) Main lines of business by segment
1. Technology service (Engineering and Consultation)
Spatial information services, surveying, construction consulting
2. Real Estate
Rental and administration of real estate, real estate agency business
3. Other
Insurance agency business

b) Geographical segments

For the fiscal year ended March 31, 2009

The geographical segment information is omitted because both net sales and total assets in Japan are more than 90 % of all segments.

For the fiscal year ended March 31, 2010

	Year ended March 31 , 2010					
	Japan	Europe	Others	Total	Elimination/ Corporate	Consolidated
	(Millions of Yen)					
Ⅰ Sales and operating income						
1)Sales to third parties	¥49,324	¥259	-	¥49,583	-	¥49,583
2)Inter-segment sales or transfers	-	-	3	3	(3)	-
Total sales	49,324	259	3	49,586	(3)	49,583
Operating expenses	48,568	677	50	49,295	(3)	49,292
Operating income (loss)	¥756	(¥418)	(¥47)	¥291	-	¥291
Ⅱ Assets						
Total assets	¥69,960	¥8,285	¥48	¥78,293	(¥6,494)	¥71,799

	Year ended March 31 , 2010					
	Japan	Europe	Others	Total	Elimination/ Corporate	Consolidated
	(Thousands of Euro)					
Ⅰ Sales and operating income						
1)Sales to third parties	€ 394,908	€ 2,074	-	€ 396,982	-	€ 396,982
2)Inter-segment sales or transfers	-	-	24	24	(24)	-
Total sales	394,908	2,074	24	397,006	(24)	396,982
Operating expenses	388,855	5,420	401	394,676	(24)	394,652
Operating income (loss)	€ 6,053	(€ 3,346)	(€ 377)	€ 2,330	-	€ 2,330
Ⅱ Assets						
Total assets	€ 560,128	€ 66,333	€ 384	€ 626,845	(€ 51,993)	€ 574,852

Notes:
(1) Countries and areas are segmented based on their geographical proximity.
(2) Major countries and areas which belong to segments other than Japan are as follows.
Europe: Germany, Italy, Spain, etc
Others: Singapore, Hong Kong

16. RELATED PARTY TRANSACTIONS
Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)
1. Transactions with Related Parties
(1) Transactions between KOKUSAI KOGYO HOLDINGS CO., LTD. and related parties
(a) Parent company and major shareholders (limited to corporations) of KOKUSAI KOGYO HOLDINGS CO., LTD.

(Amounts in millions of Yen)

Type	Name	Address	Capitalization	Nature of operation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Year-end balance
Parent company	Japan Asia Holdings (Japan) Limited	Chiyoda-ku, Tokyo	¥2,641	Investment business	59.1 % direct	Transfer of shares Two interlocking officers	Transfer of shares (Note 1)	¥2,157	Affiliates shares	¥819

Note: Terms of trade and method of setting trading terms:
Terms of trade were determined on a case by case basis with reference to market price.

(b) Companies sharing the same parent company with KOKUSAI KOGYO HOLDINGS CO., LTD., and subsidiaries of other affiliates of KOKUSAI KOGYO HOLDINGS CO., LTD.

(Amounts in millions of Yen)

Type	Name	Address	Capitalization	Nature of operation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Year-end balance
Company sharing the same parent company	Japan Asia Securities Co., Ltd.	Chuo-ku, Tokyo	¥4,000	Financial services	–	Transfer of shares Agency business of issuance of corporate bonds Two interlocking officers	Transfer of shares (Note 2)	¥587	Affiliates shares	¥587
							Payment of fees for issuance of corporate bonds	¥16	–	–

Notes:
1. The transaction amount and the year-end balance are exclusive of consumption taxes.
2. Terms of trade and method of setting trading terms:
Terms of trade were reasonably determined taking into consideration of corporate value.

(c) Directors or major individual shareholders of KOKUSAI KOGYO HOLDINGS CO., LTD.

(Amounts in millions of Yen)

Type	Name	Address	Capitalization	Nature of operation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Year-end balance
Company in which the Company's officer or his/her spouse or next of kin owns more than 50% of voting right	TOAS Holdings Co., Ltd. (Note 2)	Minato-ku, Tokyo	¥3	Consulting business	–	Consulting contracts One interlocking officer	Payment of compensation for consulting services (Note 3)	¥29	Accounts payable-other	¥3

Notes:
1. The transaction amount is exclusive of consumption taxes, but the year-end balance is inclusive of consumption taxes.
2. Andreas Steinberg, Director of the Company, owns 100% of the voting rights, of TOAS Holdings Co., Ltd.
3. Terms of trade and method of setting trading terms:

Compensation for consulting services was determined on a case by case basis based on proposed prices estimated by TOAS Holdings Co., Ltd. as in other similar business transactions.

