

TOENEC

ANNUAL REPORT

Year ended March 31, 2010

10

During our 92nd fiscal year from April 1, 2009 to March 31, 2010, the Japanese economy showed signs of recovery after bottoming out in spring. This is, however, due to the reaction from the sharp fall after the financial crisis and economic-stimulus measures taken in Japan and overseas, hence the Japanese economy demonstrated little independence and did not enter a full-scale recovery.

In our own industry, capital investments were reduced or postponed as a reflection of the difficult circumstances concerning business revenues, and ordering for public-work projects remained low. In the meantime, booking and price competition grew fierce, making for a severe business climate.

Amid these circumstances, with the formulation of a three-year Mid-term Business Plan starting in FY2009, we promoted various measures for gaining a foothold in our sustainable growth strategy. We devoted ourselves especially to concentrating our management resources on our core business and working to increase efficiency, along with uniting the company by positioning the securing of bookings and profits as important tasks.

Despite these efforts, orders received and net sales for the past year both declined, with orders received finishing at JY 156.517 billion (down 5.2% YoY) and net sales at JY 156.566 billion (down 7.1% YoY).

With respect to profitability, this drop in sales impacted on our overall profits, and we finished the year with JP 3.202 billion (down 45.4% YoY) in operating profits and JY 1.423 billion (down 66.7% YoY) in net profit.

Economic forecast for the coming year is that, despite an improving economic situation, the business climate is likely to remain severe due to a strong sense of surplus in facilities held by private companies.

With the aim to build a robust corporate constitution that can create stable profits and avoid the influence of the currently low level of business confidence, we will bring all our efforts to achieve solid results for the items of the Mid-term Business Plan including "Advancing order-booking strategies aimed at boosting revenues," "Improving business efficiency," "Strengthening business management systems" and "Strengthening and developing human resources."

Through efforts intended to accomplish such tasks, we will foster a corporate culture where all executives and employees earnestly carry out our duties with self-discipline and make efforts to seek the trust and support of our customers, stockholders and investors in order to achieve further development. To these ends, we look forward to your continued understanding and support.

