

# Financial Statements for the Year Ended March 31, 2010

May 7, 2010

Listed company name: Nippon Kanzai 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 29, 2010  
 Date to submit the annual securities report: June 29, 2010  
 Date to start dividends distribution: June 30, 2010

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

## 1. Consolidated Financial Results for the Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

### (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, 2010	72,522	1.6	3,658	4.6	3,740	0.4	1,738	44.5
Year ended March 31, 2009	71,392	7.5	3,497	(26.4)	3,725	(35.6)	1,203	(44.2)

	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, 2010	94.21	–	7.2	9.8	5.0
Year ended March 31, 2009	58.53	–	4.7	9.8	4.9

(Reference) Equity in earnings (losses) of affiliated companies: Year ended March 31, 2010: ¥(101) million; Year ended March 31, 2009: ¥ 0 million

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	36,710	24,008	61.0	1,296.72
As of March 31, 2009	39,341	27,316	65.1	1,245.32

(Reference) Equity capital: As of March 31, 2010: ¥22,383 million; As of March 31, 2009: ¥25,606 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, 2010	3,523	532	(5,599)	9,959
Year ended March 31, 2009	2,220	(1,377)	(694)	11,502

## 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			
Year ended March 31, 2009	–	16.00	–	16.00	32.00	658	54.7	2.6
Year ended March 31, 2010	–	16.00	–	16.00	32.00	552	34.0	2.5
Year ending March 31, 2011 (forecast)	–	16.00	–	16.00	32.00		29.1	

## 3. Consolidated Financial Results Forecast for the Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(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	36,200	2.4	1,670	3.9	1,780	30.5	800	18.0	46.35
Full year	74,600	2.9	3,800	3.9	4,000	6.9	1,900	9.3	110.07

#### 4. Other Information

- (1) Changes in significant subsidiaries involving a change in the scope of consolidation during the year: None  
 Newly included: (Company name: ) 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: Yes
- (3) Number of shares issued and outstanding (common stock)
- 1) Number of shares issued and outstanding at the year-end (including treasury stock):  
 As of March 31, 2010: 20,590,153 shares; As of March 31, 2009: 20,590,153 shares
- 2) Number of treasury stocks at the year-end:  
 As of March 31, 2010: 3,328,630 shares; As of March 31, 2009: 27,922 shares  
 (Note) Please refer to "Per share information" on page 18 as for the number of shares based on calculation of net income per share (Consolidated).

(Reference) Summary of Non-Consolidated Financial Results

#### 1. Non-Consolidated Financial Results for the Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

##### (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, 2010	48,216	(2.4)	1,855	(4.4)	2,180	(6.5)	1,191	110.4
Year ended March 31, 2009	49,387	6.4	1,941	(17.4)	2,331	(37.3)	566	(57.6)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2010	64.57	-
Year ended March 31, 2009	27.54	-

##### (2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	23,184	13,327	57.5	772.08
As of March 31, 2009	24,067	17,103	71.1	831.81

(Reference) Equity capital: As of March 31, 2010: ¥13,327 million; As of March 31, 2009: ¥17,103 million

#### 2. Non-Consolidated Financial Results Forecast for the Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(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	24,031	4.1	750	0.7	1,291	28.3	796	39.4	46.15
Full year	50,000	3.7	2,000	7.8	2,640	21.1	1,592	33.6	92.23

##### \* 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, 2010

During the fiscal year ended March 31, 2010 (hereinafter referred to as “current fiscal year”), the Japanese economy generally remained unclear. Although some industries showed limited signs of recovery, corporate earnings conditions were severe caused by ongoing deflation as well as weak capital expenditures and anemic consumer spending due to worsening employment conditions.

Conditions continued to be difficult in the building maintenance industry as well, while customers focused on cost cutting and the properties related to our businesses were closed or scaled-down.

Under such circumstances, the Nippon Kanzai Group aggressively worked on property management, private finance initiatives (PFI) and enhancement of our group along with continued expansion of businesses peripheral to building maintenance.

As a result, net sales for the current fiscal year rose by 1.6% year on year to 72,522 million yen. This continued growth in sales, despite a decrease in sales of constructions such as building and repairing of buildings and facilities, resulted primarily from the full-year contributions of NS Corporation, which became a consolidated subsidiary in the previous fiscal year.

Operating income increased by 4.6% year on year to 3,658 million yen and ordinary income by 0.4% to 3,740 million yen, as a decrease in the loss on valuation for the real estate fund management more than offset the effects of the reduced unit prices of contracts, sharp rise in costs, and various valuation losses.

Net income, with the help of lower loss on valuation of investment securities, rebounded significantly, by 44.5% year on year, to 1,738 million yen.

#### 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 mainly for designated administrator system, PFI operations and properties focused on real estate fund, and business peripheral to building maintenance. However, net sales for the current fiscal year were 63,296 million yen, declined by 1.1% from the previous fiscal year because of the sluggish growth in construction-related contracts.

Operating income was 6,178 million yen, declined by 4.9% from the previous fiscal year, due to the sluggish growth in unit prices of contracts and reduction of temporary works which is relatively highly-profitable operation along with increases in start-up costs of new properties and major costs including outsourcing expenses.

##### [Environmental Facility Management Business]

In the Environmental Facility Management Business, which is mainly engaged in the management of public facilities such as water and sewage disposal facilities, we secured an overall firm number of new contracts, particularly for the management of incinerators and recycling facilities. As a result, net sales increased by 5.1% year on year to 6,579 million yen.

