

Financial Statements for the Year Ended March 31, 2009

May 8, 2009

Listed company name: Nippon Kan-zai Co., Ltd.
 Securities code: 9728 URL: <http://www.nkanzai.co.jp/> Listed exchanges: Tokyo, Osaka 1st Section
 Representative: Shintaro Fukuda, President and Representative Director
 Contact: Yasuhiro Harada, General Manager of Accounting Department TEL: 0798-35-2200
 Date to hold the ordinary general meeting of shareholders: June 26, 2009
 Date to submit the annual securities report: June 26, 2009
 Date to start dividends distribution: June 29, 2009

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Consolidated Business Results

(Percentage figures indicate the rates of changes from the preceding fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2009	71,392	7.5	3,497	(26.4)	3,725	(35.6)	1,203	(44.2)
Year ended March 31, 2008	66,388	7.8	4,749	4.7	5,787	11.5	2,157	(19.2)

	Net Income per Share	Diluted Net Income per Share	Return on Shareholders' Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2009	58.53	–	4.7	9.8	4.9
Year ended March 31, 2008	104.91	–	8.7	16.2	7.2

(Reference) Equity in earnings of affiliated companies: Year ended March 31, 2009: ¥0 million; Year ended March 31, 2008: ¥(18) million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2009	39,341	27,316	65.1	1,245.32
Year ended March 31, 2008	36,467	26,354	69.3	1,229.13

(Reference) Equity capital: Year ended March 31, 2009: ¥25,606 million; Year ended March 31, 2008: ¥25,275 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2009	2,220	(1,377)	(694)	11,502
Year ended March 31, 2008	3,473	(1,776)	(698)	11,264

2. Dividends

(Record date)	Cash Dividends per Share					Total Dividends Paid (annual)	Payout Ratio (consolidated)	Dividends to Net Assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2008	–	16.00	–	16.00	32.00	658	30.5	2.6
Year ended March 31, 2009	–	16.00	–	16.00	32.00	658	54.7	2.6
Year ending March 31, 2010 (forecast)	–	16.00	–	16.00	32.00		30.1	

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Percentage figures indicate the rates of changes from the corresponding period in the preceding fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	36,447	5.7	1,719	(15.8)	1,822	(16.0)	908	(5.3)	44.20
Full year	75,369	5.6	4,043	15.6	4,258	14.3	2,187	81.8	106.39

4. Other Information

- (1) Changes in significant subsidiaries involving a change in the scope of consolidation during the year: Yes
 Newly included: 1 company (Company name: the anonymous association managed by the limited liability company SRF2007) Removed: None (Company name:)
- (2) Changes in accounting policies and procedures and/or the method of presentation for preparing consolidated financial statements (as stated in the "Changes in Basis of Presentation of Consolidated Financial Statements")
 1) Changes associated with the revision of accounting standards: Yes
 2) Changes other than the above: None
- (3) Number of shares issued and outstanding (common stock)
 1) Number of shares issued and outstanding at the year-end (including treasury stock):
 Year ended March 31, 2009: 20,590,153 shares; Year ended March 31, 2008: 20,590,153 shares
 2) Number of treasury stocks at the year-end:
 Year ended March 31, 2009: 27,922 shares; Year ended March 31, 2008: 26,869 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Non-Consolidated Business Results

(Percentage figures indicate the rates of changes from the preceding fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2009	49,387	6.4	1,941	(17.4)	2,331	(37.3)	566	(57.6)
Year ended March 31, 2008	46,396	5.2	2,350	(6.6)	3,718	22.0	1,337	(24.1)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2009	27.54	-
Year ended March 31, 2008	65.02	-

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2009	24,067	17,103	71.1	831.81
Year ended March 31, 2008	24,470	17,389	71.1	845.67

(Reference) Equity capital: Year ended March 31, 2009: ¥17,103 million; Year ended March 31, 2008: ¥17,389 million

2. Non-Consolidated Financial Results Forecast for the Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Percentage figures indicate the rates of changes from the corresponding period in the preceding fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	24,023	(0.4)	836	(5.5)	1,134	(3.9)	663	19.6	32.27
Full year	50,000	1.2	2,050	5.6	2,457	5.4	1,437	153.8	69.90

*** Explanation concerning the appropriate use of financial result forecasts and other special notes**

The future prospects of the business results, etc., described in this material is based on information that the Company has acquired and certain assumptions assessed to be reasonable, and there is a possibility that actual business results, etc., will be greatly different depending on various factors.

According to the prospect of the next period which would be the assumption of the estimated business results, please refer to page 4, "1. Operating results, (1) Analysis of Operating Results, 3) Future outlook".

1. Operating Results

(1) Analysis of Operating Results

1) Operating results for the year ended March 31, 2009

During the fiscal year (the year ended March 31, 2009), the global economic crisis caused by the turmoil in international financial markets impacted the Japanese economy, which saw a sharp slowdown in business activity. Because of the stalled U.S. and European economies, exports decreased dramatically, significantly reducing corporate earnings, which in turn led to drastic reduction in capital expenditures and rapid deterioration of employment conditions. Consequently, the environment surrounding the Japanese economy remained very severe and uncertain throughout the year.

Conditions continued to be difficult in the building maintenance industry, as customers focused on cost cutting because of their deteriorating revenue environment, while properties were closed or scaled-down. The business office market, which had been comparatively firmer, faced the same conditions and saw a noticeable rise of the vacancy rate since last autumn and a further decline of real estate prices.

Under such circumstances, the Nippon Kanざい Group aggressively worked on property management, private finance initiatives (PFI), and the designated administrator system, to continue expanding businesses peripheral to building maintenance.

The Group was further reinforced and was able to build a new relationship with the Shiseido Group by acquiring in November 2008 a 90% stake in the former Shiseido Kaihatsu Co., Ltd. (now NS Corporation), previously a fully owned subsidiary of Shiseido Co., Ltd.

As a result, the Group was able to continue expanding its operations, and net sales for the current fiscal year rose by 7.5% year on year to 71,392 million yen, with steady contributions from contracts for large new properties secured since the beginning of the year, increased contracts in nonrecurring business, including openings of new facilities, and contributions from the newly consolidated NS corporation.

As for income, overall contract amounts grew at a sluggish pace, affected by the reduced unit prices of new contracts and demands for discounts on existing contracts. In addition to temporary costs caused by startups of new real estate projects and withdrawals from unprofitable projects, deteriorating conditions in the real estate market affected real estate fund management, which is one of the Group's businesses, causing a drop in the prices of real estate for sale, the recording of a loss on valuation, and in turn, a sharp rise in costs.

Selling, general and administrative expenses saw increased costs caused by the building of internal controls and new line-of-business systems, and increased personnel expenses resulting from the strengthening of our management system. As a result, the operating income shrank 26.4% year on year to 3,497 million yen and ordinary income fell 35.6% year on year to 3,725 million yen.

The end of the fiscal year saw a continuation of the significant drop in stock prices brought on by the international financial turmoil of last autumn and the degradation of Japan's real economy. The price of investment securities held by the Group was affected, and large losses were recorded on their valuation, resulting in a steep reduction in net income for the year to 1,203 million yen (44.2% year on year).

2) Business by segment

[Building Management and Operating Business]

In our core Building Management and Operating Business, which is engaged in building management service and security, we secured a steady stream of new contracts and contracts in businesses peripheral to building maintenance, mainly for designated administrator system, PFI, and real estate fund-related properties. With the added effect of the new consolidation of NS Corporation in the fourth quarter, our operations continued to expand, with consolidated net sales for the fiscal year rising by 7.6% year on year to 62,469 million yen.