(2) Transactions between the consolidated subsidiaries of KOKUSAI KOGYO HOLDINGS CO., LTD. and related parties

(a) Parent company and major shareholders (limited to corporations) of KOKUSAI KOGYO HOLDINGS CO., LTD.

(Amounts in millions of Yen)

Type	Name	Address	Capitalization	Nature of operation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Year-end balance
Parent company	Japan Asia Group Limited	Chiyoda-ku, Tokyo	¥600	Pure holding company	59.1% Indirect	Purchase of corporate bonds Two interlocking officers	Purchase of corporate bonds	¥645	Investment securities	¥645
							Receiving interests of corporate bonds (Note 1)	¥3	Accounts receivable-other	¥3

Note: The transaction amount and the year-end balance are exclusive of consumption taxes.

Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

1. Transactions with Related Parties

(1) Transactions between KOKUSAI KOGYO HOLDINGS CO., LTD. and related parties

(a) Parent company and major shareholders (limited to corporations) of KOKUSAI KOGYO HOLDINGS CO., LTD.

(Amounts in millions of Yen)

Type	Name	Address	Capitalization	Nature of operation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Year-end balance
Company sharing the same parent company	Japan Asia Holdings (Japan) Limited	Chiyoda-ku, Tokyo	¥2,641	Investment business	–	Temporary loan Two interlocking officers	Loan of funds (Note 1)	¥7,000	–	–
							Receiving interest on corporate loans (Note 1)	¥75	–	–

Notes:

1. Terms of trade and method of setting trading terms:
   Interest rate was reasonably determined taking into consideration the market rate.
2. Japan Asia Holdings (Japan) Limited was re-categorized from “Parent company” to “Company sharing the same parent company” on March 1, 2010; it is classified as “Parent company” for convenience.

17. BUSINESS COMBINATIONS

Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(a) Acquisition of KHC ltd. through share acquisition making it a subsidiary

At meetings held on February 8 and February 15, 2008, the Board of Directors of the Company decided to enter into a share sale and purchase agreement regarding stock of KHC ltd. The Company acquired 197,700 shares of KHC effective of April 4, 2008 making it a subsidiary. Additional acquisitions of KHC's shares were made on June 30, 2008 (22,000 shares) on July 31, 2008 (5,000 shares), and September 30, 2008 (5,000 shares).

(1) Name and business of acquired company, primary reasons for business combination, date of business combination, legal form of business combination, name of company after business combination, and ratio of voting rights acquired

1. Name and business of acquired company
   Name of acquired company: KHC ltd.
   Business of acquired company: Management of subsidiaries which engage in construction or real estate businesses
2. Primary reasons for business combination
   The acquisition of KHC aims to further expand Kokusai Kogyo Group's real estate business by pursuing development business focusing on housing in Japan and overseas with the business bases of KHC. Efficient use of tangible/intangible assets owned by Kokusai Kogyo Group will further strengthen marketing competitiveness and the revenue base of KHC and potentially create new businesses. This will lead to enhancement of the Group's corporate value.
3. Date of business combination
   April 4, 2008 (The deemed acquisition date is the beginning of the fiscal year ended March 31, 2009.)
4. Legal form of business combination
   Acquisition of shares
5. Name of company after business combination
   The Company acquired KHC's shares, but the acquiree's name was not changed after the acquisition.
6. Ratio of voting rights acquired (including additional, share acquisitions)
   59.59%

(2) Period of the operating results of the acquired company included in the accompanying consolidated financial statements

April 1, 2008 to March 31, 2009

(3) Acquisition cost and outline of the acquired company (Including additional acquisition)

Payment for acquisition	Payment by cash	¥4,009 million
Acquisition cost		¥4,009 million

(4) Amount of goodwill, reason for the recognition, and amortization method and period for amortization

1. Amount of goodwill (Including additional acquisition)
   ¥787 million
2. Reason for the recognition
   Goodwill was recognized in the amount of the difference between the acquisition cost and the net amount of assets acquired, liabilities assumed, and minority interests.
3. Amortization method and period for amortization
   Amortization on a straight-line basis over five years

(5) Amount and main classes of assets acquired and liabilities assumed at the date of business combination

1. Amount of assets

Current assets	¥13,977 million
Fixed assets	3,078 million
Total	¥17,055 million

2. Amount of liabilities

Current liabilities	¥6,599 million
Non-current liabilities	5,032 million
Total	¥11,631 million

(6) Approximate amount of the effects on the accompanying consolidated statements of income for the fiscal year ended March 31, 2009 assuming that the business combination was consummated at the beginning of the fiscal year ended March 31, 2009.