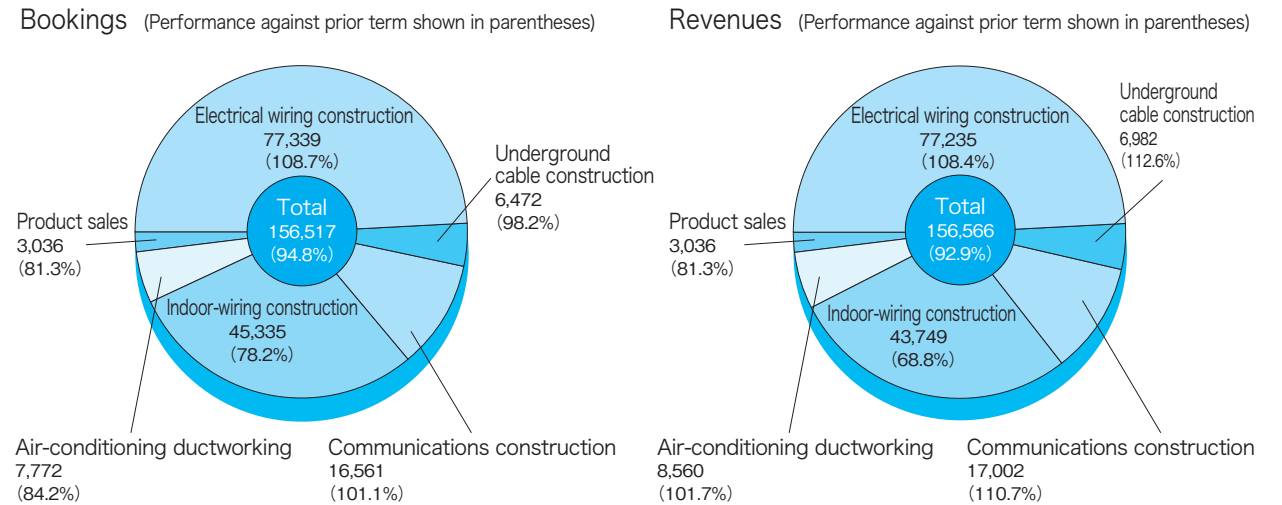
July 2010



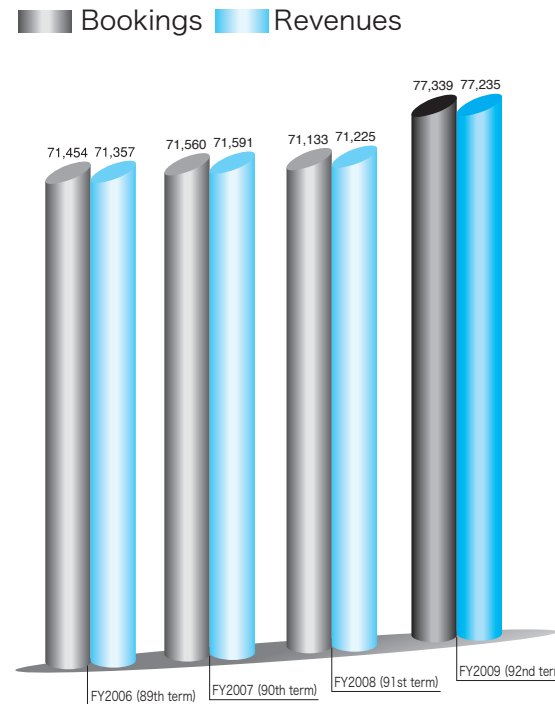
President Hiroshi Ochi

Breakdown by Business Sector

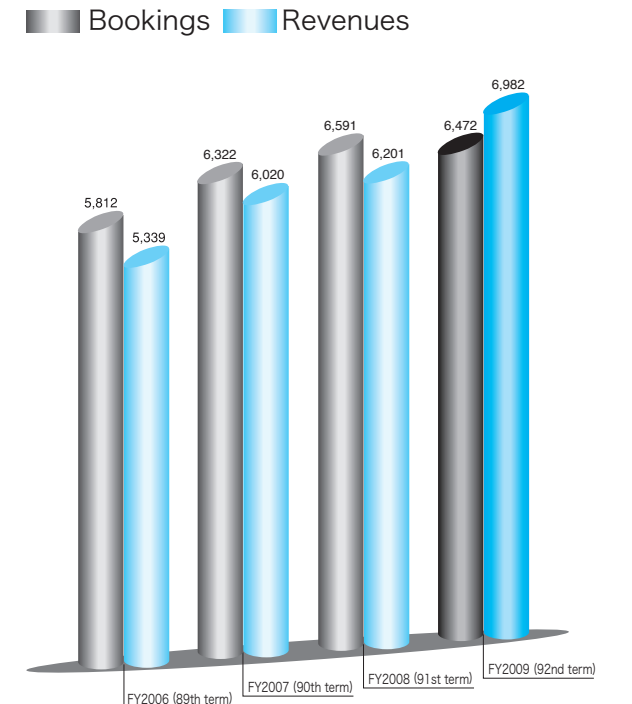
Bookings and Revenues for the Term by Business Sector (Units: JY millions)



Electrical wiring construction (Units: JY millions)

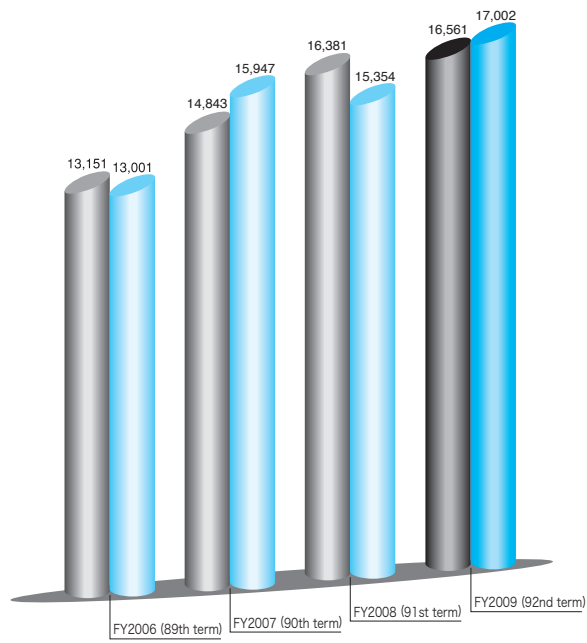


Underground cable construction (Units: JY millions)



