



2009

AUDITED FINANCIAL
STATEMENTS
MARCH 31,
2008 – 2009

ANDO Corporation

Audited Financial Statements

Years ended March 31, 2008 and 2009

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Report of Independent Auditors

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To the Board of Directors of ANDO Corporation

We have audited the consolidated balance sheets of ANDO Corporation and subsidiaries as at March 31, 2008 and 2009, and the related consolidated statements of income, net assets, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibilities of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ANDO Corporation and subsidiaries as at March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note2 (8), effective for the year ended March 31, 2009, the Company adopted the new accounting standard for measurement of inventories.

As discussed in Note2 (15), effective for the year ended March 31, 2009, profit and loss on investments in special purpose companies related to real estate development are recorded as operating revenue or cost instead of other income or expense.

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.



Tokyo, Japan
June 26, 2009

Consolidated Balance Sheets
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
ASSETS			
Current assets:			
Cash and deposits (Note 5)	¥ 13,786	¥ 27,041	\$ 275,284
Accounts and notes receivable—Trade	87,735	72,555	738,620
Allowance for doubtful accounts	(435)	(169)	(1,717)
Inventories (Note 6)	13,203	19,255	196,019
Deferred tax assets (Note 13)	4,047	1,143	11,636
Prepaid expenses and other current assets	5,149	5,346	54,421
Total current assets	123,485	125,171	1,274,263
Investments and advances:			
Investments in and advances to			
Unconsolidated subsidiaries and affiliates	41	41	419
Investments in securities (Note 4)	20,794	15,800	160,847
Advances	879	362	3,679
	21,714	16,203	164,945
Property and equipment, at cost:			
Land (Notes 7 and 9)	21,096	16,298	165,913
Buildings and structures (Note 7)	15,158	13,871	141,212
Machinery and equipment (Note 7)	2,873	2,072	21,096
Leased assets	-	206	2,100
Construction in progress	29	19	190
	39,156	32,466	330,511
Accumulated depreciation	(12,000)	(10,565)	(107,551)
	27,156	21,901	222,960
Other assets:			
Deferred tax assets (Note 13)	1,083	3,186	32,438
Others	1,817	2,489	25,335
	2,900	5,675	57,773
Total assets	¥ 175,255	¥ 168,950	\$ 1,719,941

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets
ANDNO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 9)	¥ 12,000	¥ 19,525	\$ 198,768
Current portion of long-term debt (Note 9)	12,270	10,594	107,853
Accounts and notes payable-Trade	76,266	63,208	643,473
Accrued income taxes	219	74	752
Accrued bonuses	1,095	1,076	10,948
Advances on construction work in progress (Note 10)	11,450	14,866	151,337
Allowance for losses on construction contracts	386	93	948
Deferred tax liability (Note 13)	-	3	29
Others	6,707	7,832	79,733
Total current liabilities	120,393	117,271	1,193,841
Long-term liabilities:			
Long-term debt (Note 9)	17,641	17,605	179,224
Accrued severance indemnities (Note 14)	3,496	3,422	34,835
Deferred tax liability on land revaluation (Note 7)	4,881	4,739	48,239
Others	918	770	7,841
Total long-term liabilities	26,936	26,536	270,139
Net assets			
Shareholders' equity (Note 15):			
Common stock ; authorized 250 million shares; issued 85,488,000 shares at March 31, 2008 and 2009	8,986	8,986	91,474
Capital surplus	5,474	5,474	55,730
Retained earnings (Note 19)	5,408	7,727	78,665
Treasury stock, at cost (2008 – 2,777,084 shares, 2009 – 2,777,894 shares)	(459)	(459)	(4,671)
Total shareholders' equity	19,409	21,728	221,198
Valuation and translation adjustments:			
Unrealized gains on securities (Note 4)	1,906	264	2,687
Deferred losses on derivative financial instruments used for hedge accounting	(7)	-	-
Land revaluation difference (Note 7)	6,365	2,949	30,023
Cumulative translation adjustments	75	48	483
Total valuation and translation adjustments	8,339	3,261	33,193
Minority interests in consolidated subsidiaries	178	154	1,570
Total net assets	27,926	25,143	255,961
Total liabilities and net assets	¥ 175,255	¥ 168,950	\$ 1,719,941