As for income, operating income fell by 0.4% year on year to 6,521 million yen, reflecting demands for discounts on existing properties, startup costs of new properties, and temporary costs generated by withdrawals from unprofitable properties, in addition to increases in major costs, primarily personnel expenses.

[Environmental Facility Management Business]

In the Environmental Facility Management Business, which is mainly engaged in the management of public facilities for water and sewerage, we secured an overall firm number of new contracts, particularly for the management of incinerators and recycling facilities, and contract amounts rose, following changes in part of our contracts—from conventional contracts for outsourced operational management to contracts for comprehensive operational management of entire facilities. As a result, net sales increased by 8.6% year on year to 6,259 million yen.

Although we revised outsourcing costs and costs of equipment purchases in individual contracts and implemented thorough cost management centered on the efficient assignment of personnel, the tight fiscal conditions faced by local governments, which are our main customers, remained, resulting in severe price revisions, while management costs generated by operating activities also increased. Consequently, the operating income fell by 5.2% year on year to 617 million yen.

[Temporary Staffing Business]

In the Temporary Staffing Business, which is centered on product management inside warehouses, conditions with regard to contract amounts for both product processing operations and warehouse entry and dispatch operations remained difficult, and we withdrew from production line staffing because of the absence of prospects of continuity. As a result, consolidated net sales decreased by 23.2% year on year to 1,506 million yen.

As for income, an operating loss of 27 million yen reflected the inability to absorb overall business costs because of low contract amounts, major new projects becoming unprofitable, and costs associated with withdrawal from other unprofitable projects.

[Real Estate Fund Management Business]

In asset management operations, which entail forming real estate funds and managing assets, and real estate fund management operations, which mainly handle investments in anonymous associations, a stable asset management income was recorded. However, fee revenue from acquisitions and sales of assets decreased, and dividends from anonymous associations were reduced, as conditions deteriorated in the real estate market because of rising vacancy rates, decreased rent revenue, and credit restraint. As a result, net sales shrank 11.0% year on year to 557 million yen.

As for income, non-recurring income from acquisitions and sales and dividends fell, and the prices of real estate for sale held by the fund business of our Group dropped, affected by the deterioration of the real estate market. As a result we recorded valuation losses on real estate for sale. For the same reasons, we recorded valuation losses on our equity in part of the anonymous associations for business purposes in which the Group has invested. The overall result was an operating loss of 553 million yen.

[Other Businesses]

Other Business, which includes mainly event planning and management, printing, and design, conducted sales to our main customer, the Shiseido Group, generating net sales of 599 million yen and an operating income of 41 million yen.

3) Future outlook

As for the future outlook, conditions remain severe, as an acute recession caused by the global financial crisis unfolds. Domestically, deteriorating corporate performance resulted in restrained capital expenditure, while employment conditions worsened and consumer spending slowed down. In this difficult context, the market environment should remain severe for the building maintenance industry, with corporations' renewed focus on cost cutting because of changes in their revenue environment, in addition to competition within the industry.

Amidst these circumstances, the Nippon Kanzai Group will continue its aggressive development centered on planning and propositions to companies for designed administrator system, PFI operations, etc., while engaging in new fields—parking operation and management, event planning and management, etc.—and energy saving-related businesses.

In addition, the Group is striving to expand business operations, while working at enhancing quality assurance based on ISO and raising customer satisfaction by focusing on the provision of services of better quality. It also aims at stricter cost management and improved revenue.

According to the consolidated business results for the year ending March 31, 2010, we estimate that net sales will be 75,369 million yen (an increase of 5.6% year on year), operating income will be 4,043 million yen (an increase of 15.6% year on year), ordinary income will be 4,258 million yen (an increase of 14.3% year on year) and the consolidated net income will be 2,187 million yen (an increase of 81.8% year on year).

(2) Analysis of Financial Conditions

[Financial conditions]

Total assets at the end of the current fiscal year increased by 2,873 million yen (7.9%) year on year to 39,341 million yen.

Current assets increased by 4,125 million yen (19.4%) year on year to 25,339 million yen, and fixed assets decreased by 1,251 million yen (8.2%) year on year to 14,001 million yen.

Overall current assets rose, as a 2,987 million yen increase was recorded in real estate for sale, in addition to increases in cash and time deposits, and notes and accounts receivable. This increase in real estate for sale corresponds to managed assets held by anonymous associations (real estate funds) newly included in the scope of consolidation, so recorded because of their monetary importance this fiscal year. On the other hand, as the real estate market deteriorated, valuation losses were caused by a drop in asset value in part of the assets managed by anonymous associations in which the Group has invested, and investments in anonymous associations were reimbursed, resulting in a 899 million yen decrease, year on year, of our investment in anonymous associations for business purposes.

Fixed assets decreased significantly (1,715 million yen year on year), reflecting the sharp decline of stock prices between last autumn and the end of the fiscal year, and the recorded loss on valuation of investment securities. Total

liabilities at the end of the fiscal year rose by 1,911 million yen (18.9%) year on year to 12,024 million yen.

This increase was mainly due to the rise in non-recourse loans (long term, current portion: 535 million yen; long term: 1,442 million yen), procured by anonymous associations newly included in the scope of consolidation to form real estate funds. On the other hand, accrued income taxes decreased by 940 million yen year on year because of the profit decline.

Net assets at the end of the fiscal year increased by 961 million yen (3.6%) year on year to 27,316 million yen.

This rise was mainly due to increased retained earnings (545 million yen) after a net income was recorded, and increased minority interests (508 million yen) in anonymous associations (real estate funds) newly included in the scope of consolidation this fiscal year.

As a result, equity ratio at the fiscal year-end decreased by 4.2 points to 65.1% from the end of the previous fiscal year's 69.3%.

The Company's financial principle is to secure the necessary liquidity and maintain a sound balance sheet.

[Conditions of cash flows]

Despite an increase in income tax paid to 2,424 million yen (592 million yen increase year on year), a decrease in interest and dividend income to 160 million yen (799 million yen decrease year on year), and an increase in expenditures for purchases of tangible fixed assets to 1,007 million yen (729 million yen increase year on year), cash and cash equivalents (hereinafter "funds") on a consolidated basis rose by 238 million yen (2.1%) to 11,502 million yen compared to the end of the previous fiscal year, because of a significant amount of decrease in income before income taxes, which resulted from a 1,278 million yen loss on valuation of investment securities (736 million yen increase year on year).

The conditions and main factors of cash flows for the fiscal year are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year decreased by 1,253 million yen to 2,220 million yen. This was mainly due to a significant decrease of income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year decreased by 399 million yen to 1,377 million yen. These funds were mostly used for purchases of tangible fixed assets and subsidiary shares.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year was 694 million yen, decreased by 3 million yen from the previous fiscal year. This was mainly attributable to the payments of cash dividends.

(Reference) Changes of the indexes relating to the cash flows (%)

Years ended March 31,	2005	2006	2007	2008	2009
Equity ratio	68.6	68.4	70.1	69.3	65.1
Equity ratio based on the current values	132.2	215.9	188.2	166.6	65.1
Cash flows interest-bearing liabilities ratio	—	—	—	—	0.9
Interest coverage ratio	—	—	—	—	449.7

Equity ratio: shareholder's equity / total assets

Equity ratio based on the current values: total value of shares / total assets

Cash flows interest-bearing liabilities ratio: interest-bearing liabilities / cash flows

Interest coverage ratio: cash flows / interest payment

* Each index was calculated using consolidated financial figures

* The total value of shares was calculated using the closing stock price at the end of fiscal year × the issued number of shares after deducting treasury stock.