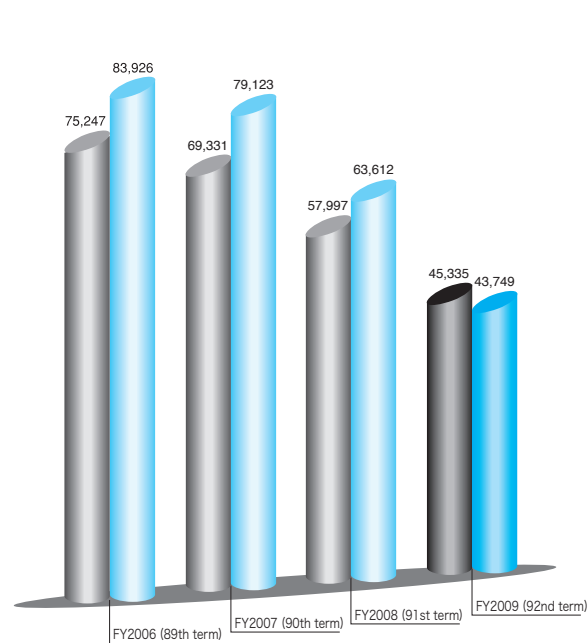
Communications construction (Units: JY millions)

Bookings Revenues



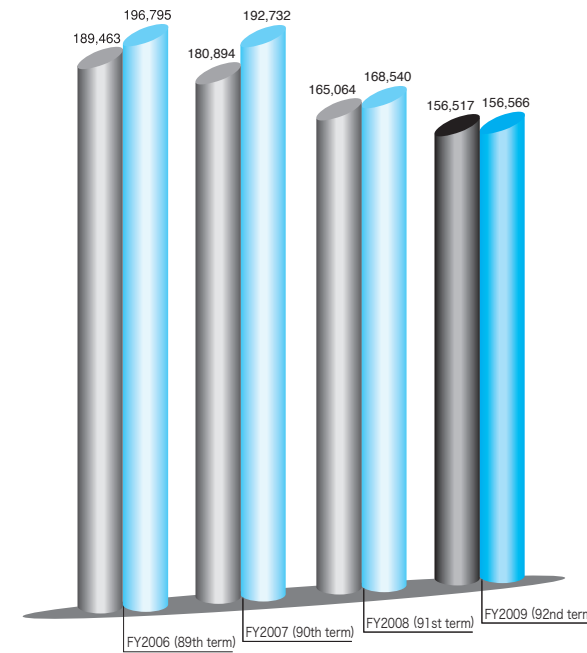
Indoor-wiring construction (Units: JY millions)

Bookings Revenues



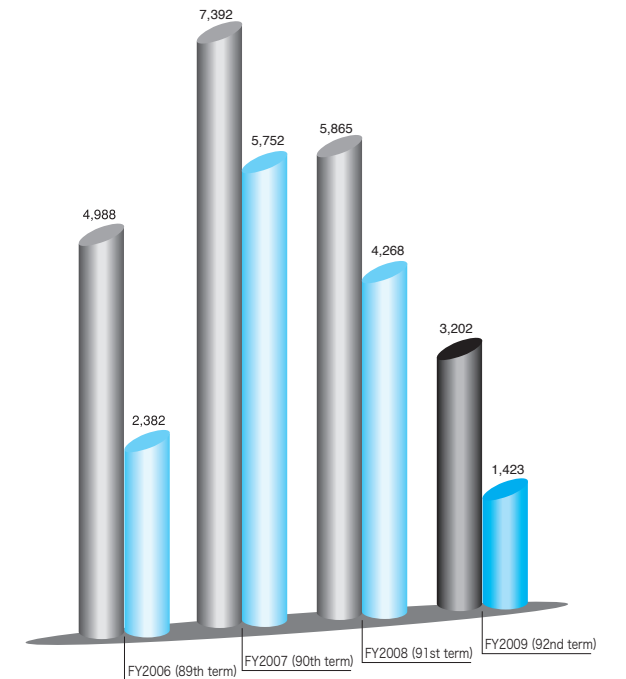
Bookings and revenues (Units: JY millions)

Bookings Revenues



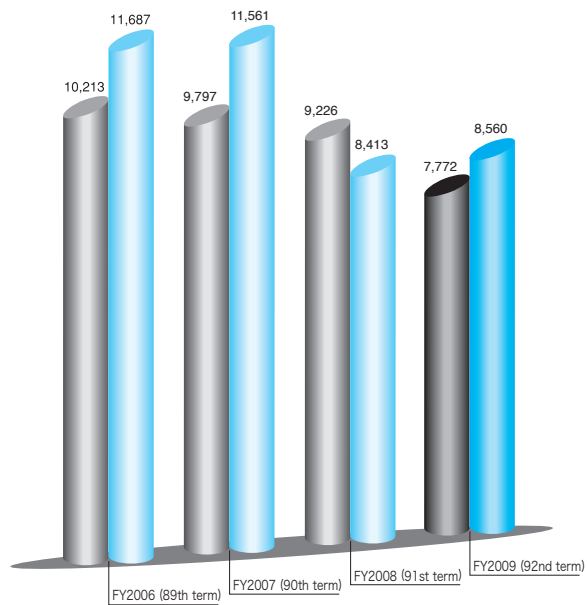
Operating profit and pre-tax profit (Units: JY millions)