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Operating revenues:			
Constructions	¥ 243,151	¥ 221,384	\$ 2,253,729
Real estate	8,243	5,015	51,051
	251,394	226,399	2,304,780
Cost and expenses:			
Cost of constructions	232,680	208,413	2,121,678
Cost of real estate	6,015	3,695	37,620
Selling, general and administrative expenses	9,951	10,033	102,133
	248,646	222,141	2,261,431
Operating income	2,748	4,258	43,349
Other income (expense):			
Interest expense	(1,108)	(1,198)	(12,191)
Interest and dividends income	337	340	3,457
Gain on sales of securities investments	269	427	4,350
Loss on impairment of fixed assets (Note 7)	(1,118)	(374)	(3,812)
Loss on revaluation of investments in securities	(826)	(1,459)	(14,853)
Others, net (Note 12)	(982)	(702)	(7,148)
	(3,428)	(2,966)	(30,197)
Income (loss) before income taxes and minority interests	(680)	1,292	13,152
Income taxes (Note 13):			
Current	303	174	1,772
Deferred	(2,144)	477	4,859
	(1,841)	651	6,631
Minority interests in income of consolidated subsidiaries	30	18	180
Net Income	1,131	623	6,341
Amounts per share:			
	Yen		U.S. dollars
Net income (Note 18)	¥ 13.67	¥ 7.53	\$ 0.08
Cash dividends paid (Note 19)	¥ 5.00	¥ 5.00	\$ 0.05

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Net Assets

ANDO Corporation and Consolidated Subsidiaries

Years ended March 31, 2008 and 2009

	Millions of yen				
	Number of shared issued	Shareholders' Equity			
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at March 31, 2007	82,716,597	¥ 8,986	¥ 5,474	¥ 4,506	¥ (457)
Net income	—	—	—	1,131	—
Cash dividends	—	—	—	(414)	—
Bonuses to directors and corporate auditors	—	—	—	—	—
Treasury stock acquired, net	(5,681)	—	—	—	(2)
Gain (loss) on sales of treasury stock	—	—	0	—	0
Reversal of revaluation reserve for land	—	—	—	154	—
Other, net	—	—	—	31	—
Balance at March 31, 2008	82,710,916	8,986	5,474	5,408	(459)
Net income	—	—	—	623	—
Cash dividends	—	—	—	(414)	—
Bonuses to directors and corporate auditors	—	—	—	—	—
Treasury stock acquired, net	(810)	—	—	—	(1)
Gain (loss) on sales of treasury stock	—	—	0	—	1
Reversal of revaluation reserve for land	—	—	—	2,110	—
Other, net	—	—	—	—	—
Balance at March 31, 2009	82,710,106	¥ 8,986	¥ 5,474	¥ 7,727	¥ (459)

	82,710,916	Thousands of U.S. dollars (Note 3)			
		\$ 91,474	\$ 55,729	\$55,053	\$ (4,669)
Balance at March 31, 2008	82,710,916	\$ 91,474	\$ 55,729	\$55,053	\$ (4,669)
Net income	—	—	—	6,341	—
Cash dividends	—	—	—	(4,210)	—
Bonuses to directors and corporate auditors	—	—	—	—	—
Treasury stock acquired, net	(810)	—	—	—	(12)
Gain (loss) on sales of treasury stock	—	—	1	—	10
Reversal of revaluation reserve for land	—	—	—	21,481	—
Other, net	—	—	—	—	—
Balance at March 31, 2009	82,710,106	\$ 91,474	\$ 55,730	\$ 78,665	\$ (4,671)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Net Assets

ANDO Corporation and Consolidated Subsidiaries

Years ended March 31, 2008 and 2009

	Millions of yen				
	Valuation and translation adjustments				
	Unrealized gain on securities	Deferred losses on derivative financial instruments used for hedge accounting	Land revaluation difference	Cumulative translation adjustments	Minority interests in consolidated subsidiaries
Balance at March 31, 2007	¥ 4,892	¥ (12)	¥ 6,443	¥ 51	¥ 139
Net income	—	—	—	—	—
Cash dividends	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Gain (loss) on sales of treasury stock	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Other, net	(2,986)	5	(78)	24	39
Balance at March 31, 2008	1,906	(7)	6,365	75	178
Net income	—	—	—	—	—
Cash dividends	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Gain (loss) on sales of treasury stock	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Other, net	(1,642)	7	(3,416)	(27)	(24)
Balance at March 31, 2009	¥ 264	¥ —	¥ 2,949	¥ 48	¥ 154