Although we reviewed outsourcing and purchases costs in individual contracts and implemented thorough cost management focused on the efficient assignment of personnel, the tight fiscal conditions faced by local governments, which are our main customers, and costs shifting within a severe price range resulted in the operating income fell by 8.5% year on year to 564 million yen.

##### [Real Estate Fund Management Business]

In the Real Estate Fund Management Business, which mainly entails asset management and forming real estate funds, and handles investments in anonymous associations, a stable income from asset management was recorded. However, revenue from acquisitions and sales of real estates fell due to the worsening conditions of the real estate market. As a result, net sales shrank by 5.2% year on year to 528 million yen.

Non-recurring income from acquisitions and sales and distributions from anonymous associations 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, which led us to record valuation losses. 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 123 million yen.

##### [Other Businesses]

Other Businesses, which include mainly event planning and management, printing, and design, conduct sales mainly to the Shiseido Group. For the fiscal year under review, net sales of the segment were 2,117 million yen and operating income was 84 million yen.

(Note) As for business segment information, there were changes to business segments as discussed in Note 5 of “(6) Segment information, [1. Business segment information], Year ended March 31, 2010.” Therefore, year on year changes in net sales and operating income were calculated based on retroactively adjusted figures for the previous fiscal year.

### 3) Future outlook

As for the future outlook, though it appears that the global financial crisis is finally abating, domestically, conditions are considered to remain severe due to reluctance on the part of businesses to make capital expenditure, worsening employment conditions, weak consumer spending.

Within the building maintenance industry, factors like falling office rents for major office buildings and persistently weak revenue environment for the Group’s corporate customers are reinforcing awareness of the need to cut management costs and prolonging the severe market environment, along with competition within the industry.

Amidst these circumstances, the Nippon Kanzai Group will continue its aggressive marketing development centered on planning and propositions to companies for designated administrator system, PFI operations, etc., while engaging in new fields, such as parking operation and management, event planning and management, 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. We also aim at stricter cost management and improved revenue.

For the consolidated business results for the year ending March 31, 2011, we estimate that net sales will be 74.6 billion yen (2.9% increase year on year), operating income will be 3.8 billion yen (3.9% increase year on year), ordinary income will be 4.0 billion yen (6.9% increase year on year) and net income will be 1.9 billion yen (9.3% increase year on year).

## (2) Analysis of Financial Conditions

### [Financial conditions]

Total assets at the end of the current fiscal year decreased by 2,630 million yen (6.7%) year on year to 36,710 million yen.

Current assets decreased by 2,460 million yen (9.7%) year on year to 22,879 million yen, and fixed assets decreased by 169 million yen (1.2%) year on year to 13,831 million yen.

The main reason of these changes was that cash and time deposits decreased due to the acquisition of treasury stock on August 2009.

Total liabilities at the end of the fiscal year rose by 678 million yen (5.6%) year on year to 12,702 million yen.

This change was mainly due to the rise in accrued income taxes by 619 million yen year on year, which was brought about by the profit increase.

Net assets at the end of the fiscal year decreased by 3,308 million yen (12.1%) year on year to 24,008 million yen.

This rise was mainly due to the acquisition of treasury stock mentioned earlier.

As a result, equity ratio at the fiscal year-end decreased by 4.1 points to 61.0% from the end of the previous fiscal year’s 65.1%.

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

### [Conditions of cash flows]

Despite a decrease in income tax paid (1,791 million yen decrease year on year), cash and cash equivalents (hereinafter “funds”) on a consolidated basis decreased by 1,542 million yen (13.4%) to 9,959 million yen from the previous fiscal year end, because of the payments to acquisition of treasury stock.

The conditions and main factors of cash flows for the fiscal year under review were as follows:

#### (Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year increased by 1,303 million yen to 3,523 million yen. This was mainly due to the decrease in expenditures for income taxes.

#### (Cash flows from investing activities)

Net cash provided by investing activities for the fiscal year increased by 1,910 million yen to 532 million yen.

This was mainly due to the decrease in expenditures for purchases of tangible and intangible fixed assets (751 million yen decrease year on year) and the decrease in expenditures for the purchase of investments in subsidiaries and for investments in anonymous associations (491 million yen decrease year on year).

#### (Cash flows from financing activities)

Net cash used in financing activities for the fiscal year was 5,599 million yen, increased by 4,904 million yen from the previous fiscal year.

This was mainly attributable to the payments to acquisition of treasury stock.

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

Years ended March 31,	2006	2007	2008	2009	2010
Equity ratio	68.4	70.1	69.3	65.1	61.0
Equity ratio based on the current values	215.9	188.2	166.6	65.1	71.0
Cash flows interest-bearing liabilities ratio	–	–	–	0.9	0.7
Interest coverage ratio	–	–	–	449.7	242.0

Equity ratio: shareholder's equity / total assets

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

Interest-bearing liabilities to cash flow 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 the Fiscal Year Ended March 31, 2010 and the Fiscal Year Ending March 31, 2011

As for the distribution of earnings, 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 shareholder value in the future.

As for dividends for the current and next fiscal years, please see "2. Dividends" on page 1.

## (4) Business and Other Risks

With regard to business and other risks of the Group, these are the principal matters considered to significantly influence on the judgment of investors.

Matters which are not necessarily the factors of business risks for us are also described from the point of view of the positive disclosures to our investors.

Assuming that these risks will occur, we try 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 date of submitting this report.