* The cash flows were operating cash flows.

* The interest-bearing liabilities covered all liabilities which accrued interest payment in the balance sheet.

* The "Cash flows from operating activities" and "Interest paid" on the consolidated statements of cash flows were used as operating cash flows and interest payment, respectively.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for Fiscal 2008 and 2009

As for the allocation of profits, in accordance with short-, medium- and long-term viewpoints, our basic policy is to continue to provide stable dividends through a strengthened management base, aiming at increasing the ratio of earnings to dividends and working at raising share value in the future.

As for dividends for this and next fiscal years, please see “2. Dividends” on page 1.

(4) Business and other risks

In regard to business and other risks of the Group, these are the principal matters considered to significantly influence the judgment of investors. Matters which are not necessarily the factors of business risks for the Group are also described from the point of view of the positive disclosures to our investors.

Assuming that these risks will occur, the Company tries to avoid them and will respond in accordance with accepted practices of business activities.

Including the future possibilities provided in this section, these matters were decided on the day of providing this document.

1) Regulations of the law

The security business of the Group is restricted by the applicable laws and regulations such as the “security business act” (1972 act number 117) and the “security business enforcement regulations” (1983 General Administrative Agency of the Cabinet regulation number 1).

These acts define the necessary regulations about the security business and aim to ensure proper practice of security business. For operating the security business, it is approved by the public safety commission of the prefecture which has the jurisdiction over the main office. It is possible to have the operations temporarily suspended or to receive administrative punishment, including a revocation of the approval, if there is any violation of these applicable laws and regulations.

2) Personal information management

In order to perform the condominium management and other businesses, the Group deals with personal information and tries to comply with the applicable laws and to execute proper management.

However, there is a possibility of influencing the evaluation and the business result of the Group if, by any chance, an accident concerning personal information occurs.

3) Investment in anonymous associations

To engage in the Real Estate Fund Management Business, the Group invested in anonymous associations which amount to 444 million yen as of March 31, 2009.

In the future, there is a possibility of influencing the business result and financial condition of the Group if it happens that part of the principal investment is damaged or the yield rate of the investment is lowered by factors of the real estate market and others.

4) Transaction with the party concerned

The Company has transacted with the party concerned, such as Nippon Service Master Ltd., which corresponds to a controlling company and is the main corporate shareholder for paying casualty insurance premiums, etc.; however, it is a very small amount and there is no influence on the Company’s business.

5) Contract for management and operating service

The Group enters into contracts whereby the management of facilities is undertaken in addition to the existing maintenance and management services of facilities according to diversification of contract types.

Contracts for management and operating services may have an impact on the performance results of the Group due to rising prices and changes in business circumstances, but the internal management risk consideration committee considers all possible risks prior to the conclusion of contracts.

6) Matters regarding determination of scope of consolidation

In the real estate fund industry to which part of the Group belongs, we recognize that the accounting practice to determine the scope of consolidation is not yet conclusive.

The “Practical treatment concerning the application of control approach and influence approach toward investment

partnership” (Practice Handling Report No. 20 of the Accounting Standards Board of Japan) was announced on September 8, 2006, so the Group is applying this practice handling report. We currently determine the scope of consolidation of subsidiaries and affiliates by considering the separate presence or absence of control effects for each fund and SPC.

If an accounting practice that is significantly different from the policy that the Company applies in connection with the determination of the scope of consolidation regarding funds, etc., is established by the establishment of a new accounting standard or announcement of guidelines, the Company’s policy of determination of the scope of consolidation may change significantly and the operating results and the financial conditions of the Group may be materially affected.

2. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

	(Thousands of yen)	
	Year ended March 31, 2008 (As of March 31, 2008)	Year ended March 31, 2009 (As of March 31, 2009)
ASSETS		
Current assets		
Cash and time deposits	11,594,987	12,183,097
Notes and accounts receivable	7,323,753	7,890,714
Securities	9,196	204,241
Investments in anonymous associations for business purposes	1,329,359	429,623
Inventories	74,571	-
Supplies	-	74,668
Real estate for sale	-	2,987,234
Income taxes receivable	-	343,676
Deferred income taxes – current	435,637	571,242
Others	458,322	683,509
Allowance for doubtful accounts	(11,566)	(28,071)
Total current assets	21,214,259	25,339,933
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,371,156	3,609,483
Accumulated depreciation	(1,907,812)	(1,999,016)
Buildings and structures (net)	1,463,344	1,610,467
Machinery and vehicles	126,567	197,972
Accumulated depreciation	(94,154)	(97,740)
Machinery and vehicles (net)	32,413	100,232
Tools, appliance and equipment	638,171	714,397
Accumulated depreciation	(401,709)	(448,068)
Tools, appliance and equipment (net)	236,462	266,329
Land	1,254,009	1,254,009
Lease assets	-	112,880
Accumulated depreciation	-	(9,120)
Lease assets (net)	-	103,760
Construction in progress	2,800	-
Total tangible fixed assets	2,989,028	3,334,797
Intangible fixed assets		
Telephone subscription rights	33,715	34,718
Software	34,248	876,627
Goodwill	442,005	427,577
Lease assets	-	16,129
Software in progress	410,051	-
Total intangible fixed assets	920,019	1,355,051
Investments and other assets		
Investment securities	6,390,943	4,675,249
Investment in anonymous associations	37,067	15,166
Long-term loans	571,193	563,507
Long-term prepaid expenses	7,826	11,574
Guarantee and deposit for leasehold estate	1,832,925	1,939,324
Memberships	454,138	425,923
Deferred tax assets	951,417	1,235,051
Others	1,749,679	1,094,099
Allowance for doubtful accounts	(650,736)	(648,217)
Total investments and other assets	11,344,452	9,311,676
Total fixed assets	15,253,499	14,001,524
TOTAL ASSETS	36,467,758	39,341,457

	(Thousands of yen)	
	Year ended March 31, 2008 (As of March 31, 2008)	Year ended March 31, 2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,565,978	4,103,562
Current portion of long-term non-recourse loans	-	535,500
Lease obligations	-	22,548
Accrued expenses	1,853,796	1,772,134
Accrued income taxes	1,465,100	524,274
Accrued consumption taxes	360,682	332,595
Deposits received	267,574	234,246
Advances received	123,432	137,858
Accrued bonuses	647,916	665,476
Accrued directors' bonuses	81,620	82,150
Others	150,101	69,922
Total current liabilities	<u>8,516,199</u>	<u>8,480,265</u>
Fixed liabilities		
Long-term non-recourse loans	-	1,442,000
Lease obligations	-	98,261
Deferred tax liabilities	4,668	-
Allowance for employees' retirement benefits	71,143	124,345
Allowance for directors' retirement benefits	443,289	470,290
Long-term guarantee deposits received	1,075,921	1,402,473
Others	1,685	7,069
Total fixed liabilities	<u>1,596,706</u>	<u>3,544,438</u>
TOTAL LIABILITIES	<u>10,112,905</u>	<u>12,024,703</u>
NET ASSETS		
Shareholders' equity		
Common stock	3,000,000	3,000,000
Capital surplus	499,016	499,127
Retained earnings	22,167,998	22,713,544
Treasury stock	(56,631)	(58,928)
Total shareholders' equity	<u>25,610,383</u>	<u>26,153,743</u>
Unrealized gains and adjustments		
Valuation difference on marketable securities	(335,335)	(547,150)
Total unrealized gains and adjustments	<u>(335,335)</u>	<u>(547,150)</u>
Minority interests	1,079,805	1,710,161
TOTAL NET ASSETS	<u>26,354,853</u>	<u>27,316,754</u>
TOTAL LIABILITIES AND NET ASSETS	<u>36,467,758</u>	<u>39,341,457</u>