	Thousands of U.S. dollars (Note 3)				
Balance at March 31, 2008	\$ 19,399	\$ (71)	\$ 64,796	\$ 765	\$ 1,815
Net income	—	—	—	—	—
Cash dividends	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Gain (loss) on sales of treasury stock	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Other, net	(16,712)	71	(34,773)	(282)	(245)
Balance at March 31, 2009	\$ 2,687	\$ —	\$ 30,023	\$ 483	\$ 1,570

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Operating Activities:			
Income (loss) before income taxes and minority interests	¥ (680)	¥ 1,292	\$ 13,152
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Income taxes paid	(191)	(315)	(3,207)
Depreciation	706	650	6,613
Loss on impairment of fixed assets	1,118	374	3,812
Allowance for doubtful accounts	521	3,932	40,031
Provision for severance indemnities	(1,874)	(61)	(622)
Allowance for losses on construction contracts	(29)	(270)	(2,751)
Loss on devaluation of investments in securities	855	1,459	14,853
Gain on sales or disposals of property and equipment, and investment securities	(203)	(4,597)	(46,795)
Changes in assets and liabilities:			
Trade receivables	4,370	8,879	90,390
Inventories	5,837	(6,136)	(62,467)
Trade payables	(7,488)	(12,097)	(123,154)
Advances on construction work in progress	(2,227)	3,449	35,112
Others	1,045	1,108	11,278
Net cash provided by (used in) operating activities	1,760	(2,333)	(23,755)
Investing Activities:			
(Increase)/decrease in time deposits	-	156	1,585
Purchases of investment securities	(5,618)	(621)	(6,317)
Purchases of property and equipment	(247)	(560)	(5,701)
Proceeds from sale of property and equipment	1,364	9,695	98,700
Proceeds from sale of investment securities	3,367	1,679	17,090
Payment for loans made	(174)	(241)	(2,452)
Proceeds from repayment of loans made	95	407	4,145
Others	673	39	392
Net cash provided by (used in) investing activities	(540)	10,554	107,442
Financing Activities:			
Increase (decrease) in short-term bank loans	4,457	7,495	76,302
Repayment of long-term debt	(10,834)	(13,221)	(134,590)
Proceeds from issuance of bonds	500	1,500	15,270
Payment for redemption of bonds	(2,560)	(1,060)	(10,791)
Payment for acquisition of treasury stock	(2)	-	-
Proceeds from sale of treasury stock	0	-	-
Proceeds from issuance of long-term debt	2,900	11,100	113,000
Cash dividends paid	(414)	(414)	(4,210)
Others	-	(33)	(337)
Net cash provided by (used in) financing activities	(5,953)	5,367	54,644
Effect of exchange rate changes	27	(177)	(1,802)
Net increase (decrease) in cash and cash equivalents	(4,706)	13,411	136,529
Cash and cash equivalents at beginning of year	18,158	13,486	137,286
Increase in cash and cash equivalents by newly consolidated subsidiaries	34	-	
Cash and cash equivalents at end of year (Note 5)	¥ 13,486	¥ 26,897	\$ 273,815

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

1 Basis of Presentation of Consolidated Financial Statements

ANDO Corporation (“the Company”) maintains its books of accounts in Japanese yen in conformity with the financial accounting standards of Japan.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related regulations, and in conformity with accounting principles generally accepted in Japan. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but have been presented as additional information. In addition, certain reclassifications have been made to the accompanying consolidated financial statements in order to present them in a form, which is more familiar to readers outside Japan.

2 Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements of the Company for the year ended March 31, 2008 and 2009 include the accounts of the Company and its seven significant subsidiaries (three domestic and four overseas subsidiaries).

All unconsolidated subsidiaries and affiliates were not accounted for using the equity method, as these companies were not significant in terms of retained earnings or net income of the consolidated financial statements.