## 1) Regulations of the law

The security business of the Group is restricted by the applicable laws and regulations such as the Security Services Act (Act No. 117 of 1972) and the Ordinance for Enforcement of Security Services Act (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 results 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 425 million yen as of March 31, 2010.

In the future, there is a possibility of influencing the business results and financial position 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, the transaction amount is very small 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 business 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 business results and the financial position of the Group may be materially affected.

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

	(Thousands of yen)	
	Year ended March 31, 2009 (As of March 31, 2009)	Year ended March 31, 2010 (As of March 31, 2010)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	12,183,097	10,030,116
Notes and accounts receivable	7,890,714	8,483,883
Securities	204,241	10,026
Investments in anonymous associations for business purposes	429,623	425,333
Supplies	74,668	81,620
Real estate for sale	2,987,234	2,759,579
Income taxes receivable	343,676	19,369
Deferred income taxes – current	571,242	426,756
Other	683,509	667,679
Allowance for doubtful accounts	(28,071)	(25,227)
<b>Total current assets</b>	<b>25,339,933</b>	<b>22,879,134</b>
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,609,483	3,639,162
Accumulated depreciation	(1,999,016)	(2,105,376)
Buildings and structures (net)	1,610,467	1,533,786
Machinery and vehicles	197,972	172,787
Accumulated depreciation	(97,740)	(94,353)
Machinery and vehicles (net)	100,232	78,434
Tools, appliance and equipment	714,397	672,030
Accumulated depreciation	(448,068)	(418,406)
Tools, appliance and equipment (net)	266,329	253,624
Land	1,254,009	1,254,009
Lease assets	112,880	408,128
Accumulated depreciation	(9,120)	(57,605)
Lease assets (net)	103,760	350,523
<b>Total tangible fixed assets</b>	<b>3,334,797</b>	<b>3,470,376</b>
Intangible fixed assets		
Telephone subscription rights	34,718	34,718
Software	876,627	722,794
Goodwill	427,577	272,542
Lease assets	16,129	14,123
<b>Total intangible fixed assets</b>	<b>1,355,051</b>	<b>1,044,177</b>
Investments and other assets		
Investment securities	4,675,249	5,142,470
Investment in anonymous associations	15,166	–
Long-term loans	563,507	551,238
Long-term prepaid expenses	11,574	9,013
Guarantee and deposit for leasehold estate	1,939,324	1,889,302
Memberships	425,923	404,870
Deferred tax assets	1,235,051	975,816
Other	1,094,099	999,733
Allowance for doubtful accounts	(648,217)	(655,184)
<b>Total investments and other assets</b>	<b>9,311,676</b>	<b>9,317,258</b>
<b>Total fixed assets</b>	<b>14,001,524</b>	<b>13,831,811</b>
<b>TOTAL ASSETS</b>	<b>39,341,457</b>	<b>36,710,945</b>

	(Thousands of yen)	
	Year ended March 31, 2009 (As of March 31, 2009)	Year ended March 31, 2010 (As of March 31, 2010)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable	4,103,562	4,130,038
Current portion of long-term non-recourse loans	535,500	1,964,300
Lease obligations	22,548	71,424
Accrued expenses	1,772,134	1,663,691
Accrued income taxes	524,274	1,144,062
Accrued consumption taxes	332,595	308,792
Deposits received	234,246	304,517
Advances received	137,858	82,262
Allowance for bonuses	665,476	642,526
Allowance for directors' bonuses	82,150	78,959
Other	69,922	79,250
Total current liabilities	8,480,265	10,469,821
<b>Fixed liabilities</b>		
Long-term non-recourse loans	1,442,000	-
Lease obligations	98,261	299,244
Allowance for employees' retirement benefits	124,345	137,394
Allowance for directors' retirement benefits	470,290	501,730
Long-term guarantee deposits received	1,402,473	1,276,523
Other	7,069	18,095
Total fixed liabilities	3,544,438	2,232,986
<b>TOTAL LIABILITIES</b>	<b>12,024,703</b>	<b>12,702,807</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	3,000,000	3,000,000
Capital surplus	499,127	499,127
Retained earnings	22,713,544	23,847,117
Treasury stock	(58,928)	(4,874,661)
Total shareholders' equity	26,153,743	22,471,583
<b>Unrealized gains and adjustments</b>		
Valuation difference on marketable securities	(547,150)	(88,212)
Total unrealized gains and adjustments	(547,150)	(88,212)
Minority interests	1,710,161	1,624,767
<b>TOTAL NET ASSETS</b>	<b>27,316,754</b>	<b>24,008,138</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>39,341,457</b>	<b>36,710,945</b>