(2) Consolidated Statements of Income

	(Thousands of yen)	
	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Net sales	66,388,224	71,392,197
Cost of sales	52,843,064	58,393,462
Gross profit	13,545,160	12,998,735
Selling, general and administrative expenses		
Selling expenses	280,135	288,999
Personnel expenses	4,726,832	5,160,003
Provision for accrued bonus	189,680	187,690
Provision for accrued directors' bonus	81,620	80,397
Provision for allowance for directors' retirement benefits	28,047	60,126
Retirement benefits expense	51,184	79,510
Transportation and communication expense	677,372	744,914
Supplies expense	480,593	466,756
Lease expense	753,621	784,859
Insurance expense	172,303	177,229
Depreciation and amortization	143,600	174,145
Tax and public charge	58,633	63,881
Enterprise tax	87,721	75,953
Provision for allowance for doubtful accounts	4,272	59,294
Amortization of goodwill	126,357	132,121
Other	933,442	965,645
Total selling, general and administrative expenses	8,795,412	9,501,522
Operating income	4,749,748	3,497,213
Non-operating income		
Interest and dividends income	173,754	165,816
Gain on sale of investment securities	3,000	57
Rent earned	51,178	48,327
Insurance dividends	44,262	39,066
Investment return from anonymous associations	791,153	–
Compensation for removal	–	35,081
Others	55,061	47,866
Total non-operating income	1,118,408	336,213
Non-operating expenses		
Interest expenses	2,632	4,937
Loss on sale of investment securities	–	964
Expense related to leasehold estates	42,931	41,974
Equity in losses of affiliates	18,604	573
Loss on investment of anonymous association	–	21,901
Loss on retirement and disposal of fixed assets	–	22,871
Others	16,452	14,428
Total non-operating expenses	80,619	107,648
Ordinary income	5,787,537	3,725,778
Extraordinary losses		
Loss on valuation of investment securities	542,001	1,278,813
Impairment losses	–	52,884
Provision for allowance for doubtful accounts	500,000	–
Others	14,584	47,381
Total extraordinary losses	1,056,585	1,379,078
Income before income taxes	4,730,952	2,346,700
Income, inhabitant and business taxes	2,537,085	1,243,953
Adjustments for income and other taxes	(77,662)	(112,372)
Total income and other taxes	2,459,423	1,131,581
Minority interests	114,181	11,555
Net income	2,157,348	1,203,564

(3) Consolidated Statements of Changes in Shareholders' Equity

	(Thousands of yen)	
	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	3,000,000	3,000,000
Change of items during the term		
Total change of items during the term	–	–
Balance at end of current fiscal year	<u>3,000,000</u>	<u>3,000,000</u>
Capital surplus		
Balance at end of previous fiscal year	498,960	499,016
Change of items during the term		
Disposal of treasury stock	56	111
Total change of items during the term	<u>56</u>	<u>111</u>
Balance at end of current fiscal year	<u>499,016</u>	<u>499,127</u>
Retained earnings		
Balance at end of previous fiscal year	20,668,706	22,167,998
Change of items during the term		
Dividend from retained earnings (year-end)	(329,035)	(329,013)
Dividend from retained earnings (interim)	(329,021)	(329,005)
Net income	2,157,348	1,203,564
Total change of items during the term	<u>1,499,292</u>	<u>545,546</u>
Balance at end of current fiscal year	<u>22,167,998</u>	<u>22,713,544</u>
Treasury stock		
Balance at end of previous fiscal year	(52,389)	(56,631)
Change of items during the term		
Acquisition of treasury stock	(4,448)	(2,569)
Disposal of treasury stock	206	272
Total change of items during the term	<u>(4,242)</u>	<u>(2,297)</u>
Balance at end of current fiscal year	<u>(56,631)</u>	<u>(58,928)</u>
Total shareholders' equity		
Balance at end of previous fiscal year	24,115,277	25,610,383
Change of items during the term		
Dividend from retained earnings (year-end)	(329,035)	(329,013)
Dividend from retained earnings (interim)	(329,021)	(329,005)
Net income	2,157,348	1,203,564
Acquisition of treasury stock	(4,448)	(2,569)
Disposal of treasury stock	262	383
Total change of items during the term	<u>1,495,106</u>	<u>543,360</u>
Balance at end of current fiscal year	<u>25,610,383</u>	<u>26,153,743</u>

	(Thousands of yen)	
	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Unrealized gains and adjustments		
Unrealized gains on other securities		
Balance at end of previous fiscal year	468,613	(335,335)
Change of items during the term		
Changes other than shareholders' equity during the term (net)	(803,948)	(211,815)
Total change of items during the term	(803,948)	(211,815)
Balance at end of current fiscal year	(335,335)	(547,150)
Total unrealized gains and adjustments		
Balance at end of previous fiscal year	468,613	(335,335)
Change of items during the term		
Changes other than shareholders' equity during the term (net)	(803,948)	(211,815)
Total change of items during the term	(803,948)	(211,815)
Balance at end of current fiscal year	(335,335)	(547,150)
Minority interests		
Balance at end of previous fiscal year	1,002,375	1,079,805
Change of items during the term		
Changes other than shareholders' equity during the term (net)	77,430	630,356
Total change of items during the term	77,430	630,356
Balance at end of current fiscal year	1,079,805	1,710,161
Total net assets		
Balance at end of previous fiscal year	25,586,265	26,354,853
Change of items during the term		
Dividend from retained earnings (year-end)	(329,035)	(329,013)
Dividend from retained earnings (interim)	(329,021)	(329,005)
Net income	2,157,348	1,203,564
Acquisition of treasury stock	(4,448)	(2,569)
Disposal of treasury stock	262	383
Changes other than shareholders' equity during the term (net)	(726,518)	418,541
Total change of items during the term	768,588	961,901
Balance at end of current fiscal year	26,354,853	27,316,754

(4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Cash flows from operating activities		
Income before income taxes	4,730,952	2,346,700
Depreciation and amortization	164,355	215,983
Impairment loss	–	52,884
Amortization of goodwill	126,357	132,121
Increase (decrease) in accrued bonuses	(17,558)	5,244
Increase (decrease) in accrued directors' bonuses	21,620	(42)
Increase (decrease) in allowance for employees' retirement benefits	2,373	26,123
Increase (decrease) in allowance for directors' retirement benefits	19,559	27,001
Increase (decrease) in allowance for doubtful accounts	495,128	13,986
Equity in losses (earnings) of affiliated companies	18,604	573
Interest and dividends received	(173,754)	(165,816)
Loss (gain) on investment in anonymous associations	(791,153)	21,901
Interest expenses	2,632	4,937
Loss (gain) on sale or retirement of fixed assets	–	22,871
Loss (gain) on sale of investment securities	(3,000)	907
Loss (gain) on revaluation of investment securities	542,001	1,278,813
Increase (decrease) in accounts receivable	(407,285)	(138,272)
(Increase) decrease in investments in anonymous associations for business purposes	(349,785)	645,193
(Increase) decrease in inventories	(16,416)	1,589
(Increase) decrease in other assets	104,601	258,090
Increase (decrease) in purchasing debts	390,870	42,254
Increase (decrease) in consumption tax, etc.	(3,848)	(37,207)
Increase (decrease) in other liabilities	(462,600)	(258,279)
Others	(44,261)	(8,086)
Subtotal	4,349,392	4,489,468
Interest and dividend income	959,781	160,454
Interest paid	(2,632)	(4,937)
Income taxes paid	(1,832,590)	(2,424,783)
Net cash provided by operating activities	3,473,951	2,220,202