Bookings Revenues



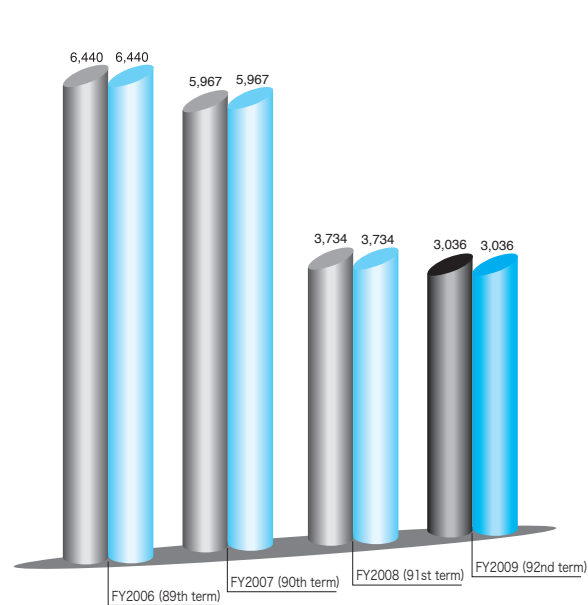
Air-conditioning ductworking (Units: JY millions)

Bookings Revenues



Product sales (Units: JY millions)

Bookings Revenues



	Millions of Yen		Thousands of U.S.Dollars
	2010	2009	2010
ASSETS			
Current assets:			
Cash and deposits	¥23,452	¥24,645	\$252,068
Short-term investment securities	6,295	12,459	67,660
Deposits paid	6,000	-	64,488
Notes and accounts receivable:			
Notes	2,427	4,031	26,090
Accounts	31,620	33,965	339,855
Other	1,293	1,218	13,902
	35,340	39,214	379,847
Allowance for doubtful accounts	(214)	(323)	(2,297)
	35,126	38,891	377,550
Inventories	6,853	10,369	73,660
Deferred tax assets	1,606	2,272	17,266
Other	2,939	1,923	31,593
Total current assets	82,274	90,559	884,285
Property, plant and equipment:			
Buildings and structures	41,578	40,559	446,878
Machinery, vehicles and equipment	7,834	6,947	84,198
Land	26,271	25,205	282,362
Construction in progress	48	95	513
	75,731	72,806	813,951
Accumulated depreciation	(32,893)	(31,855)	(353,536)
Total property, plant and equipment	42,837	40,951	460,415
Investments and other assets:			
Investment securities	7,877	6,697	84,661
Deferred tax assets	11,412	12,694	122,657
Other	1,819	2,603	19,547
Total investments and other assets	21,108	21,994	226,865
Total assets	¥146,218	¥153,503	\$1,571,565

	Millions of Yen		Thousands of U.S.Dollars
	2010	2009	2010
LIABILITIES			
Current liabilities:			
Short-term loans payable	¥3,700	¥3,700	\$39,768
Lease obligations	550	304	5,914
Notes and accounts payable:			
Notes	4,131	4,894	44,404
Accounts	23,740	30,636	255,155
	27,871	35,530	299,559
Advances received on uncompleted construction contracts	1,919	2,067	20,622
Income taxes payable	637	1,329	6,843
Other	6,474	6,965	69,586
Total current liabilities	41,151	49,895	442,292
Non-current liabilities:			
Lease obligations	3,225	1,896	34,659
Provision for retirement benefits	31,925	32,997	343,136
Other	154	202	1,655
Total non-current liabilities	35,304	35,095	379,450
Total liabilities	76,455	84,990	821,741
NET ASSETS			
Shareholders' equity:			
Capital stock			
Authorized - 200,000,000 shares			
Issued - 96,649,954 shares	7,681	7,681	82,554
Capital surplus	6,840	6,840	73,512
Retained earnings	54,039	53,555	580,813
Treasury stock	(1,406)	(1,263)	(15,115)
Total shareholders' equity	67,153	66,812	721,764
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	1,983	1,163	21,311
Deferred gains or losses on hedges	628	538	6,749
Total valuation and translation adjustments	2,611	1,701	28,060
Total net assets	69,764	68,513	749,824
Total liabilities and net assets	¥146,218	¥153,503	\$1,571,565