## (2) Consolidated Statements of Income

	(Thousands of yen)	
	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
Net sales	71,392,197	72,522,796
Cost of sales	58,393,462	58,894,865
Gross profit	12,998,735	13,627,931
Selling, general and administrative expenses		
Selling expenses	288,999	220,093
Personnel expenses	5,160,003	5,594,416
Addition to allowance for bonus	187,690	243,245
Addition to allowance for directors' bonus	80,397	75,703
Addition to allowance for directors' retirement benefits	60,126	51,240
Retirement benefits expense	79,510	121,008
Transportation and communication expense	744,914	722,203
Supplies expense	466,756	413,056
Rent expense	784,859	820,789
Insurance expense	177,229	169,726
Depreciation and amortization	174,145	340,687
Tax and public charge	63,881	65,022
Enterprise tax	75,953	77,324
Addition to allowance for doubtful accounts	59,294	7,939
Amortization of goodwill	132,121	151,466
Other	965,645	895,492
Total selling, general and administrative expenses	9,501,522	9,969,409
Operating income	3,497,213	3,658,522
Non-operating income		
Interest and dividends income	165,816	135,088
Gain on sale of investment securities	57	1,116
Rent earned	48,327	44,103
Insurance dividends	39,066	33,974
Investment return from anonymous associations	–	2,142
Compensation for transfer	35,081	–
Other	47,866	98,137
Total non-operating income	336,213	314,560
Non-operating expenses		
Interest expense	4,937	14,561
Loss on sale of investment securities	964	–
Expense related to leasehold estates	41,974	40,454
Equity in losses of affiliates	573	101,967
Loss on investment of anonymous association	21,901	–
Loss on retirement and disposal of fixed assets	22,871	16,350
Commission for purchase of treasury stock	–	35,024
Other	14,428	24,145
Total non-operating expenses	107,648	232,501
Ordinary income	3,725,778	3,740,581
Extraordinary losses		
Loss on valuation of investment securities	1,278,813	298,954
Impairment losses	52,884	–
Other	47,381	32,152
Total extraordinary losses	1,379,078	331,106
Income before income taxes	2,346,700	3,409,475
Income, inhabitant and business taxes	1,243,953	1,702,096
Refund of income and other taxes for prior periods	–	(124,448)
Adjustments for income and other taxes	(112,372)	96,533
Total income and other taxes	1,131,581	1,674,181
Minority interests	11,555	(3,465)
Net income	1,203,564	1,738,759

## (3) Consolidated Statements of Changes in Shareholders' Equity

(Thousands of yen)

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
<b>Shareholders' equity</b>		
<b>Common stock</b>		
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
<b>Capital surplus</b>		
Balance at end of previous fiscal year	499,016	499,127
Change of items during the term		
Disposal of treasury stock	111	0
Total change of items during the term	111	0
Balance at end of current fiscal year	499,127	499,127
<b>Retained earnings</b>		
Balance at end of previous fiscal year	22,167,998	22,713,544
Change of items during the term		
Dividend from retained earnings (year-end)	(329,013)	(328,996)
Dividend from retained earnings (interim)	(329,005)	(276,190)
Net income	1,203,564	1,738,759
Total change of items during the term	545,546	1,133,573
Balance at end of current fiscal year	22,713,544	23,847,117
<b>Treasury stock</b>		
Balance at end of previous fiscal year	(56,631)	(58,928)
Change of items during the term		
Acquisition of treasury stock	(2,569)	(4,815,865)
Disposal of treasury stock	272	132
Total change of items during the term	(2,297)	(4,815,733)
Balance at end of current fiscal year	(58,928)	(4,874,661)
<b>Total shareholders' equity</b>		
Balance at end of previous fiscal year	25,610,383	26,153,743
Change of items during the term		
Dividend from retained earnings (year-end)	(329,013)	(328,996)
Dividend from retained earnings (interim)	(329,005)	(276,190)
Net income	1,203,564	1,738,759
Acquisition of treasury stock	(2,569)	(4,815,865)
Disposal of treasury stock	383	132
Total change of items during the term	543,360	(3,682,160)
Balance at end of current fiscal year	26,153,743	22,471,583

(Thousands of yen)

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
<b>Unrealized gains and adjustments</b>		
Unrealized gains on other securities		
Balance at end of previous fiscal year	(335,335)	(547,150)
Change of items during the term		
Changes other than shareholders' equity during the term (net)	(211,815)	458,938
Total change of items during the term	(211,815)	458,938
Balance at end of current fiscal year	(547,150)	(88,212)
Total unrealized gains and adjustments		
Balance at end of previous fiscal year	(335,335)	(547,150)
Change of items during the term		
Changes other than shareholders' equity during the term (net)	(211,815)	458,938
Total change of items during the term	(211,815)	458,938
Balance at end of current fiscal year	(547,150)	(88,212)
Minority interests		
Balance at end of previous fiscal year	1,079,805	1,710,161
Change of items during the term		
Changes other than shareholders' equity during the term (net)	630,356	(85,394)
Total change of items during the term	630,356	(85,394)
Balance at end of current fiscal year	1,710,161	1,624,767
Total net assets		
Balance at end of previous fiscal year	26,354,853	27,316,754
Change of items during the term		
Dividend from retained earnings (year-end)	(329,013)	(328,996)
Dividend from retained earnings (interim)	(329,005)	(276,190)
Net income	1,203,564	1,738,759
Acquisition of treasury stock	(2,569)	(4,815,865)
Disposal of treasury stock	383	132
Changes other than shareholders' equity during the term (net)	418,541	373,544
Total change of items during the term	961,901	(3,308,616)
Balance at end of current fiscal year	27,316,754	24,008,138

