

Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2010

May 11, 2010

Company name : **KYOWA EXEO CORPORATION**
 Stock Exchange Listed : Tokyo Stock Exchange-First Section
 Code No. : 1951
 URL : <http://www.exeo.co.jp/>
 Representative : Kunio Ishikawa, President

(Amounts are rounded off to the nearest 1 million yen)

1. Consolidated Financial Results for the Fiscal Years Ended March 31, 2009 and 2010

(1) Consolidated Results of Operations

(% of change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended March 31, 2010	271,230	(5.8)	13,867	(26.5)	14,425	(26.0)	8,378	(10.8)
Year ended March 31, 2009	288,017	0.1	18,871	15.1	19,489	13.3	9,388	(12.1)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	¥	¥	%	%	%
Year ended March 31, 2010	79.75	73.80	8.6	8.0	5.1
Year ended March 31, 2009	88.50	81.98	10.2	10.9	6.6

Reference: Equity in net income(losses) of affiliates : For the fiscal year ended Mar.31,2010 —million yen For the fiscal year ended Mar.31,2009 —million yen

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ million	¥ million	%	¥
As of March 31, 2010	180,128	105,307	55.4	973.13
As of March 31, 2009	179,555	101,878	53.3	903.15

Reference: Net assets excluding subscription rights to shares and minority interests : As of Mar.31,2010 99,868million yen As of Mar.31,2009 95,788million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Fiscal Year End
	¥ million	¥ million	¥ million	¥ million
Year ended March 31, 2010	10,989	(10,600)	(4,095)	22,229
Year ended March 31, 2009	17,434	(4,057)	(2,531)	26,261

2. Cash Dividends

(Period)	Cash dividends per share			Total Cash Dividends (Full Year)	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	Interim	Year-End	Full Year			
	¥	¥	¥	¥ million	%	%
Year ended March 31, 2009	10.00	10.00	20.00	2,121	22.6	2.3
Year ended March 31, 2010	10.00	10.00	20.00	2,093	25.1	2.1
Year ending March 31, 2011 (Forecasts)	10.00	10.00	20.00		21.6	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2011

(% of change from the previous each period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six months ending September 30, 2010	105,500	(5.4)	4,100	27.3	4,300	25.7	2,500	27.1	24.36
Year ending March 31, 2011	281,500	3.8	15,500	11.8	16,500	14.4	9,500	13.4	92.57

Consolidated Balance Sheets (1)

	As of March 31, 2009 Amount (Millions of yen)	As of March 31, 2010 Amount (Millions of yen)
(ASSETS)		
Current assets		
Cash and deposits	6,317	6,136
Notes and accounts receivable-trade	72,127	70,917
Short-term investment securities	20,001	16,630
Costs on uncompleted construction contracts and other	21,097	19,404
Deferred tax assets	4,227	3,329
Other	2,748	3,021
Allowance for doubtful accounts	(202)	(199)
Total current assets	126,317	119,239
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	12,239	18,166
Machinery, equipment and vehicles, net	1,472	1,218
Land	23,333	25,429
Other	1,092	413
Total property, plant and equipment	38,138	45,228
Intangible assets	3,244	2,932
Investments and other assets		
Investment securities	5,440	6,379
Long-term loans receivable	1,266	—
Deferred tax assets	701	924
Other	7,115	7,444
Allowance for doubtful accounts	(2,670)	(2,019)
Total Investments and other assets	11,854	12,729
Total noncurrent assets	53,238	60,889
TOTAL ASSETS	179,555	180,128

Notes: Fractions less than one million yen were omitted.