	Millions of Yen		Thousands of U.S.Dollars
	2010	2009	2010
Net sales:			
Net sales of completed construction contracts	¥156,567	¥168,541	\$1,682,791
Cost of sales:			
Cost of sales of completed construction contracts	137,989	147,429	1,483,114
Gross profit	18,578	21,112	199,676
Selling, general and administrative expenses	15,800	15,879	169,815
Operating income	2,778	5,233	29,861
Other income (expenses):			
Interest income	155	261	1,661
Interest expenses	(200)	(113)	(2,153)
Other, net	721	2,490	7,747
	675	2,637	7,255
Income before income taxes	3,453	7,870	37,116
Income taxes:			
Income taxes-current	695	3,043	7,466
Income taxes-deferred	1,336	559	14,356
Net income	¥1,423	¥4,268	\$15,294
Per share of common stock:			
	Yen	Yen	U.S.Dollars
Net income	¥15.17	¥45.42	\$0.16
Cash dividends	10.00	10.00	0.11

	Millions of Yen		Thousands of U.S.Dollars
	2010	2009	2010
ASSETS			
Current assets:			
Cash and deposits	¥24,281	¥26,521	\$260,976
Short-term investment securities	6,295	12,459	67,660
Deposits paid	6,300	-	67,713
Notes and accounts receivable:			
Notes	2,436	4,124	26,182
Accounts	31,715	34,329	340,872
Other	1,304	1,226	14,010
	35,455	39,679	381,064
Allowance for doubtful accounts	(166)	(318)	(1,780)
	35,289	39,361	379,284
Inventories	7,052	10,541	75,797
Deferred tax assets	1,783	2,500	19,165
Other	3,111	2,087	33,442
Total current assets	84,112	93,468	904,037
Property, plant and equipment:			
Buildings and structures	42,936	41,923	461,483
Machinery, vehicles and equipment	21,488	21,334	230,949
Land	26,330	25,264	283,001
Construction in progress	48	95	513
	90,802	88,616	975,946
Accumulated depreciation	(43,029)	(41,228)	(462,481)
Total property, plant and equipment	47,773	47,388	513,465
Investments and other assets:			
Investment securities	16,416	14,433	176,441
Deferred tax assets	11,373	12,693	122,238
Other	1,967	2,679	21,146
Total investments and other assets	29,756	29,806	319,825
Total assets	¥161,641	¥170,661	\$1,737,327

	Millions of Yen		Thousands of U.S.Dollars
	2010	2009	2010
LIABILITIES			
Current liabilities:			
Short-term loans payable	¥4,156	¥4,553	\$44,667
Lease obligations	1,750	1,623	18,809
Notes and accounts payable:			
Notes	4,166	5,012	44,781
Accounts	23,822	30,826	256,045
	27,989	35,838	300,826
Advances received on uncompleted construction contracts	1,979	2,161	21,269
Income taxes payable	680	1,658	7,304
Other	6,962	7,519	74,826
Total current liabilities	43,515	53,352	467,701
Non-current liabilities:			
Long-term loans payable	191	210	2,053
Lease obligations	4,916	4,851	52,835
Provision for retirement benefits	31,930	33,001	343,188
Provision for directors' retirement benefits	54	73	576
Other	257	383	2,765
Total non-current liabilities	37,348	38,517	401,417
Total liabilities	80,863	91,871	869,118
NET ASSETS			
Shareholders' equity:			
Capital stock			
Authorized - 200,000,000 shares			
Issued - 96,649,954 shares	7,681	7,681	82,554
Capital surplus	6,840	6,840	73,512
Retained earnings	64,981	63,741	698,422
Treasury stock	(1,406)	(1,263)	(15,115)
Total shareholders' equity	78,095	76,998	839,373
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	1,993	1,169	21,418
Deferred gains or losses on hedges	628	538	6,749
Foreign currency translation adjustment	62	85	668
Total valuation and translation adjustments	2,683	1,792	28,836
Total net assets	80,778	78,790	868,209
Total liabilities and net assets	¥161,641	¥170,661	\$1,737,327