There would be no effects on the consolidated statements of income because the consolidated statements of income were prepared with the deemed acquisition date as the beginning of the fiscal year ended March 31, 2009.

(b) Acquisition of GOSEI CO., LTD. through a share acquisition making it a subsidiary

At a meeting held on November 26, 2007, the Board of Directors of the Company decided to enter into business alliance regarding stock of GOSEI CO., LTD. and at a meeting held on April 22, 2008, it also decided to enter into a share sale and purchase agreement with Gosei. The Company acquired 28,560 shares of Gosei effective April 28, 2008 and made it a subsidiary.

(1) Name and business of acquired company, primary reasons for business combination, date of business combination, legal form of business combination, name of company after business combination, and ratio of voting rights acquired

1. Name and business of acquired company
   Name of acquired company: GOSEI CO., LTD.
   Business of acquired company: General construction consultancy
2. Primary reasons for business combination
   The acquisition of Gosei aims to develop a new community-based business model through collaboration using Gosei's community-based business style and the technical support provided by Kokusai Kogyo Group, as well as strengthen the service potential for municipal governments and other customers, and reinforce both companies management base by joint management of Kokusai Kogyo Group.
3. Date of business combination
   April 28, 2008 (The deemed acquisition date is the beginning of the fiscal year ended March 31, 2009)
4. Legal form of business combination
   Acquisition of shares
5. Name of company after business combination
   The Company acquired Gosei's shares, but the acquiree's name was not changed after the acquisition.
6. Ratio of voting rights acquired
   59.50%

(2) Period of the operating results of the acquired company included in the accompanying consolidated financial statements

April 1, 2008 to March 31, 2009

(3) Acquisition cost and its outline of the acquired company

Payment for acquisition	Payment by cash	¥143 million
Acquisition cost		¥143 million

(4) Amount of goodwill, reason for the recognition, and amortization method and period for amortization

1. Amount of goodwill
   ¥128 million
2. Reason for the recognition
   Goodwill was recognized in the amount of the difference between the acquisition cost and the net amount of assets acquired, liabilities assumed, and minority interests.
3. Amortization method and period for amortization
   Amortization on a straight-line basis over five years

(5) Amount and main classes of assets acquired and liabilities assumed at the date of business combination

1. Amount of assets

Current assets	¥1,397 million
Fixed assets	683 million
Total	¥2,080 million

2. Amount of liabilities

Current liabilities	¥1,436 million
Non-current liabilities	619 million
Total	¥2,055 million

(6) Approximate amount of effects on the accompanying consolidated statements of income for the fiscal year ended March 31, 2009 provided that the business combination consummated on the beginning of the fiscal year ended March 31, 2009.

There would be no effects on the accompanying consolidated statements of income for the consolidated statements of income were prepared with the deemed acquisition date as the beginning of the fiscal year ended March 31, 2009.

(c) Acquisition of Geosol Group through an equity acquisition making it a subsidiary

At a meeting held on December 4, 2008, the Board of Directors of the Company decided to enter into an equity transfer agreement to acquire Geosol Group. The Company acquired equity of Geosol Group companies through KOKUSAI EUROPE GMBH, a European affiliate of the Company effective of January 1, 2009 (German time) and made them its subsidiaries.

At the same time of the acquisition of equity of Geosol Group, the organization was restructured to a new group structure which has GEOSOL Beteiligungsgesellschaft mbH as a holding company and other Geosol Group companies as its 100% owned subsidiaries.

(1) Name and business of acquired company, primary reasons for business combination, date of business combination, legal form of business combination, name of company after business combination, and ratio of voting rights acquired

1. Name and business of acquired company

   Name of acquired company: GEOSOL Beteiligungsgesellschaft mbH and its group companies (21 companies in total)

   Business of acquired company: Development and operation of mega-solar power generation

2. Primary reasons for business combination

   The Geosol Group has technological know-how to optimize various solar-power panel-mover systems developed by world major manufacturers by adjusting them to different local conditions, as well as of financial know-how to implement projects. By acquiring a variety of know-how, known brand and development results through the acquisition of equity, Kokusai Kogyo Group will be able to enter and to develop its new energy business in a more secure manner. To facilitate this, the Company will implement organizational restructuring including establishment of a company to promote new energy business.