(Thousands of yen)		
	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Cash flows from investing activities		
Decrease in time deposits	(495,604)	(195,650)
Increase in time deposits	395,586	345,754
Expenditure for purchase of tangible and intangible fixed assets	(278,317)	(1,007,771)
Income from sale of tangible and intangible fixed assets	5,164	223
Expenditure for acquisition of investment securities	(1,444,575)	(134,362)
Income from sale of investment securities	14,000	20,356
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(386,006)
Investments in anonymous associations resulting in change in scope of consolidation	–	(105,960)
Income from reimbursement of investment in anonymous associations	62,933	–
Expenditure for lending	(8,860)	(286,552)
Income from recovery of loans	17,716	106,766
(Increase) decrease in guarantee and deposit for leasehold estate	318,477	(9,126)
Increase (decrease) in deposit guarantees received	(313,841)	175,919
Others	(49,639)	98,605
Net cash used in investing activities	<u>(1,776,960)</u>	<u>(1,377,804)</u>
Cash flows from financing activities		
Income from short-term loans	600,000	1,700,000
Expenditure for repayment of short-term loans	(600,000)	(1,700,000)
Repayments of lease obligations	–	(9,564)
Income from sales and expenditure for purchase of treasury stock	(4,186)	(2,186)
Repayments to minority shareholders	–	(16,903)
Dividend paid	(659,032)	(622,138)
Dividend paid to minority shareholders	(35,000)	(43,751)
Net cash used in financing activities	<u>(698,218)</u>	<u>(694,542)</u>
Net increase (decrease) in cash and cash equivalents	<u>98,773</u>	<u>147,856</u>
Cash and cash equivalents at beginning of term	10,265,528	11,264,301
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	90,358
Cash and cash equivalents at end of term	<u>11,264,301</u>	<u>11,502,515</u>

(5) Notes on the Premise of a Going Concern

Year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

There is nothing to report.

Year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

There is nothing to report.

(6) Notes to Consolidated Financial Statements

[Omission of Disclosure]

Matters related to lease transactions, derivatives transactions, retirement benefits, stock options, and tax efficient accounting, and important notes related to information on related parties, are omitted because their disclosure in this financial statement is not considered essential.

[Segment information]

1. Business segment information

Year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(Thousands of yen)

	Building Management and Operating	Environmental Facility Management	Temporary Staffing	Real Estate Fund Management	Total	Elimination or Total	Consolidation
Net sales							
(1) Net sales to external customers	58,035,290	5,766,739	1,960,042	626,153	66,388,224	—	66,388,224
(2) Intersegment net sales and transfer	—	—	—	—	—	—	—
Total	58,035,290	5,766,739	1,960,042	626,153	66,388,224	—	66,388,224
Operating expenses	51,486,474	5,115,759	1,842,363	355,984	58,800,580	2,837,896	61,638,476
Operating income	6,548,816	650,980	117,679	270,169	7,587,644	(2,837,896)	4,749,748
Assets, depreciation and capital expenditure							
Assets	18,108,997	1,396,220	393,587	2,397,238	22,296,042	14,171,716	36,467,758
Depreciation	69,006	4,873	1,998	3,158	79,035	82,864	161,899
Capital expenditure	42,839	2,080	1,436	6,411	52,766	473,306	526,072

Notes:

1. Segmentation

The Group's services are divided into the categories of building management and operating, environmental facility management, temporary staffing and real estate fund management businesses.

2. Main business in each service category

Category	Main Businesses
Building Management and Operating Business	Building cleaning, facility maintenance, and all-day resident security services for multipurpose buildings, city hotels, condominiums and rental apartments; automated security service with automated emergency response equipment that quickly notifies using sensors and telephone line
Environmental Facility Management Business	Management of water supply and sewage disposal plants, operation and maintenance of human waste treatment plants.
Temporary Staffing Business	Temporary staffing for receptionists and telephone operators, and distribution processing services and logistics processing services in warehouses
Real Estate Fund Management Business	Management and arrangement of real estate fund, investment in anonymous associations, investment consulting and asset management and building operating business

3. In the category of operating expenses, the amount "Elimination or Total", is the administration cost in the administration and accounting departments of the Company, and therefore cannot be distributed.

4. In the category of assets, the amount "Elimination or Total" is the asset of the Group, and consists mainly of cash, time deposits, securities, investment securities and the assets of the administration department of the Company.

5. Until the end of the previous fiscal year, business segmentation comprised the three segments "Integrated Building Management Business," "Facility Management Business," and "Temporary Staffing Business". However, we considered "Real Estate Fund Management Business" as our strategic importance and transferred it to Tokyo Capital Management Co., Ltd., by the corporate division. The business was previously a part of "Integrated Building Management Business," but from the current fiscal year became an independent segment as "Real Estate Fund Management Business" due to its future business development.

The category "Integrated Building Management Business" changed its name to "Building Management and Operating Business," and "Facility Management Business" changed its name to "Environmental Facility Management Business" in order to accurately represent the actual situation of the businesses.

Segment information by business type for the previous fiscal year, applying business segmentation of the current fiscal year, is as follows:

Year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(Thousands of yen)

	Building Management and Operating	Environmental Facility Management	Temporary Staffing	Real Estate Fund Management	Total	Elimination or Total	Consolidation
Net sales							
(1) Net sales to external customers	53,662,648	5,369,226	1,901,691	672,911	61,606,476	–	61,606,476
(2) Intersegment net sales and transfer	–	–	–	–	–	–	–
Total	53,662,648	5,369,226	1,901,691	672,911	61,606,476	–	61,606,476
Operating expenses	47,382,437	4,783,669	1,731,447	359,995	54,257,548	2,811,230	57,068,778
Operating income	6,280,211	585,557	170,244	312,916	7,348,928	(2,811,230)	4,537,698
Assets, depreciation and capital expenditure							
Assets	17,884,875	1,349,352	512,660	1,819,206	21,566,093	13,517,502	35,083,595
Depreciation	72,817	5,919	2,466	–	81,202	87,005	168,207
Capital expenditure	38,400	3,250	370	16,196	58,216	33,888	92,104

6. Equity in losses (earnings) in relation to anonymous associations invested with business purposes and related expenses were recorded as operating income/expenses.

This change led to an increase of ¥35,265 thousand in net sales and ¥52,651 thousand in operating expenses as well as a decrease by ¥17,386 thousand in operating income in comparison to those applying the previous method in the Real Estate Fund Management Business.

Year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

(Thousands of yen)

	Building Management and Operating	Environmental Facility Management	Temporary Staffing	Real Estate Fund Management	Other Businesses	Total	Elimination or Total	Consolidation
Net sales								
(1) Net sales to external customers	62,469,154	6,259,969	1,506,199	557,314	599,561	71,392,197	–	71,392,197
(2) Intersegment net sales and transfer	–	–	–	–	–	–	–	–
Total	62,469,154	6,259,969	1,506,199	557,314	599,561	71,392,197	–	71,392,197
Operating expenses	55,947,212	5,642,549	1,533,454	1,110,182	557,572	64,790,969	3,104,015	67,894,984
Operating income	6,521,942	617,420	(27,255)	(552,868)	41,989	6,601,228	(3,104,015)	3,497,213
Assets, depreciation and capital expenditure								
Assets	19,501,168	1,440,304	221,465	4,382,627	919,368	26,464,932	12,876,525	39,341,457
Depreciation	102,523	4,365	1,949	35,885	1,236	145,958	99,745	245,703
Impairment loss	–	–	–	–	–	–	52,884	52,884
Capital expenditure	304,760	6,397	3,010	405	10,545	325,117	692,956	1,018,073

Notes:

1. Segmentation

The Group's services are divided into the categories of building management and operating, environmental facility management, temporary staffing and real estate fund management businesses.