All significant intercompany transactions, accounts and unrealized profits or losses have been eliminated in consolidation.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

(2) Recognition of revenue and related cost

Revenue from and related costs of construction contracts, whose contract amounts are not less than ¥100 million and contract periods are beyond one year, are recorded using the percentage-of-completion method. Revenue from and related costs of construction contracts except the above are recorded using the completed contract method.

(3) Translation of Foreign Currency

Foreign currency receivables and payables are translated at appropriate year-end current rates and the resulting translation gains or losses are recognized in the consolidated statements of income.

(4) Foreign Currency Financial Statements

The balance sheet accounts and revenue and expense accounts of the consolidated overseas subsidiary are translated into Japanese yen at the exchange rate as of each balance sheet date except for shareholders' equity, which is translated at the historical exchange rates.

Differences arising from such translation are shown in net assets as cumulative translation adjustments in the accompanying consolidated balance sheets.

Effective April 1, 2008, "The Tentative Treatment for the Unification of Accounting Policies of Foreign Subsidiaries in Preparing Consolidated Financial Statements (Practical Issues Task Force No.18)" is applied. This change had no impact on income and loss.

(5) Cash and Cash Equivalents

Cash and cash equivalents in the statements of cash flows, consist of cash, deposits which can be withdrawn at any time, and short-term investments with a maturity date within three months of acquisition which are not exposed to significant valuation risks. See Note 5 as to a reconciliation of cash and cash equivalents reported in the statements of cash flows with cash and deposits reported in the balance sheets.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

(6) Financial instruments

(6) - 1 Marketable Securities and Investments in Securities

The Company classifies and accounts for securities as follows:

- ① Trading securities, which are held for the purpose of earning capital gain in near term, are reported at fair value and the related unrealized gains and losses are included in the earnings.
- ② Held-to-maturity debt securities, which are expected to be held to maturity, are reported at amortized cost.
- ③ Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of deferred taxes, reported in component of shareholders' equity.

The Company did not hold any securities classified as "Trading securities" or "Held-to-maturity debt securities" as of March 31, 2008 and 2009.

(6) - 2 Derivatives and Hedging Activities

The Company makes use of derivatives only to reduce financial cost and exposure to market risks resulting from fluctuations in interest rates and in foreign currency exchange rates. The Company does not use derivatives for trading or speculative purposes and has a policy of entering into contracts only with high credit rating financial institutions. Management believes that the credit risk arising from default by counter parties is minimal.

The Company recognizes all derivatives as either assets or liabilities in the balance sheet and measures those instruments at fair value, and gains or losses on derivative transactions are recognized in the statements of income.

The Company adopts hedge accounting for derivatives used for hedging purposes. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. And the interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not re-measured at market value but the differential paid or received under the swap agreements are charged to income.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

(7) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover provable losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated by applying the percentage of actual losses on collection experienced in the past to the remaining receivables.

In addition, effective the year ended March 31, 2008, the Company and its consolidated subsidiaries added the allowance for doubtful accounts to an amount which is calculated by applying a specific ratio to the remaining receivables that passed a certain period of time after completion of construction.

As a result of this, loss before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥635 million compared to what would have been.

(8) Inventories

Primarily, construction work in progress, real estate under construction and real estate for sale are stated at cost, as determined on a specific project basis. Materials and supplies are stated at cost, as determined based on an average method.

Effective April 1, 2008, the Company and its domestic consolidated subsidiaries have applied the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9). For real estate under construction, real estate for sale, and materials and supplies, the evaluation method has been changed from the cost method to the cost method where the book value is reduced based on their decrease in profitability.

As the result of applying ASBJ Statement No.9, operating income decreased by ¥129 million (US\$1,313 thousand), and income before income taxes and minority interests decreased by ¥522 million (US\$5,314 thousand) for the year ended March 31, 2009.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

(9) Property and Equipment

Property and equipment, including significant renewals and additions, are stated at cost. Depreciation has been principally computed on the declining balance method at rates based on the estimated useful lives as designated by Japanese income tax laws. Repairs and maintenance expenses are charged to income as incurred.

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their depreciation method of property and equipment acquired on or after April 1, 2007, pursuant to the revision of the Corporation Tax Law.

As a result of this change, operating income decreased by ¥13 million, and loss before income taxes and minority interests increased by ¥13 million for the year ended March 31, 2008.