## (4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
<b>Cash flows from operating activities</b>		
Income before income taxes	2,346,700	3,409,475
Depreciation and amortization	215,983	434,381
Impairment loss	52,884	–
Amortization of goodwill	132,121	151,466
Increase (decrease) in allowance for bonuses	5,244	(22,950)
Increase (decrease) in allowance for directors' bonuses	(42)	(3,191)
Increase (decrease) in allowance for employees' retirement benefits	26,123	13,050
Increase (decrease) in allowance for directors' retirement benefits	27,001	31,440
Increase (decrease) in allowance for doubtful accounts	13,986	4,122
Equity in losses (earnings) of affiliated companies	573	101,967
Interest and dividends received	(165,816)	(135,088)
Loss (gain) on investment in anonymous associations	21,901	(2,142)
Interest expenses	4,937	14,561
Loss (gain) on sale or retirement of fixed assets	22,871	16,350
Loss (gain) on sale of securities and investment securities	907	(1,116)
Loss (gain) on revaluation of investment securities	1,278,813	298,954
Increase (decrease) in accounts receivable	(138,272)	(637,456)
(Increase) decrease in investments in anonymous associations for business purposes	645,193	(2,641)
(Increase) decrease in inventories	1,589	220,703
(Increase) decrease in other assets	258,090	22,988
Increase (decrease) in purchasing debts	42,254	(1,630)
Increase (decrease) in consumption tax, etc.	(37,207)	(23,804)
Increase (decrease) in other liabilities	(258,279)	107,298
Other	(8,086)	25,571
Subtotal	4,489,468	4,022,308
Interest and dividend income	160,454	149,360
Interest paid	(4,937)	(14,561)
Income taxes paid	(2,424,783)	(633,554)
Net cash provided by operating activities	2,220,202	3,523,553

	(Thousands of yen)	
	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
<b>Cash flows from investing activities</b>		
Decrease in time deposits	(195,650)	(175,506)
Increase in time deposits	345,754	885,583
Expenditure for purchase of tangible and intangible fixed assets	(1,007,771)	(256,548)
Income from sale of tangible and intangible fixed assets	223	213
Expenditure for acquisition of investment securities	(134,362)	(136,248)
Income from sale of investment securities	20,356	2,466
Proceeds from redemption of investment securities	–	209,827
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	–	15,166
Expenditure for lending	(286,552)	(11,663)
Income from recovery of loans	106,766	38,984
(Increase) decrease in guarantee and deposit for leasehold estate	(9,126)	50,022
Increase (decrease) in deposit guarantees received	175,919	(125,950)
Others	98,605	36,395
Net cash provided by (used in) investing activities	(1,377,804)	532,741
<b>Cash flows from financing activities</b>		
Income from short-term loans	1,700,000	600,000
Repayment of short-term loans	(1,700,000)	(600,000)
Repayments of long-term non-recourse loans	–	(13,200)
Repayments of lease obligations	(9,564)	(47,519)
Income from sales and expenditure for purchase of treasury stock	(2,186)	–
Proceeds from disposal of treasury stock	–	131
Payments for purchase of treasury stock	–	(4,850,889)
Repayments to minority shareholders	(16,903)	(26,962)
Dividend paid	(622,138)	(605,016)
Dividend paid to minority shareholders	(43,751)	(55,744)
Net cash used in financing activities	(694,542)	(5,599,199)
Net increase (decrease) in cash and cash equivalents	147,856	(1,542,905)
Cash and cash equivalents at beginning of term	11,264,301	11,502,515
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	90,358	–
Cash and cash equivalents at end of term	11,502,515	9,959,610

(5) Notes on the Premise of a Going Concern

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

There is nothing to report.

Year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

There is nothing to report.

## (6) Notes to Consolidated Financial Statements

[Omission of disclosure]

Matters related to lease transactions, related parties, tax effect accounting, financial products, securities, derivatives transactions, retirement benefits, stock options, and business combination are omitted because their disclosure in this financial report is not considered essential.

[Segment information]

## 1. Business segment information

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 (loss)	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 losses	–	–	–	–	–	–	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, real estate fund management, and other businesses.

## 2. Main business in each service category

Category	Main Businesses
<b>Building Management and Operating Business</b>	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
<b>Environmental Facility Management Business</b>	Operation, management, and water quality management of water treatment/sewage disposal facilities, and incinerators.
<b>Temporary Staffing Business</b>	Temporary staffing for receptionists, telephone operators, and production lines distribution processing services and logistics processing services in warehouses to our customers' needs
<b>Real Estate Fund Management Business</b>	Management and arrangement of real estate fund, investment in anonymous associations, investment consulting and asset management and building operating business
<b>Other Businesses</b>	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 four 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 Businesses." Please note that there is no influence on business segment information of the previous fiscal 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 by the same amount.

Year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

(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	63,296,956	6,579,444	528,550	2,117,846	72,522,796	–	72,522,796
(2) Intersegment net sales and transfer	–	–	–	–	–	–	–
Total	63,296,956	6,579,444	528,550	2,117,846	72,522,796	–	72,522,796
Operating expenses	57,118,370	6,014,707	652,296	2,032,858	65,818,231	3,046,043	68,864,274
Operating income (loss)	6,178,585	564,737	(123,746)	84,988	6,704,565	(3,046,043)	3,658,522
Assets, depreciation and capital expenditure							
Assets	18,974,318	1,525,034	3,915,266	1,068,722	25,483,340	11,227,605	36,710,945
Depreciation	153,412	6,091	55,310	6,414	221,227	263,491	484,718
Capital expenditure	385,774	5,306	1,500	–	392,580	36,061	428,641

Notes:

1. Segmentation

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

2. Main business in each service category

Category	Main Businesses
<b>Building Management and Operating Business</b>	Building cleaning, facility maintenance, and all-day resident security services for multipurpose buildings, city hotels, condominiums and rental apartments; security service with automated emergency response equipment that quickly notifies using sensors and telephone line
<b>Environmental Facility Management Business</b>	Operation, management, and water quality management of water treatment/sewage disposal plants, and incinerators.
<b>Real Estate Fund Management Business</b>	Management and arrangement of real estate fund, investment in anonymous associations, investment consulting and asset management and building operating business
<b>Other Businesses</b>	Event planning and management, printing and design, bookbinding, and real estate sales and brokerage

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. Change of business segmentation

Until the end of the previous fiscal year, our business segmentation comprised the five segments: Building Management and Operating Business, Environment Facility Management Business, Temporary Staffing Business, Real Estate Fund Management Business, and Other Businesses. The Temporary Staffing Business is composed of various operations including those for product management inside warehouses, and production lines and those for operators and receptionists related to building management contracts. However, the decision was made to include the temporary staffing operations, which had been handled as a separate business, within the Building Management and Operating Business because temporary staffing operations for product management



inside warehouses and production lines are no longer material as the Company made progress in withdrawing from these operations during the previous fiscal year, and the remaining temporary staffing operations including those for operators and receptionists are conducted as part of operations included in building management contracts.

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

(Thousands of yen)

	Building Management and Operating	Environmental Facility Management	Real Estate Fund Management	Other Businesses	Total	Elimination or Total	Consolidation
Net sales							
(1) Net sales to external customers	63,975,353	6,259,969	557,314	599,561	71,392,197	–	71,392,197
(2) Intersegment net sales and transfer	–	–	–	–	–	–	–
Total	63,975,353	6,259,969	557,314	599,561	71,392,197	–	71,392,197
Operating expenses	57,480,666	5,642,549	1,110,182	557,572	64,790,969	3,104,015	67,894,984
Operating income (loss)	6,494,687	617,420	(552,868)	41,989	6,601,228	(3,104,015)	3,497,213
Assets, depreciation and capital expenditure							
Assets	19,722,633	1,440,304	4,382,627	919,368	26,464,932	12,876,525	39,341,457
Depreciation	104,472	4,365	35,885	1,236	145,958	99,745	245,703
Impairment losses	–	–	–	–	–	52,884	52,884
Capital expenditure	307,770	6,397	405	10,545	325,117	692,956	1,018,073

## 2. Segment information by geographic region

Not applicable.

## 3. Overseas sales

Not applicable.

## [Per share information]

Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)		Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)	
Net assets per share	¥1,245.32	Net assets per share	¥1,296.72
Net income per share	¥58.53	Net income per share	¥94.21
No diluted net income per share is presented for the fiscal year because there are no potentially dilutive securities.		No diluted net income per share is presented for the fiscal year because there are no potentially dilutive securities.	

(Note) Basis of calculations

## 1. Net assets per share

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
Total net assets, as stated on the Consolidated Balance Sheets (thousands of yen)	27,316,754	24,008,138
Net assets associated with common stock (thousands of yen)	25,606,593	22,383,371
Major components of the difference (thousands of yen):		
Minority interests	1,710,161	1,624,767
Number of shares of common stock issued and outstanding (shares)	20,590,153	20,590,153
Number of shares of common stock as treasury stock (shares)	27,922	3,328,630
Number of shares of common stock used in the calculation of net assets per share (shares)	20,562,231	17,261,523

## 2. Net income per share

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
Net income (thousands of yen)	1,203,564	1,738,759
Amounts not attributable to owners of common stock (thousands of yen)	—	—
Net income associated with common stock (thousands of yen)	1,203,564	1,738,759
Average number of shares of common stock during fiscal year (shares)	20,562,795	18,455,309

## [Important subsequent events]

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

Not applicable.

Year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

Not applicable.

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

	(Thousands of yen)	
	Year ended March 31, 2009 (As of March 31, 2009)	Year ended March 31, 2010 (As of March 31, 2010)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	3,941,225	2,527,710
Notes receivable	4,765	9,308
Accounts receivable	5,208,796	5,876,256
Securities	4,240	-
Supplies	10,832	8,736
Prepaid expenses	183,307	215,542
Accrued income	19,078	8,384
Short-term loans receivable	926,381	892,657
Short-term loans to employees	1,142	120
Advance money	108,109	112,010
Income taxes receivable	234,439	-
Deferred income taxes	101,561	168,942
Other	23,126	4,828
Allowance for doubtful accounts	(13,100)	(15,900)
<b>Total current assets</b>	<b>10,753,906</b>	<b>9,808,598</b>
Fixed assets		
Tangible fixed assets		
Buildings	3,220,267	3,266,179
Accumulated depreciation	(1,756,658)	(1,852,193)
<b>Buildings (net)</b>	<b>1,463,608</b>	<b>1,413,985</b>
Structures	76,319	73,205
Accumulated depreciation	(41,876)	(42,455)
<b>Structures (net)</b>	<b>34,442</b>	<b>30,749</b>
Machinery	22,765	21,787
Accumulated depreciation	(20,076)	(19,704)
<b>Machinery (net)</b>	<b>2,688</b>	<b>2,082</b>
Vehicles	32,352	17,897
Accumulated depreciation	(24,849)	(10,908)
<b>Vehicles (net)</b>	<b>7,503</b>	<b>6,989</b>
Tools, appliance and equipment	526,597	501,049
Accumulated depreciation	(316,741)	(293,301)
<b>Tools, appliance and equipment (net)</b>	<b>209,855</b>	<b>207,748</b>
Land	1,165,521	1,165,521
Lease assets	40,540	198,848
Accumulated depreciation	(6,107)	(31,520)
<b>Lease assets (net)</b>	<b>34,433</b>	<b>167,327</b>
<b>Total tangible fixed assets</b>	<b>2,918,054</b>	<b>2,994,406</b>
Intangible fixed assets		
Telephone subscription rights	15,091	15,216
Software	829,186	676,108
Lease assets	4,215	4,751
Goodwill	6,543	4,335
<b>Total intangible fixed assets</b>	<b>855,036</b>	<b>700,411</b>