Consolidated Balance Sheets (2)

	As of March 31, 2009 Amount (Millions of yen)	As of March 31, 2010 Amount (Millions of yen)
(LIABILITIES)		
Current liabilities		
Notes payable, accounts payable for construction contracts	28,729	28,722
Accrued expenses	9,057	8,189
Income taxes payable	5,120	3,738
Advances received on uncompleted construction contracts	5,087	2,948
Provision for bonuses	449	424
Provision for directors' bonuses	193	75
Provision for warranties for completed construction	369	201
Provision for loss on construction contracts	214	257
Other	5,041	4,936
Total current liabilities	54,263	49,494
Noncurrent liabilities		
Convertible bond	15,000	15,000
Long-term loans payable	—	2,450
Deferred tax liabilities	723	852
Provision for retirement benefits	5,515	4,469
Provision for directors' retirement benefits	736	410
Allowance for investment loss	283	373
Negative goodwill	204	385
Other	949	1,385
Total noncurrent liabilities	23,413	25,326
TOTAL LIABILITIES	77,677	74,821
(NET ASSETS)		
Shareholders' equity		
Capital stock	6,888	6,888
Capital surplus	5,959	6,009
Retained earnings	91,184	97,590
Treasury stock	(8,494)	(11,272)
Total shareholders' equity	95,537	99,215
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	250	652
Total valuation and translation adjustments	250	652
Subscription rights to shares	181	272
Minority interests	5,908	5,167
TOTAL NET ASSETS	101,878	105,307
TOTAL LIABILITIES AND NET ASSETS	179,555	180,128

Notes: Fractions less than one million yen were omitted.

Consolidated Statements of Income

	Fiscal year ended March 31, March 31,2009 Amount (Millions of yen)	Fiscal year ended March 31, March 31,2010 Amount (Millions of yen)
Net sales	288,017	271,230
Cost of sales	251,056	239,934
Gross profit	36,960	31,295
Selling, general and administrative expenses	18,088	17,428
Operating income	18,871	13,867
Non-operating income		
Interest income	266	118
Dividends income	173	136
Land and house rent received	—	111
Commission fee	—	93
Amortization of negative goodwill	266	199
Other	525	221
Total non-operating income	1,232	880
Non-operating expenses		
Interest expenses	18	19
Provision of allowance for investment loss	—	85
Bad debts expenses	103	33
Foreign exchange losses	262	—
Other	231	184
Total non-operating expenses	615	322
Ordinary income	19,489	14,425
Extraordinary income		
Gain on sales of noncurrent assets	126	—
Gain on sales of investment securities	151	—
Total extraordinary income	277	—
Extraordinary loss		
Special retirement expenses	—	315
Retirement benefit expenses	—	162
Loss on retirement of noncurrent assets	175	192
Loss on sales of investment securities	—	105
Impairment loss	166	—
Loss on valuation of investment securities	1,754	—
Provision of allowance for doubtful accounts	909	—
Total extraordinary losses	3,006	776
Income before income taxes and minority interests	16,759	13,649
Income taxes – current	6,849	4,406
Income taxes – deferred	1,133	611
Total income taxes	7,983	5,017
Minority interests in income (loss)	(612)	253
Net income	9,388	8,378

Notes: Fractions less than one million yen were omitted.

Consolidated Statements of Changes in Net Assets (1)

	Fiscal year ended March 31, 2009 Amount (Millions of yen)	Fiscal year ended March 31, 2010 Amount (Millions of yen)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	6,888	6,888
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,888	6,888
Capital surplus		
Balance at the end of previous period	5,953	5,959
Changes of items during the period		
Disposal of treasury stock	5	50
Total changes of items during the period	5	50
Balance at the end of current period	5,959	6,009
Retained earnings		
Balance at the end of previous period	84,023	91,184
Changes of items during the period		
Dividends from surplus	(2,228)	(2,127)
Net income	9,388	8,378
Change of scope of consolidation	—	154
Total changes of items during the period	7,160	6,405
Balance at the end of current period	91,184	97,590
Treasury stock		
Balance at the end of previous period	(8,438)	(8,494)
Changes of items during the period		
Purchase of treasury stock	(75)	(3,297)
Disposal of treasury stock	19	519
Total changes of items during the period	(56)	(2,778)
Balance at the end of current period	(8,494)	(11,272)
Total shareholders' equity		
Balance at the end of previous period	88,427	95,537
Changes of items during the period		
Dividends from surplus	(2,228)	(2,127)
Net income	9,388	8,378
Purchase of treasury stock	(75)	(3,297)
Disposal of treasury stock	25	569
Change of scope of consolidation	—	154
Total changes of items during the period	7,110	3,677
Balance at the end of current period	95,537	99,215

Notes: Fractions less than one million yen were omitted.