   The acquisition of Geosol Group will enable Kokusai Kogyo Group to pursue a two-pillar business structure with high potential for creating substantial synergy effects. Entering and maintaining a recognized market position and profitable operations in Europe, as currently the most advanced market in terms of mega solar power generation, shall be combined with a step-wise business development approach in Asia, especially Japan. Furthermore, expected expansion of the global market for mega-solar power generation will advance Kokusai Kogyo Group a step forward to global operation.

   Presently, Geosol Group is pursuing development projects of new mega-solar power plants, which are due in 2010, in Italy and the Czech Republic, with contractual relations to financial institutions in Germany already in place. The business plan projects revenues with high profitability from selling completed power plants as well as stable income from operation and maintenance of the power plants. By this, the mega-solar business in Europe is expected to contribute to the consolidated results of Kokusai Kogyo Group, which represents one major objective of acquiring the equity of Geosol Group this time.

3. Date of business combination

   January 1, 2009 (German time)

4. Legal form of business combination

   Acquisition of equity

5. Name of company after business combination

   No change was made for the company name.

6. Ratio of voting rights acquired

   80.00%

(2) Period of the operating results of the acquired company included in the consolidated financial statements

December 31, 2008 was deemed as the acquisition date. Financial statements as of the closing date were used because the difference of closing dates does not exceed 3 months.

(3) Acquisition cost and its outline of the acquired company

Payment for acquisition	Payment by cash	¥2,181 million
Acquisition cost		¥2,181 million

(4) Amount of goodwill, reason for the recognition, and amortization method and period for amortization

1. Amount of goodwill
   ¥1,824 million
2. Reason for the recognition
   Goodwill was recognized tentatively based on available and reasonable information and recorded in the amount of the difference between the acquisition cost and the net amount of assets acquired, liabilities assumed, and minority interests.
3. Amortization method and period for amortization
   Goodwill is scheduled to be amortized by the straight-line method over a reasonable period, which will be determined based on an estimated period for which the investment effects last. The period for which the investment effects last is under calculation.

(5) Amount and main classes of assets acquired and liabilities assumed at the date of business combination

1. Amount of assets

Current assets	¥2,631 million
Fixed assets	128 million
Total	¥2,759 million

2. Amount of liabilities

Current liabilities	¥910 million
Non-current liabilities	516 million
Total	¥1,426 million

(6) Outline of payment for acquisition with conditions prescribed in the business combination agreement and accounting policy for fiscal years following the fiscal year ended March 31, 2009

1. Outline of payment for acquisition with conditions
   Additional payment shall be made based on expected performance including total income generated from the acquisition to 2010.
2. Accounting policy
   For the increase in the amount of goodwill through payments described above, the Company will deem that the increase in the amount was paid at the acquisition of equity and change acquisition cost, the amount of goodwill, and the amortization amount of goodwill.
   Purchase price allocation has not been completed at the submission date of this financial report, for the Company accounts for based on available and reasonable information.

(7) Approximate amount of effects on the consolidated statements of income for the fiscal year ended March 31, 2009 assumed that the business combination was consummated on the beginning of the fiscal year ended March 31, 2009.
   Approximate estimation of the amount is difficult and has not been made. This note has not been given audit certificate.

Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

Acquisition of Geosol Group through an equity acquisition making it a subsidiary

Purchase price allocation of GEOSOL Beteiligungsgesellschaft mbH and its subsidiaries has been finalized in the year. A revised purchase price in the amount of ¥1,487 million (€11,906 thousand) was allocated to other intangibles, other current liabilities, deferred tax liabilities – non-current, and others. The amounts allocated were ¥111 million (€889 thousand), ¥562 million (€4,500 thousand), ¥100 million (€801 thousand), and ¥12 million (€96 thousand), respectively.

18. AMOUNTS PER SHARE

	2009	2010	2010
	(Yen)		*(Euro)*
Net income (Loss) - Basic:	(¥19.79)	(¥12.33)	(€ 0.10)
Net assets:	¥834.01	¥824.66	€ 6.60

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.
Amounts per share of net assets were computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year-end.
Net income per share (diluted) was omitted because there was no residual securities existed.