2. Main business in each service category

Category	Main Businesses
Building Management and Operating Business	Building cleaning, facility maintenance, and all-day resident security services for multipurpose buildings, city hotels, condominiums and rental apartments; automated security service with automated emergency response equipment that quickly notifies using sensors and telephone line
Environmental Facility	Management of water supply and sewage disposal plants, operation and maintenance of human

Management Business	waste treatment plants.
Temporary Staffing Business	Temporary staffing for receptionists and telephone operators, and distribution processing services and logistics processing services in warehouses
Real Estate Fund Management Business	Management and arrangement of real estate fund, investment in anonymous associations, investment consulting and asset management and building operating business
Other Businesses	Event planning and management, printing and design, bookbinding, and real estate sales and brokerage

3. Additional information

Until the end of the previous fiscal year, business segmentation comprised the three segments "Building Management and Operating Business," "Environment Facility Management Business," "Temporary Staffing Business" and "Real Estate Fund Management Business". This fiscal year, NS Corporation became a consolidated subsidiary of Nippon Kanzai. Because, in addition to its core building management business, NS Corporation also handles businesses such as event planning and operation, printing and design, bookbinding, and real estate sales and brokerage, and these fields are different from those conventionally handled by the Group, starting from this fiscal year, these businesses were indicated independently under a new category, "Other Business."

Please note that there is no influence on business segment information of the previous year.

4. In the category of operating expenses, the amount "Elimination or Total", is the administration cost in the administration and accounting departments of the Company, and therefore cannot be distributed.
5. In the category of assets, the amount "Elimination or Total" is the asset of the Group, and consists mainly of cash, time deposits, securities, investment securities and the assets of the administration department of the Company.
6. Change in accounting policy

From the current fiscal year, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result, operating expenses of Real Estate Fund Management segment has increased by 192,843 thousand yen, while operating income has decreased the same amount.

2. Segment information by geographic region

Not applicable.

3. Overseas sales

Not applicable.

[Securities]

1. Other marketable securities having a market value

(Thousands of yen)

Types	Year ended March 31, 2008			Year ended March 31, 2009		
	Acquisition costs	Amount posted on the consolidated balance sheets	Difference	Acquisition costs	Amount posted on the consolidated balance sheets	Difference
Securities whose amount posted on the consolidated balance sheets exceed acquisition costs						
(1) Stocks	1,103,937	1,527,496	423,559	321,535	364,502	42,967
(2) Bonds						
1) Government and local government bonds	9,827	9,827	—	—	—	—
2) Corporate bonds	—	—	—	—	—	—
3) Other	—	—	—	—	—	—
(3) Other	93,646	137,398	43,752	30,430	34,570	4,140
Sub-total	1,207,410	1,674,721	467,311	351,965	399,072	47,107
Securities whose amount posted on the consolidated balance sheets do not exceed acquisition costs						
(1) Stocks	4,019,398	2,978,630	(1,040,768)	3,573,478	2,624,056	(949,422)
(2) Bonds						
1) Government and local government bonds	—	—	—	19,833	19,827	(6)
2) Corporate bonds	—	—	—	—	—	—
3) Other	—	—	—	—	—	—
(3) Other	100,613	98,623	(1,990)	151,467	134,323	(17,144)
Sub-total	4,120,011	3,077,253	(1,042,758)	3,744,778	2,778,206	(966,572)
Grand Total	5,327,421	4,751,974	(575,447)	4,096,743	3,177,278	(919,465)

Notes:

During the year ended March 31, 2008 (April 1, 2007 to March 31, 2008), other marketable securities having a market value were written down by 451,536 thousand yen.

Except in cases in which it is recognized that there is a possibility of a recovery in value, the Company writes down marketable securities with a market value that has declined by 50% or more, compared to the acquisition cost, as of the final day of the consolidated fiscal year.

In cases in which the market value has declined by at least 30%, but less than 50%, as of the final day of the consolidated fiscal year, compared to the acquisition cost, the Company, except in cases in which it is recognized that there is a possibility of a recovery in value, identifies a market cost level for the securities by referring to the divergence of market value from acquisition value during a certain period in the past, and other factors. It also considers financial ratios and other information based on data from the publicly released financial statements of the issuing entity. The Company then makes an overall judgment regarding the issue of whether to write down the marketable securities.

During the year ended March 31, 2009 (April 1, 2008 to March 31, 2009), other marketable securities having a market value were written down by 1,278,813 thousand yen.

Except in cases in which it is recognized that there is a possibility of a recovery in value, the Company writes down marketable securities with a market value that has declined by 50% or more, compared to the acquisition cost, as of the final day of the consolidated fiscal year.

In cases in which the market value has declined by at least 30%, but less than 50%, as of the final day of the consolidated fiscal year, compared to the acquisition cost, the Company, except in cases in which it is recognized that there is a possibility of a recovery in value, identifies a market cost level for the securities by referring to the divergence of market value from acquisition value during a certain period in the past, and other factors. It also considers financial ratios and other information based on data from the publicly released financial statements of the issuing entity. The Company then makes an overall judgment regarding the issue of whether to write down the marketable securities.

2. Other securities sold during the consolidated fiscal years

(Thousands of yen)

Year ended March 31, 2008			Year ended March 31, 2009		
Sales amount	Total gains on sales	Total losses on sales	Sales amount	Total gains on sales	Total losses on sales
14,000	3,000	—	20,356	57	964

3. Major securities without market value and their amount posted on the consolidated balance sheets

(Thousands of yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Other securities		
Non-listed shares	505,247	463,518
Non-listed government bonds*	500,000	500,000
Joint money trust	200,000	200,000
Investments in limited liability investment partnerships and similar associations	88,889	70,737

Note: * Allowances for doubtful accounts are set individually, taking into consideration the possibility of recovery.

4. Forecast future liabilities for securities with maturity dates

(Thousands of yen)

	Year ended March 31, 2008				Year ended March 31, 2009			
	1 year or less	1-5 years	5-10 years	Over 10 years	1 year or less	1-5 years	5-10 years	Over 10 years
1. Bonds								
(1) Government and local government bonds	—	—	—	—	—	—	—	—
(2) Corporate bonds*	—	500,000	—	—	—	500,000	—	—
(3) Other	—	—	—	—	—	—	—	—
2. Other	9,196	207,696	—	—	204,241	—	—	—
Total	9,196	707,696	—	—	204,241	500,000	—	—

Note: *Allowances for doubtful accounts are set individually, taking into consideration the possibility of recovery.

[Important subsequent events]

Year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

During the board meeting of June 2, 2008, Nippon Kanzai signed with Shiseido Co., Ltd. a letter of understanding aimed at discussing a final agreement to be reached in September 2008 regarding the transfer of shares, and outsourcing of facility management, of Shiseido Kaihatsu Co., Ltd., a subsidiary of Shiseido Co., Ltd., in charge of the construction, real estate, printing, events, and other businesses of its parent company.