	Millions of Yen		Thousands of U.S.Dollars
	2010	2009	2010
Net sales:			
Net sales of completed construction contracts	¥159,280	¥173,337	\$1,711,956
Cost of sales:			
Cost of sales of completed construction contracts	139,855	150,958	1,503,173
Gross profit	19,425	22,379	208,783
Selling, general and administrative expenses	16,497	16,651	177,314
Operating income	2,928	5,728	31,469
Other income (expenses):			
Interest income	156	262	1,682
Interest expenses	(322)	(233)	(3,462)
Other, net	1,576	2,686	16,944
	1,411	2,716	15,164
Income before income taxes	4,339	8,443	46,633
Income taxes:			
Income taxes-current	732	3,469	7,869
Income taxes-deferred	1,427	249	15,332
Net income	¥2,180	¥4,725	\$23,432
Per share of common stock:			
	Yen	Yen	U.S.Dollars
Net income	¥23.23	¥50.28	\$0.25
Cash dividends	10.00	10.00	0.11

	Millions of Yen		Thousands of U.S.Dollars
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes	¥4,339	¥8,443	\$46,633
Depreciation	4,150	4,108	44,610
Impairment loss	63	126	681
Increase (Decrease) in			
allowance for doubtful accounts	(393)	15	(4,229)
provision for directors' bonuses	-	(43)	-
provision for retirement benefits	(1,071)	(619)	(11,508)
provision for directors' retirement benefits	(20)	(191)	(210)
other provisions	350	(163)	3,759
Interest and dividends income	(251)	(424)	(2,697)
Interest expenses	322	233	3,462
Foreign exchange losses (gains)	0	(1)	4
Loss (Gain) on valuation of investment securities	65	207	701
Loss (Gain) on sales of investment securities	(29)	(29)	(308)
Loss (Gain) on sales of stocks of affiliates	-	16	-
Equity in (earnings) losses of affiliates	(782)	(396)	(8,405)
Loss (Gain) on sales and retirement of property, plant and equipment and intangible assets	(310)	(98)	(3,335)
Decrease (Increase) in			
accounts receivable-trade	4,217	6,380	45,328
inventories	3,491	(274)	37,521
Increase (Decrease) in			
accounts payable-trade	(5,366)	(6,900)	(57,677)
advances received on uncompleted construction contracts	(184)	(1,355)	(1,981)
accrued consumption taxes	529	(1,445)	5,682
Other, net	(3,333)	1,182	(35,819)
Income taxes paid	5,788	8,772	62,213
Net cash provided by (used in) operating activities	(1,714)	(4,871)	(18,426)
	4,074	3,900	43,787
Cash flows from investing activities:			
Payments into time deposits	(9,277)	(32,428)	(99,708)
Proceeds from withdrawal of time deposits	17,322	24,626	186,180
Purchase of short-term investment securities	(11,390)	(15,946)	(122,425)
Proceeds from sales of short-term investment securities	13,550	20,000	145,636
Purchase of investment securities	(14)	(1,090)	(154)
Proceeds from sales of investment securities	129	59	1,385
Payments of loans receivable	-	(2)	-
Collection of loans receivable	19	15	201
Purchases of property, plant and equipment	(3,549)	(3,219)	(38,143)
Proceeds from sales of property, plant and equipment	3	1,286	31
Interest and dividends income received	263	440	2,832
Proceeds from transfer of business	-	1,489	-
Other, net	48	(201)	514
Net cash provided by (used in) investing activities	7,104	(4,972)	76,350
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	40	1,373	426
Proceeds from long-term loans payable	500	-	5,374
Repayment of long-term loans payable	(956)	(2,435)	(10,280)
Repayments of lease obligations	(1,730)	(812)	(18,599)
Payments for purchases of treasury stock	(143)	(46)	(1,540)
Proceeds from sales of treasury stock	0	7	3
Interest expenses paid	(326)	(240)	(3,501)
Cash dividends paid	(938)	(939)	(10,085)
Net cash provided by (used in) financing activities	(3,554)	(3,092)	(38,202)
Effect of exchange rate change on cash and cash equivalents	9	(89)	101
Net increase (decrease) in cash and cash equivalents	7,633	(4,253)	82,037
Cash and cash equivalents at beginning of the year	25,858	30,110	277,919
Cash and cash equivalents at end of the year	¥33,490	¥25,858	\$359,956

Hamamatsu City Hall Building ESCO Project approved as a CO2 emissions reduction project

After applying for approval as a CO2 reduction project based on the "Domestic Credit System," the Hamamatsu City Hall Building ESCO Project, which has been promoted by a group led by TOENEC, was approved in March 2010 as such a project with TOENEC as an associate company and Chubu Electric Power as a joint implementation company. This is the first CO2 emissions reduction project for Hamamatsu City, and TOENEC is serving as an associated company for the first time. To realize a low-carbon society, we will actively make proposals and conduct operating activities.