19. SIGNIFICANT SUBSEQUENT EVENTS

Consolidated fiscal year ended March 31, 2009 (April 1, 2008 to March 31, 2009)
No applicable events.

Consolidated fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

1. Acquisition of Additional Shares of Asnal Corporation Co., Ltd. (Asnal) to Make Asnal a Subsidiary

At a meeting held on March 18, 2010, the Board of Directors adopted a resolution approving an agreement for the purchase of shares of Asnal, an affiliate, and 217,520 additional shares were acquired on April 1, 2010. With the acquisition, Asnal became a subsidiary.

(1) Purpose

The acquisition is intended to establish a new regional business development model by integrating Asnal's community-oriented business style with the Kokusai Kogyo Group's technical support, reinforce service provision capabilities with a focus on local governmental bodies, and stabilize the management foundations of both companies through integrated management of the Kokusai Kogyo Group.

(2) Name of the other party to the transaction

Forty-four shareholders, including the employee stock ownership association

(3) Profile of the acquired company

1) Trade name	: Asnal Corporation Co., Ltd.
2) Representative	: President Ryoichi Ukai
3) Head office	: 211-1 Nakacho, Moroe-machi, Kanazawa City, Ishikawa Prefecture, Japan
4) Date of establishment	: October 2008
5) Main business activities	: General construction consulting
6) Number of employees	: Six (consolidated: 264)
7) Capital	: ¥50 million (€400 thousand)
8) Total number of shares issued	: 332,375

(4) Date of share acquisition

April 1, 2010

(5) Number of shares acquired, total acquisition cost, and holdings before and after the acquisition

1)	Number of shares	:	217,520
2)	Total acquisition amount	:	¥159 million (€1,273 thousand)
3)	Number of shares held after acquisition	:	331,975
4)	Percentage of shares held	:	99.88%

(6) Impact on profit and loss

Pursuant to the revised Accounting Standard for Business Combinations (ASBJ Statement No.21), the Company expects to report an extraordinary loss of ¥100 million (€801 thousand) on step acquisition and extraordinary income of ¥100 million (€801 thousand) in conjunction with the recognition of negative goodwill. The calculation of market value has not been completed yet, and consequently, purchase price allocation and the amount of goodwill are tentative and the amounts of the effects are subject to change.

2. Additional Acquisition of KHC ltd. Shares

At a meeting held on April 16, 2010, the Board of Directors adopted a resolution approving an agreement for the purchase of shares of KHC ltd., a KOKUSAI KOGYO HOLDINGS CO., LTD. subsidiary, and 52,355 shares of KHC ltd. were acquired on April 23, 2010. A summary of the transaction is set forth below.

(1) Purpose

The additional acquisition of KHC shares is intended to further expand Kokusai Kogyo Group's real estate business by pursuing development business focused on housing in Japan and overseas by making use of the business bases of KHC Group. Efficient use of tangible/intangible assets owned by Kokusai Kogyo Group will further strengthen marketing competitiveness and the revenue base of KHC Group and potentially create new businesses. This will lead to enhancement of the Kokusai Kogyo Group's corporate value.

(2) Other party to the transaction

One individual shareholder

(3) Profile of the acquired company

1)	Trade name	:	KHC ltd.
2)	Representative	:	President Tsutomu Kawanishi
3)	Head office	:	2-2, Hanazono-cho, Akashi City, Hyogo Prefecture, Japan
4)	Date of establishment	:	October 1981
5)	Main business activities	:	Management of subsidiaries engaging in the construction or real-estate businesses
6)	Number of employees	:	14 (consolidated: 164)
7)	Capital	:	¥373 million (€2,986 thousand)
8)	Total number of shares issued	:	385,455

(4) Date of share acquisition

April 23, 2010

(5) Total number of shares acquired, total acquisition amount, and percentage of holdings after acquisition

1)	Number of shares	:	52,355
2)	Total acquisition amount	:	¥390 million (€3,122 thousand)
3)	Number of shares held after acquisition	:	282,055
4)	Percentage of shares held	:	73.17%

(6) Impact on profit and loss

Pursuant to the revised Accounting Standard for Business Combinations (ASBJ Statement No.21), the Company expects to report extraordinary income of ¥400 million (€3,203 thousand) from the recognition of negative goodwill.

3. Sale of Shares of Gosei Co., Ltd. (transfer of subsidiary)

At a meeting held on June 15, 2010, the Board of Directors adopted a resolution approving the transfer of all shares of Gosei Co., Ltd. ("Gosei"), a KOKUSAI KOGYO HOLDINGS CO., LTD. subsidiary. A summary of the transaction is set forth below.