	(Thousands of yen)	
	Year ended March 31, 2009 (As of March 31, 2009)	Year ended March 31, 2010 (As of March 31, 2010)
Investments and other assets		
Investment securities	3,736,342	4,229,678
Stocks of subsidiaries and affiliates	2,467,547	2,471,405
Investments in anonymous association	15,165	-
Long-term loans	24,436	23,362
Long-term loans to subsidiaries and affiliates	539,018	527,875
Long-term prepaid expenses	685	223
Guarantee and deposit for leasehold estates	1,337,589	1,240,078
Memberships	373,266	359,313
Reserve for insurance	29,079	29,079
Claims in bankruptcy	50,757	53,490
Leasehold building	107,470	107,470
Accumulated depreciation	(25,108)	(27,152)
Leasehold building (net)	82,361	80,317
Leasehold land	53,739	53,739
Deferred income taxes	1,017,011	785,449
Long-term deposits	400,000	400,000
Other	24,450	41,905
Allowance for doubtful accounts	(611,249)	(614,471)
Total investments and other assets	9,540,202	9,681,448
Total fixed assets	13,313,292	13,376,266
TOTAL ASSETS	24,067,199	23,184,864

(Thousands of yen)

	Year ended March 31, 2009 (As of March 31, 2009)	Year ended March 31, 2010 (As of March 31, 2010)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable	4,515	2,746
Accounts payable	3,430,003	3,728,196
Lease obligations	9,534	37,735
Accrued expenses	261,952	142,200
Accrued consumption taxes	138,857	176,388
Accrued income taxes	—	746,552
Accrued salaries	412,706	440,966
Accrued social insurance	140,033	156,688
Deposits received	133,612	205,728
Deposits received from subsidiaries and affiliates	700,000	2,500,000
Advances received	87,056	35,388
Allowance for bonuses	234,242	227,383
Allowance for directors' bonuses	70,000	70,000
Other	41,293	41,364
<b>Total current liabilities</b>	<b>5,663,808</b>	<b>8,511,340</b>
Fixed liabilities		
Lease obligations	29,469	136,363
Allowance for directors' retirement benefits	465,340	490,450
Long-term guarantee deposits received	803,129	712,103
Other	1,541	7,400
<b>Total fixed liabilities</b>	<b>1,299,479</b>	<b>1,346,316</b>
<b>TOTAL LIABILITIES</b>	<b>6,963,287</b>	<b>9,857,656</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	3,000,000	3,000,000
Capital surplus		
Capital surplus reserve	498,800	498,800
Other capital surplus	327	326
<b>Total capital surplus</b>	<b>499,127</b>	<b>499,126</b>
Retained earnings		
Earned reserve	251,200	251,200
Other retained earnings		
Other reserve	12,310,000	12,310,000
Retained earnings brought forward	1,625,110	2,211,654
<b>Total retained earnings</b>	<b>14,186,310</b>	<b>14,772,854</b>
Treasury stock	(58,928)	(4,874,661)
<b>Total shareholders' equity</b>	<b>17,626,509</b>	<b>13,397,320</b>
Unrealized gains and adjustments		
Valuation difference on marketable securities	(522,597)	(70,112)
<b>Total unrealized gains and adjustments</b>	<b>(522,597)</b>	<b>(70,112)</b>
<b>TOTAL NET ASSETS</b>	<b>17,103,911</b>	<b>13,327,207</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>24,067,199</b>	<b>23,184,864</b>

## (2) Non-Consolidated Statements of Income

(Thousands of yen)

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
Net sales		
Service revenue	49,063,289	47,849,662
Sales of goods	324,047	366,350
Total net sales	49,387,336	48,216,012
Cost of sales		
Cost of service rendered	41,898,166	40,818,073
Cost of goods sold	245,290	267,280
Total cost of sales	42,143,457	41,085,353
Gross profit	7,243,879	7,130,659
Selling, general and administrative expenses		
Sales promotion expenses	11,659	11,215
Advertising expense	97,230	72,537
Directors' bonus	227,527	198,758
Salary expense	1,920,623	1,972,420
Bonus expense	267,004	275,845
Addition to allowance for bonus	90,480	90,345
Addition to allowance for directors' bonus	70,000	70,000
Directors' retirement benefits	–	400
Addition to allowance for directors' retirement benefits	54,130	44,910
Retirement benefits expense	44,302	55,217
Legal welfare expense	321,435	336,209
Welfare expense	22,172	23,159
Training expense	14,000	11,155
Recruiting expense	32,471	16,517
Conference expense	8,631	5,615
Entertainment expense	48,025	41,805
Transportation expense	239,349	217,847
Automotive expense	75,124	71,303
Communications expense	88,303	92,128
Utilities expense	45,549	43,727
Supplies expense	18,255	13,668
Stationery expense	337,672	298,138
Tax and public charges	49,557	50,379
Enterprise tax	57,084	58,924
Depreciation and amortization	139,727	295,903
Repairs expense	1,774	6,289
Insurance expense	136,060	137,095
Rent expense	388,604	387,168
Newspapers and library expense	8,006	7,075
Membership expense	17,577	17,138
Commission	284,361	210,986
Donations	1,738	1,111
Provision for allowance for doubtful accounts	49,187	6,279
Miscellaneous expense	134,506	133,612
Total selling, general and administrative expenses	5,302,135	5,274,889
Operating income	1,941,743	1,855,769