Won the top prize at Skill Olympics National Championship (electric work category)

The 47th Skill Olympics National Championship was held in Ibaraki Prefecture in October 2009. Representing TOENEC, five persons participated in the electric work category, and Mr. Kinpara won the gold medal. All five participants won awards with one winning a bronze medal and three the fighting-spirit prize, thus we were able to demonstrate our high technological capabilities.



Working together to deal with disaster recovery

■Earthquake off Suruga Bay (August 11, 2009)

The earthquake centered in Suruga Bay occurred in the early morning on August 11, 2009, causing damage to the areas centering on Shizuoka Prefecture. In the area within the jurisdiction of the Shimada Office in particular, there was a lot of damage including the breakage of utility poles caused by landslides. We immediately started recovery operations and restored all transmission by midday on August 11.



■Typhoon No.18 (October 8, 2009)

The large typhoon No. 18 directly hit the Tokai region on October 8, 2009 and caused damage including the breakage and falling of utility poles over a wide area, resulting in large-scale power outages. We mobilized a total of 4,735 persons to deal with disaster recovery work together and made efforts for securing lifelines to fulfill our duties as a public utility.



Won triple prizes from the Institute of Electrical Installation Engineers of Japan

At the commendation of the 20th prizes awarded by the Institute of Electrical Installation Engineers of Japan held in Chiyoda-ku, Tokyo on June 5, 2009, the TOENEC-executed "Electric facilities of Epson Innovation Center" won the "Facility Award," the first prize in the technology category, and "Electric facilities of Midland Square" won the "Outstanding Facility Award."

In the academic category, the "Selection of proper capacity of phase-advanced capacitor for high-voltage customers based on actual measurement" won the "Best Paper Award."



▲Midland Square



▲Epson Innovation Center

Nagano Branch Saku Office was newly established

The Nagano Branch Saku Office building was completed in February 2010. To make it eco-friendly, we installed a solar power generation system (capacity 20kW) on the roof of its warehouse.



Recent Construction Projects

Aichi Prefectural Government Office Building (Nagoya City, Aichi Prefecture)

TOENEC was in charge of electric systems work in the quake-resistant improvement work for the Aichi Prefectural Government Office Building. Because the building will serve as a disaster-prevention center if a disaster occurs, we made efforts to ensure reliable power supplies, including that supplied through coordination with emergency electric facilities.



▲Communication cable of extra length for seismic isolation displacement



▲Seismic isolation of external cable

Inuyama City Hall (Inuyama City, Aichi Prefecture)

In the new construction of the new Inuyama City Hall, TOENEC was in charge of all electric systems work. With the introduction of a lighting control system in the hall that adjusts luminance according to brightness sensors, we increased the power-saving effect.



▲New Inuyama City Hall



▲1F "Citizen's Plaza"



▲Custom-made lighting at the assembly hall

Recent Construction Projects

Kinki University Faculty of Applied Sociology(Higashiosaka City, Osaka Prefecture)

In the new construction of buildings for Kinki University Faculty of Applied Sociology, TOENEC was in charge of electric systems work, and information and telecommunications systems work. We increased the power-saving effects by using high-efficiency luminaries in the electric systems. And, we introduced Cisco's Unified Computing System into the information and telecommunications systems for the first time in Japan, thus contributing to the creation of a flexible and effective PC environment that can reflect the course content.