1. Purpose of share transfer

Shiseido Co., Ltd. will split Shiseido Kaihatsu Co., Ltd., which holds part of the real estate of the Shiseido Group and handles the construction, real estate, printing, events, and other businesses of Shiseido Co., Ltd., into an “asset holding company” and “business operating company.” Shiseido Co., Ltd. will transfer 90% of the shares of the business operating company, and outsource facility management, to Nippon Kanzai, which is a company that specializes in facility management outside of the Shiseido Group. The purpose is for the Shiseido Group to improve its facility management and reduce its costs, and for Nippon Kanzai to expand its Group and improve its consolidated performance.

2. Transferor company

Shiseido Co., Ltd.

3. Name, business and size of the company whose shares are transferred

- | | |
|-----------------------------------|--|
| 1) Trade name: | Shiseido Kaihatsu Co., Ltd. |
| 2) Representative: | Tanabe, Representative Director |
| 3) Head office: | 7-5-5, Ginza, Chuo-ku, Tokyo |
| 4) Date of establishment: | December 8, 1969 |
| 5) Main businesses: | Construction, real estate, asset management, printing, events, and operation and management of training facilities |
| 6) Financial year: | April 1 to March 31 of the following year |
| 7) Number of employees: | 84 |
| 8) Paid-in capital: | 495 million yen |
| 9) Total number of shares issued: | 990,000 shares |
| 10) Composition of shareholders | Shiseido Company, Limited (100%) |

* Items 7) through 9) are as of March 31, 2008.

4. Date of share transfer

Scheduled for September 30, 2008

5. Other information

Details including the purchase price and purchase method will be determined by September 30, 2008.

Year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

Not applicable.

3. Non-Consolidated Financial Statements**(1) Non-Consolidated Balance Sheets**

	(Thousands of yen)	
	Year ended March 31, 2008 (As of March 31, 2008)	Year ended March 31, 2009 (As of March 31, 2009)
ASSETS		
Current assets		
Cash and time deposits	3,718,384	3,941,225
Notes receivable	24,240	4,765
Accounts receivable	5,410,501	5,208,796
Securities	9,196	4,240
Supplies	13,951	10,832
Prepaid expenses	197,272	183,307
Accrued income	21,776	19,078
Short-term loans receivable	629,139	926,381
Short-term loans to employees	2,516	1,142
Advance money	91,822	108,109
Income taxes receivable	-	234,439
Deferred income taxes	182,854	101,561
Others	12,043	23,126
Allowance for doubtful accounts	(2,000)	(13,100)
Total current assets	10,311,699	10,753,906
Fixed assets		
Tangible fixed assets		
Buildings	3,001,761	3,220,267
Accumulated depreciation	(1,668,668)	(1,756,658)
Buildings (net)	1,333,092	1,463,608
Structures	60,677	76,319
Accumulated depreciation	(39,094)	(41,876)
Structures (net)	21,583	34,442
Machinery	22,889	22,765
Accumulated depreciation	(19,437)	(20,076)
Machinery (net)	3,452	2,688
Vehicles	32,143	32,352
Accumulated depreciation	(20,141)	(24,849)
Vehicles (net)	12,001	7,503
Tools, appliance and equipment	480,670	526,597
Accumulated depreciation	(295,015)	(316,741)
Tools, appliance and equipment (net)	185,654	209,855
Land	1,165,521	1,165,521
Lease assets	-	40,540
Accumulated depreciation	-	(6,107)
Lease assets (net)	-	34,433
Construction in progress	2,800	-
Total tangible fixed assets	2,724,106	2,918,054
Intangible fixed assets		
Telephone subscription rights	15,091	15,091
Software	15,810	829,186
Lease assets	-	4,215
Goodwill	6,190	6,543
Software in progress	410,050	-
Total intangible fixed assets	447,143	855,036

	(Thousands of yen)	
	Year ended March 31, 2008 (As of March 31, 2008)	Year ended March 31, 2009 (As of March 31, 2009)
Investments and other assets		
Investment securities	5,337,202	3,736,342
Stocks of subsidiaries and affiliates	1,950,828	2,467,547
Investments in anonymous association	37,066	15,165
Long-term loans	25,489	24,436
Long-term loans to affiliates	545,312	539,018
Long-term prepaid expenses	1,218	685
Guarantee and deposit for leasehold estates	1,127,474	1,337,589
Memberships	404,247	373,266
Reserve for insurance	75,920	29,079
Claims in bankruptcy	56,618	50,757
Leasehold building	123,650	107,470
Accumulated depreciation	(22,654)	(25,108)
Leasehold building (net)	100,996	82,361
Leasehold land	90,443	53,739
Deferred income taxes	979,970	1,017,011
Long-term deposits	800,000	400,000
Others	72,208	24,450
Allowance for doubtful accounts	(617,449)	(611,249)
Total investments and other assets	10,987,549	9,540,202
Total fixed assets	14,158,799	13,313,292
TOTAL ASSETS	24,470,499	24,067,199

	(Thousands of yen)	
	Year ended March 31, 2008 (As of March 31, 2008)	Year ended March 31, 2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities		
Notes payable	—	4,515
Accounts payable	3,547,951	3,430,003
Lease liabilities	—	9,534
Accrued expenses	357,417	261,952
Accrued consumption taxes	148,442	138,857
Accrued income taxes	850,729	—
Accrued salaries	417,383	412,706
Accrued social insurance	136,776	140,033
Deposits received	122,390	133,612
Deposits received from subsidiaries and affiliates	—	700,000
Advances received	87,667	87,056
Allowance for employee bonuses	237,500	234,242
Allowance for directors' bonuses	70,000	70,000
Others	79,114	41,293
Total current liabilities	<u>6,055,374</u>	<u>5,663,808</u>
Fixed liabilities		
Lease liabilities	—	29,469
Allowance for directors' retirement benefits	437,010	465,340
Long-term guarantee deposits received	588,274	803,129
Others	—	1,541
Total fixed liabilities	<u>1,025,284</u>	<u>1,299,479</u>
TOTAL LIABILITIES	<u>7,080,659</u>	<u>6,963,287</u>
NET ASSETS		
Shareholders' equity		
Common stock	3,000,000	3,000,000
Capital surplus		
Capital surplus reserve	498,800	498,800
Other capital surplus	216	327
Total capital surplus	<u>499,016</u>	<u>499,127</u>
Retained earnings		
Earned reserve	251,200	251,200
Other retained earnings		
Other reserve	12,310,000	12,310,000
Retained earnings brought forward	1,716,785	1,625,110
Total retained earnings	<u>14,277,985</u>	<u>14,186,310</u>
Treasury stock	(56,631)	(58,928)
Total shareholders' equity	<u>17,720,371</u>	<u>17,626,509</u>
Unrealized gains and adjustments		
Valuation difference on marketable securities	(330,530)	(522,597)
Total unrealized gains and adjustments	<u>(330,530)</u>	<u>(522,597)</u>
TOTAL NET ASSETS	<u>17,389,840</u>	<u>17,103,911</u>
TOTAL LIABILITIES AND NET ASSETS	<u>24,470,499</u>	<u>24,067,199</u>