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries depreciate the difference between the memorandum price and 5% of the acquisition price of the property and equipment in five years, pursuant to the revision of the Corporation Tax Law. The difference is incurred from all acquired properties and equipments prior to April 1, 2007, which was depreciated up to 5% of the acquisition cost, before the Corporation Tax Law revision.

As a result of this change, operating income decreased by ¥29 million, and loss before income taxes and minority interests increased by ¥29 million for the year ended March 31, 2008.

(10) Accounting for Leases

The Company leases certain equipment under finance leases. Finance lease transactions that did not involve transfer of ownership were previously accounted for in accordance with the method used for ordinary operating lease transactions.

Effective April 1, 2008, the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16) were applied. Leased assets related to finance lease transactions that do not involve transfer of ownership are depreciated on a straight-line basis, with the lease periods used as their useful lived and no residual value.

For finance lease transactions which took place before April 1, 2008, the accounting method remains same, as for ordinary operating lease transactions.

The impact of this change on income and loss was immaterial.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

(11) Income Taxes

The Company accounts for income taxes under the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized to reflect the estimated future tax consequences of temporary differences, tax loss carryforward and income tax credits. Temporary differences result primarily from differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Valuation allowances are established to reduce deferred tax assets to the amounts expected to be realized.

Unrealized gains and losses on available-for-sale securities and land revaluation difference are directly included in component of shareholders' equity at net of deferred tax.

In the accompanying consolidated balance sheets, net amount of deferred tax assets and liabilities arising from unrealized gains and losses on the revaluated land are reported separately from other deferred tax assets and liabilities.

(12) Accrued Severance Indemnities

The Company and its subsidiaries have contributory and non-contributory funded and unfunded defined benefit plans covering all of their employees.

Under the plans, employees are entitled to lump-sum payments based on the current rate of pay upon retirement or termination of employment for reasons other than cause for dismissal.

The Company accounts for the liability for retirement benefit based on the projected benefit obligations and plan assets at the consolidated balance sheet date. Prior service cost is charged to current period. Actuarial gains and losses are being deferred and amortized over a specific period (10 years) less than the average remaining service period of the employees then working.

(13) Allowance for losses on construction contracts

The Company provides an allowance for losses on construction contract, which could be reasonably estimated by the time of completion, with respect to total estimated construction cost over construction price among which the Company had construction in progress.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

(14) Per Share Information

Net income per share is computed based on the weighted average number of shares of common stock outstanding during the year.

Dividends per share have been presented on an accrual basis and include, in each fiscal year ended March 31, dividends approved or to be approved after such March 31 but applicable to the year then ended.

(15) Change of Accounting Policy – Investment in SPC related to real estate development

Previously, profit and loss on investment in special purpose companies (SPC) related to real estate development was recorded as other income or other expense. At June 27, 2008, the Company's ordinary shareholders' meeting resolved to add such investment as business purpose on the Company's articles. From the year ended March 31, 2009, such profit and loss are recorded as sales or cost, subject to delegation of construction for the project of real estate development. Under the environment of diversification of real estate development business, this change was determined to present operating results more properly, and to control increased materiality of investment in SPC related to real estate development. Accordingly, operating income for the fiscal year increased by ¥63 million (US\$641 thousand).

3 U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese yen into U.S. dollars on the basis of ¥98.23 to U.S.\$1.00. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen have been or could be converted, realized or settled in U.S. dollars at this or at any other rate.

Notes to Consolidated Financial Statements
 ANDO Corporation and Consolidated Subsidiaries
 Years ended March 31, 2008 and 2009

4 Investments in Securities

The amounts shown on the consolidated balance sheets related to investments in securities with market value are as follows:

Millions of Yen								
	2008				2009			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Stocks	¥ 7,545	¥ 3,925	¥ 711	¥ 10,759	¥ 6,065	¥ 817	¥ 372	¥ 6,510
Others	—	—	—	—	—	—	—	—
Total	¥7,545	¥3,925	¥711	¥10,759	¥6,065	¥817	¥372	¥6,510

Thousands of U.S. dollars				
	2009			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Stocks	\$ 61,746	\$ 8,314	\$ 3,783	\$ 66,277
Others	—	—	—	—
Total	\$ 61,746	\$ 8,314	\$ 3,783	\$ 66,277

Proceeds from sales of investments in securities were ¥3,367 million and ¥1,766 million (US\$17,982 thousand) for the years ended March 31, 2008 and 2009, respectively. On those sales, gross realized gains computed on the average cost basis were ¥269 million and ¥427 million (US\$4,350 thousand) and gross realized losses were ¥5 million and ¥163 million (US\$1,658 thousand) for the years ended March 31, 2008 and 2009, respectively.