(1) Reason for the transfer

Collaboration between Kokusai Kogyo Group and Gosei was intended to create a new regional development model through a merger of Gosei's community-oriented style and Kokusai Kogyo's technical support, reinforce service provision capabilities to customers with a focus on local governmental bodies, and stabilize the management foundations of both companies through integrated group management.

However, because needs arose within the environmental and energy fields that exceeded Kokusai Kogyo Group's initial estimates, the Group rearranged its existing businesses and adopted in its medium-term management plan a policy of investing management resources in those two fields and of establishing a green infrastructure on a global scale with the Group's business at the core.

Discussions were held with Gosei concerning actions to be undertaken under the medium-term management plan, but differences between the Group and Gosei arose concerning the allocation of resources and management methods; and consequently it was determined that conducting business in accordance with independent management policies would be in the best interests of both companies; and it was agreed to terminate the capital tie-up.

(2) Profile of the Subsidiary

1)	Trade name	:	Gosei Co., Ltd.
2)	Representative	:	President Kazutoshi Takeuchi
3)	Head office	:	670-1 Shimokatsuma, Takase-cho, Mitoyo City, Kagawa Prefecture, Japan
4)	Date of establishment	:	January 1965
5)	Main business activities	:	General construction consulting
6)	Number of employees	:	165
7)	Capital	:	¥48 million (€384 thousand)
8)	Total number of shares issued	:	48,000

(3) Financial Performance of the Subsidiary in the Most Recent Fiscal Year

	2009	2010	2010
		(Millions of yen)	*(Thousands of Euro)*
Net sales	1,094	1,831	14,660
Operating income	13	56	448
Ordinary income	3	52	416
Net income	1	1	8
Net assets	271	275	2,202
Total assets	1,996	1,878	15,036

* Because of a change in the subsidiary's fiscal year, the fiscal year ended March 31, 2009 was only eight months in duration.

(4) Transferee of the Shares

Gosei Co., Ltd. (the subsidiary in question)

(5) Number of shares transferred, holdings before and after the transfer, and transfer price

1)	Holdings before the transfer	:	28,560 shares (59.5% of issued shares)
2)	Shares transferred	:	28,560 shares (transfer price: ¥123 million (€985 thousand)
3)	Holdings after the transfer	:	0 shares (0% of issued shares)

(6) Schedule of the transfer

1)	Board of Directors resolution adopted	:	June 15, 2010
2)	Gosei general shareholders meeting resolution adopted	:	June 23, 2010
3)	Gosei Board of Directors resolution adopted	:	June 23, 2010
4)	Notice of term of acquisition	:	June 23, 2010
5)	Payment date	:	June 30, 2010

(7) Other material agreements

Gosei, the transferee of the shares, adopted resolutions at the general shareholders meeting and Board of Directors meeting held on June 23, 2010 to acquire its shares from shareholders including KOKUSAI KOGYO HOLDINGS, pursuant to the provisions of Article 156 and subsequent articles of the Companies Act. Kokusai Kogyo Holdings requested that Gosei acquire its entire holdings of Gosei shares.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
KOKUSAI KOGYO HOLDINGS CO., LTD.

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

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

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

Supplemental Information

1. As described in Note 19 "SIGNIFICANT SUBSEQUENT EVENTS", at a meeting held on March 18, 2010, the Board of Directors adopted a resolution approving an agreement for the purchase of shares of Asnal Corporation Co., Ltd., an affiliate, and 217,520 additional shares were acquired on April 1, 2010. With the acquisition, Asnal Corporation Co., Ltd. became a subsidiary.
2. As described in Note 19 "SIGNIFICANT SUBSEQUENT EVENTS", at a meeting held on April 16, 2010, the Board of Directors adopted a resolution approving an agreement for the purchase of shares of KHC ltd., a KOKUSAI KOGYO HOLDINGS CO., LTD. subsidiary, and 52,355 shares of KHC ltd. were acquired on April 23, 2010.
3. As described in Note 19 "SIGNIFICANT SUBSEQUENT EVENTS", at a meeting held on June 15, 2010, the Board of Directors adopted a resolution approving the transfer of all shares of Gosei Co., Ltd., a KOKUSAI KOGYO HOLDINGS CO., LTD. subsidiary.

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

Ernst & Young ShinNihon LLC

June 24, 2010