Consolidated Statements of Changes in Net Assets (2)

	Fiscal year ended March 31, 2009 Amount (Millions of yen)	Fiscal year ended March 31, 2010 Amount (Millions of yen)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	293	250
Changes of items during the period		
Net changes of items other than shareholders' equity	(42)	401
Total changes of items during the period	(42)	401
Balance at the end of current period	250	652
Total valuation and translation adjustments		
Balance at the end of previous period	293	250
Changes of items during the period		
Net changes of items other than shareholders' equity	(42)	401
Total changes of items during the period	(42)	401
Balance at the end of current period	250	652
Subscription rights to shares		
Balance at the end of previous period	77	181
Changes of items during the period		
Net changes of items other than shareholders' equity	103	90
Total changes of items during the period	103	90
Balance at the end of current period	181	272
Minority interests		
Balance at the end of previous period	6,774	5,908
Changes of items during the period		
Net changes of items other than shareholders' equity	(866)	(740)
Total changes of items during the period	(866)	(740)
Balance at the end of current period	5,908	5,167
Total net assets		
Balance at the end of previous period	95,573	101,878
Changes of items during the period		
Dividends from surplus	(2,228)	(2,127)
Net income	9,388	8,378
Purchase of treasury stock	(75)	(3,297)
Disposal of treasury stock	25	569
Change of scope of consolidation	—	154
Net changes of items other than shareholders' equity	(805)	(248)
Total changes of items during the period	6,305	3,429
Balance at the end of current period	101,878	105,307

Notes: Fractions less than one million yen were omitted.

Consolidated Statements of Cash Flows

	Fiscal year ended March 31, 2009 Amount (Millions of yen)	Fiscal year ended March 31, 2010 Amount (Millions of yen)
Cash flows from operating activities:		
Income before income taxes and minority interests	16,759	13,649
Depreciation and amortization	2,554	2,992
Impairment loss	166	—
Amortization of goodwill	(236)	(192)
Increase(decrease) in allowance for doubtful accounts	741	(650)
Increase (decrease) in provision for retirement benefits	(305)	(1,018)
Interest and dividends income	(440)	(255)
Interest expenses	18	19
Decrease (increase) in notes and accounts receivable-trade	8,803	1,029
Decrease(increase) in costs on uncompleted construction contracts	(2,210)	1,751
Decrease (increase) in other assets	(1,371)	975
Increase (decrease) in notes and accounts payable-trade	(4,725)	59
Increase(decrease) in advances received on uncompleted construction contracts	695	(2,076)
Increase (decrease) in other liabilities	(1,038)	37
Other,net	2,107	308
Sub-total	21,518	16,630
Interest and dividends income received	439	257
Interest expenses paid	(18)	(16)
Income taxes paid	(4,505)	(5,881)
Net cash provided by (used in) operating activities	17,434	10,989
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,022)	(8,963)
Proceeds from sales of property, plant and equipment	282	168
Purchase of intangible assets	(1,018)	(714)
Purchase of investment securities	(683)	(611)
Proceeds from sales of investment securities	550	251
Payments of loans receivable	(429)	—
Collection of loans receivable	337	324
Other,net	(72)	(1,055)
Net cash provided by (used in) investing activities	(4,057)	(10,600)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(170)	(992)
Repayment of long-term loans payable	(30)	—
Proceeds from long-term loans payable	55	2,450
Purchase of treasury stock	—	(3,297)
Cash dividends paid	(2,228)	(2,127)
Cash dividends paid to minority shareholders	(95)	(82)
Other,net	(63)	(45)
Net cash provided by (used in) financing activities	(2,531)	(4,095)
Effect of exchange rate change on cash and cash equivalents	(15)	(1)
Net increase (decrease) in cash and cash equivalents	10,829	(3,706)
Cash and cash equivalents, beginning of year	15,431	26,261
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(325)
Cash and cash equivalents	26,261	22,229

Notes: Fractions less than one million yen were omitted.