(Thousands of yen)

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
<b>Non-operating income</b>		
Interest income	43,946	39,652
Dividend income	297,349	296,994
Gain on sale of investment securities	50	0
Rent earned	48,326	44,103
Insurance dividends	28,850	24,872
Management consulting fees	36,000	36,000
Investment return from anonymous associations	–	2,141
Other	26,313	24,220
Total non-operating income	480,837	467,984
<b>Non-operating expenses</b>		
Interest expense	4,528	37,508
Loss on sales of investment securities	963	–
Expense related to leasehold estate	41,974	40,454
Loss on investments in anonymous associations	21,900	–
Loss on sales and retirement of fixed assets	9,151	3,440
Commission for purchase of treasury stock	–	35,024
Other	12,396	26,816
Total non-operating expenses	90,915	143,243
Ordinary income	2,331,665	2,180,510
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	1,277,564	291,166
Loss on valuation of membership	30,981	13,952
Impairment loss	52,883	–
Others	28,130	7,630
Total extraordinary losses	1,389,560	312,749
Income before income taxes	942,105	1,867,761
Income, inhabitant and business taxes	212,520	813,769
Income and other taxes adjustment	163,243	(137,738)
Total income and other taxes	375,763	676,030
Net income	566,341	1,191,730

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

(Thousands of yen)

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
<b>Shareholders' equity</b>		
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	216	327
Change of items during the term		
Disposal of treasury stock	111	0
Total change of items during the term	111	0
Balance at end of current fiscal year	327	326
Total Capital surplus		
Balance at end of previous fiscal year	499,016	499,127
Change of items during the term		
Disposal of treasury stock	111	0
Total change of items during the term	111	0
Balance at end of current fiscal year	499,127	499,126
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	1,716,785	1,625,110
Change of items during the term		
Dividend from retained earnings (year-end)	(329,012)	(328,995)
Dividend from retained earnings (interim)	(329,005)	(276,190)
Net income	566,341	1,191,730
Total change of items during the term	(91,675)	586,544
Balance at end of current fiscal year	1,625,110	2,211,654



(Thousands of yen)

	Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)
<b>Total retained earnings</b>		
Balance at end of previous fiscal year	14,277,985	14,186,310
<b>Change of items during the term</b>		
Dividend from retained earnings (year-end)	(329,012)	(328,995)
Dividend from retained earnings (interim)	(329,005)	(276,190)
Net income	566,341	1,191,730
<b>Total change of items during the term</b>	<b>(91,675)</b>	<b>586,544</b>
Balance at end of current fiscal year	14,186,310	14,772,854
<b>Treasury stock</b>		
Balance at end of previous fiscal year	(56,631)	(58,928)
<b>Change of items during the term</b>		
Acquisition of treasury stock	(2,568)	(4,815,864)
Disposal of treasury stock	271	131
<b>Total change of items during the term</b>	<b>(2,297)</b>	<b>(4,815,733)</b>
Balance at end of current fiscal year	(58,928)	(4,874,661)
<b>Total Shareholders' equity</b>		
Balance at end of previous fiscal year	17,720,371	17,626,509
<b>Change of items during the term</b>		
Dividend from retained earnings (year-end)	(329,012)	(328,995)
Dividend from retained earnings (interim)	(329,005)	(276,190)
Net income	566,341	1,191,730
Acquisition of treasury stock	(2,568)	(4,815,864)
Disposal of treasury stock	382	131
<b>Total change of items during the term</b>	<b>(93,861)</b>	<b>(4,229,189)</b>
Balance at end of current fiscal year	17,626,509	13,397,320
<b>Unrealized gains and adjustments</b>		
<b>Valuation difference of marketable securities</b>		
Balance at end of previous fiscal year	(330,530)	(522,597)
<b>Change of items during the term</b>		
Change in non-equity items during the term (net)	(192,066)	452,484
<b>Total change of items during the term</b>	<b>(192,066)</b>	<b>452,484</b>
Balance at end of current fiscal year	(522,597)	(70,112)
<b>Total Unrealized gains and adjustments</b>		
Balance at end of previous fiscal year	(330,530)	(522,597)
<b>Change of items during the term</b>		
Change in non-equity items during the term (net)	(192,066)	452,484
<b>Total change of items during the term</b>	<b>(192,066)</b>	<b>452,484</b>
Balance at end of current fiscal year	(522,597)	(70,112)
<b>Total net assets</b>		
Balance at end of previous fiscal year	17,389,840	17,103,911
<b>Change of items during the term</b>		
Dividend from retained earnings (year-end)	(329,012)	(328,995)
Dividend from retained earnings (interim)	(329,005)	(276,190)
Net income	566,341	1,191,730
Acquisition of treasury stock	(2,568)	(4,815,864)
Disposal of treasury stock	382	131
Change in non-equity items during the term (net)	(192,066)	452,484
<b>Total change of items during the term</b>	<b>(285,928)</b>	<b>(3,776,704)</b>
Balance at end of current fiscal year	17,103,911	13,327,207