▲PC classroom



▲Suspended lighting in cafeteria



▲Faculty of Applied Sociology campus

Trade Name TOENEC CORPORATION
 Head Office 20-31 Sakae 1-chome, Naka-ku
 Nagoya 460-0008, JAPAN
 Established October 1, 1944
 Capitalization JY7,680,785,924 (as of March 31, 2010)
 Employees 4,949 (as of March 31, 2010)

Business Lines

1. Electrical and communications construction
2. Pipe-laying
3. Fire-control system construction
4. Construction and building works
5. Scaffolding, earthworks, and concrete works
6. Road surfacing
7. Painting
8. Waterproofing work
9. Waterworks
10. Steel-structure construction
11. Machinery and tool installation
12. Interior finishing work
13. Cleaning-facility construction
14. Hot and cold water systems, and other work related to power provision, including steam and thermal generation, and wind and solar power generation
15. Electrical transmission construction
16. For all the items above, surveying, design, supervision, maintenance, and consultation services, along with associated commissioned research, planning, development, etc.
17. Procurement, manufacture, sale, and leasing of the goods listed below
 - A. For the items listed above, power cables, utility poles, power stringing tools, etc.
 - B. Control equipment for power generation and transmission, lighting equipment, and wiring materials
 - C. Electrical appliances, furniture, kitchen equipment, medical equipment, health and hygiene equipment, home-care devices, home-care goods, fitness equipment, sporting goods, apparel, and sundry items
 - D. Building plant and equipment, air-conditioning equipment, and compressors
 - E. Power-transmission equipment, computer systems, data terminals, and parts related to these
18. Ordinary freight vehicles
19. Sale, leasing, and management of real estate
20. Investment and financing in other companies
21. Manpower dispatching
22. Any business related to any of the items above



Electric wiring construction



Underground cable construction



Communications construction



Indoor-wiring construction (photo : Midland Square)



Air-conditioning ductwork



President and Director (Executive Officer)
Hiroshi Ochi

Senior Managing Director (Executive Officer)
Atsushi Katsuragawa

Managing Directors (Executive Officers)
Atsushi Katsuragawa
Masahiro Mikawa
Hidetoshi Wada
Mikio Niwa
Tadashi Yamauchi
Satoshi Takeo
Hiroshi Yamada

Directors (Executive Officers)
Kenji Hirata
Tsutomu Miura
Tsutomu Morita
Akira Okamoto
Yoshitaka Yasui

Director
Tomohiko Oono

Senior Corporate Auditor (full-time)
Kouta Asada

Corporate Auditor (full-time)
Toshio Tomita

Corporate Auditors
Tetsu Ito
Shinji Ishihara

Executive Officers
Yasumasa Moriyama
Shigeru Asami
Motoyuki Ito
Hisao Owaki
Masao Okuhira
Mamoru Komiyama
Kazuki Inokuchi
Masahiro Shimizu
Terutomo Sumida
Toshikazu Hiyama
Hideki Mase

TOENEC SERVICE CORPORATION

31-41 Sakae 1-chome, Naka-ku, Nagoya 460-0008, Japan
Phone: +81 (052) 201-6755
Fax: +81 (052) 211-1795
Yoshiyasu Ando, president
Incorporated October 1, 1981
Paid-in capital of JY 100 million
Offices in Nagoya, Okazaki, Shizuoka, Mie, Gifu, and Nagano

FILLTECH CORPORATION

1-32 Chitose 3-chome, Minato-ku, Nagoya 455-0011, Japan
Phone & Fax: +81 (052) 652-9938
Yukio Sekiguchi, president
Incorporated April 2, 2001
Paid-in capital of JY 35 million

TOENEC CONSTRUCTION (SHANGHAI) CO., LTD.

2F Chang Fa Building (East Area),
No. 128 Wei Hai Road, Huang Pu District,
Shanghai 200003, China
Phone: (86)21-6358-1878
Masaru Ohnuki, president
Incorporated September 16, 2003 (Approved for operation January 19, 2004)
Paid-in capital of USD 2.1 million

TOENEC (TAIWAN) CO., LTD.

4th Floor, No. 13, Sec. 1, Chang-an E. Rd., Zhongshan District
Taipei City 104, Taiwan (R.O.C.)
Phone: (886)2-2511-5937
Tsuneo Tsubouchi, president
Incorporated January 4, 1985 (Toenec first acquired a financial interest on February 17, 2003.)
Paid-in capital of TWD 8 million

TOENEC (THAILAND) CO., LTD.

Room 1402, Bangkok Tower, 2170 New Petchburi Road, Bangkok
Huaykwang, Bangkok 10310, Thailand
Phone: (66)2-308-0320
Minoru Niwa, Managing Director
Incorporated June 27, 1996
Paid-in capital of 10 million baht

TOENEC PHILIPPINES INC.

Unit 802, Greenbelt Mansion Condominium 106 Perea Street
Legaspi Village, Makati City 1229, Philippines
Phone: (63)2-892-1285
Toshihiro Hamase, vice-president
Incorporated October 26, 1995
Paid-in capital of 1 million pesos