(2) Non-Consolidated Statements of Income

	(Thousands of yen)	
	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Net sales	46,396,130	49,387,336
Cost of sales	39,138,674	42,143,457
Gross profit	<u>7,257,455</u>	<u>7,243,879</u>
Selling, general and administrative expenses		
Sales promotion expenses	11,304	11,659
Advertising expense	94,039	97,230
Directors' bonus	230,480	227,527
Salary expense	1,762,647	1,920,623
Bonus expense	256,328	267,004
Provision for accrued bonus	91,711	90,480
Provision for accrued directors' bonus	70,000	70,000
Allowance for directors' retirement benefits	130	–
Provision for allowance for directors' retirement benefits	25,580	54,130
Retirement benefits expense	27,708	44,302
Legal welfare expense	296,802	321,435
Welfare expense	23,585	22,172
Training expense	16,089	14,000
Recruiting expense	28,696	32,471
Conference expense	8,685	8,631
Entertainment expense	44,823	48,025
Traveling expense	198,537	239,349
Automotive expense	69,345	75,124
Communications expense	82,675	88,303
Utilities expense	45,248	45,549
Supplies expense	16,054	18,255
Stationery expense	355,662	337,672
Tax and public charges	48,170	49,557
Enterprise tax	69,141	57,084
Depreciation and amortization	104,957	139,727
Repairs expense	7,601	1,774
Insurance expense	130,614	136,060
Rent expense	375,830	388,604
Newspapers and library expense	8,789	8,006
Membership expense	16,923	17,577
Commission	173,110	284,361
Donations expense	1,217	1,738
Provision for allowance for doubtful accounts	3,156	49,187
Other	211,287	134,506
Total selling, general and administrative expenses	<u>4,906,939</u>	<u>5,302,135</u>
Operating income	<u>2,350,515</u>	<u>1,941,743</u>

(Thousands of yen)

	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Non-operating income		
Interest income	55,559	43,946
Dividend income	424,749	297,349
Gain on sale of investment securities	1,500	50
Rent earned	51,178	48,326
Insurance dividends	32,566	28,850
Management consulting fees	36,000	36,000
Investment return from investment in anonymous associations	791,152	–
Other	27,276	26,313
Total non-operating income	1,419,983	480,837
Non-operating expenses		
Interest expense	2,632	4,528
Loss on sales of investment securities	–	963
Expense related to leasehold estate	42,930	41,974
Loss on investments in anonymous associations	–	21,900
Loss on sales and retirement of fixed assets	–	9,151
Others	6,358	12,396
Total non-operating expenses	51,921	90,915
Ordinary income	3,718,578	2,331,665
Extraordinary losses		
Loss on valuation of investment securities	489,008	1,277,564
Loss on valuation of golf club membership	–	30,981
Impairment loss	–	52,883
Provision for allowance for doubtful accounts	500,000	–
Others	14,584	28,130
Total extraordinary losses	1,003,592	1,389,560
Income before income taxes	2,714,985	942,105
Income and other taxes	1,439,740	212,520
Adjustments for income and other taxes	(61,765)	163,243
Total income and other taxes	1,377,974	375,763
Net income	1,337,010	566,341

(3) Non-Consolidated Statements of Changes in Shareholders' Equity

(Thousands of yen)

	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	3,000,000	3,000,000
Change of items during the term		
Total change of items during the term	–	–
Balance at end of current fiscal year	3,000,000	3,000,000
Capital surplus		
Capital reserve		
Balance at end of previous fiscal year	498,800	498,800
Change of items during the term		
Total change of items during the term	–	–
Balance at end of current fiscal year	498,800	498,800
Other capital surplus		
Balance at end of previous fiscal year	159	216
Change of items during the term		
Disposal of treasury stock	56	111
Total change of items during the term	56	111
Balance at end of current fiscal year	216	327
Total Capital surplus		
Balance at end of previous fiscal year	498,959	499,016
Change of items during the term		
Disposal of treasury stock	56	111
Total change of items during the term	56	111
Balance at end of current fiscal year	499,016	499,127
Retained earnings		
Earned reserve		
Balance at end of previous fiscal year	251,200	251,200
Change of items during the term		
Total change of items during the term	–	–
Balance at end of current fiscal year	251,200	251,200
Other retained earnings		
General reserve		
Balance at end of previous fiscal year	12,310,000	12,310,000
Change of items during the term		
Total change of items during the term	–	–
Balance at end of current fiscal year	12,310,000	12,310,000
Retained earnings brought forward		
Balance at end of previous fiscal year	2,036,071	1,716,785
Change of items during the term		
Dividend from retained earnings (year-end)	(329,033)	(329,012)
Dividend from retained earnings (interim)	(329,021)	(329,005)
Net income	1,337,010	566,341
Decrease by corporate division-split-off type	(998,240)	–
Total change of items during the term	(319,285)	(91,675)
Balance at end of current fiscal year	1,716,785	1,625,110

	(Thousands of yen)	
	Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Total retained earnings		
Balance at end of previous fiscal year	14,597,271	14,277,985
Change of items during the term		
Dividend from retained earnings (year-end)	(329,033)	(329,012)
Dividend from retained earnings (interim)	(329,021)	(329,005)
Net income	1,337,010	566,341
Decrease by corporate division-split-off type	(998,240)	–
Total change of items during the term	<u>(319,285)</u>	<u>(91,675)</u>
Balance at end of current fiscal year	<u>14,277,985</u>	<u>14,186,310</u>
Treasury stock		
Balance at end of previous fiscal year	(52,388)	(56,631)
Change of items during the term		
Acquisition of treasury stock	(4,448)	(2,568)
Disposal of treasury stock	206	271
Total change of items during the term	<u>(4,242)</u>	<u>(2,297)</u>
Balance at end of current fiscal year	<u>(56,631)</u>	<u>(58,928)</u>
Total Shareholders' equity		
Balance at end of previous fiscal year	18,043,842	17,720,371
Change of items during the term		
Dividend from retained earnings (year-end)	(329,033)	(329,012)
Dividend from retained earnings (interim)	(329,021)	(329,005)
Net income	1,337,010	566,341
Decrease by corporate division-split-off type	(998,240)	–
Acquisition of treasury stock	(4,448)	(2,568)
Disposal of treasury stock	262	382
Total change of items during the term	<u>(323,471)</u>	<u>(93,861)</u>
Balance at end of current fiscal year	<u>17,720,371</u>	<u>17,626,509</u>
Unrealized gains and adjustments		
Valuation difference of marketable securities		
Balance at end of previous fiscal year	461,412	(330,530)
Change of items during the term		
Change in non-equity items during the term (net)	(791,942)	(192,066)
Total change of items during the term	<u>(791,942)</u>	<u>(192,066)</u>
Balance at end of current fiscal year	<u>(330,530)</u>	<u>(522,597)</u>
Total Unrealized gains and adjustments		
Balance at end of previous fiscal year	461,412	(330,530)
Change of items during the term		
Change in non-equity items during the term (net)	(791,942)	(192,066)
Total change of items during the term	<u>(791,942)</u>	<u>(192,066)</u>
Balance at end of current fiscal year	<u>(330,530)</u>	<u>(522,597)</u>
Total net assets		
Balance at end of previous fiscal year	18,505,254	17,389,840
Change of items during the term		
Dividend from retained earnings (year-end)	(329,033)	(329,012)
Dividend from retained earnings (interim)	(329,021)	(329,005)
Net income	1,337,010	566,341
Decrease by corporate division-split-off type	(998,240)	–
Acquisition of treasury stock	(4,448)	(2,568)
Disposal of treasury stock	262	382
Change in non-equity items during the term (net)	(791,942)	(192,066)
Total change of items during the term	<u>(1,115,414)</u>	<u>(285,928)</u>
Balance at end of current fiscal year	<u>17,389,840</u>	<u>17,103,911</u>