Investments in securities including stocks issued by a number of nonpublic companies and investments in anonymous association, which were carried at cost, were ¥10,035 million and ¥9,290 million (US\$94,570 thousand) at March 31, 2008 and 2009, respectively.

Impairment losses of ¥826 million and ¥1,459 million (US\$14,853 thousand) were recorded to write down book value of investments in securities for the year ended March 31, 2008 and 2009, respectively.

Notes to Consolidated Financial Statements
ANDCO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

5 Cash and cash equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2008 and 2009 were reconciled with cash and deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Cash and deposits	¥ 13,786	¥ 27,041	\$ 275,284
Time deposits with maturities of exceeding three months from the date of acquisition	(300)	(144)	(1,469)
Cash and cash equivalents	¥ 13,486	¥ 26,897	\$ 273,815

6 Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Construction work in progress	¥ 6,931	¥ 6,830	\$ 69,528
Real estate for sale	2,447	3,024	30,790
Real estate under construction	3,704	9,401	95,701
Materials and supplies	121	-	-
	¥ 13,203	¥ 19,255	\$ 196,019

The balances of real estate for sale and real estate under construction as of March 31, 2009, were after devaluation based on decrease in profitability. Loss on devaluation of inventories of ¥129 million (US\$1,313 thousand) were stated as cost of real estate for the year ended March 31, 2009.

Materials and supplies, which were not held for sale, but to be consumed in sales, general and administrative activities, balanced ¥84 million (US\$855 thousand) in other current assets as at March 31, 2009.

Notes to Consolidated Financial Statements
 ANDO Corporation and Consolidated Subsidiaries
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7 Long-Lived Assets

< Land Revaluation >

Pursuant to the Law Concerning Revaluation of Land, land used for business operations was revalued on March 31, 2000. The revaluation difference has been recorded in net assets at net of deferred tax assets and liabilities. The difference between the total market value of land used for business operations revalued as of March 31, 2008, and the total book value of the land after revaluation is ¥1,261 million.

< Impairment >

The Company and its consolidated subsidiaries reviewed their long-lived assets for impairment as of the year ended March 31, 2008 and 2009. As a result, impairment loss was recognized as follows (assets for leasing and idle lands: 8 and 5 properties in total, respectively):

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Buildings and structures	¥ 621	¥ 81	\$ 820
Land	497	242	2,468
Others	—	51	524
Total	¥ 1,118	¥ 374	\$ 3,812

The Company and its consolidated subsidiaries reviewed impairment, on a specific project basis for assets for leasing and idle properties, and on group basis for assets in construction business according to their business classification under the management accounting system, which continuously monitors income and expenditures. The Company and its consolidated subsidiaries reduced the carrying value of the assets to the recoverable amount, because decrease in profitability of assets for leasing, decrease in market value of idle properties, and determined sales of assets in construction business. The recoverable amount of the assets was measured at the higher of its value in use or its net realizable value in sale. Net realizable value in sale was determined, based on professional appraisal for assets of significant book value, and based on market standard for other assets. Value in use was computed by discounting its future cash flows at 2.6%.

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

8 Derivative Financial Instrument Risk

The Company uses derivatives, principally interest-rate swaps, to reduce financial cost and exposure to market risks and entered into the agreements to receive variable-rate interest payments in exchange for fixed-rate interest payments.

Notional principal amounts are often used to express the volume of these transactions, but the amounts do not show the volume of market risk or credit risk of the derivative transactions.

All derivative contracts that the Company had as of March 31, 2008 and 2009 are qualified for hedge accounting and excluded from the disclosure of market value information.

9 Short-term Borrowings and Long-term Debt

Short-term borrowings are represented by 365-day notes, principally unsecured, bearing interest at the rates of 1.08% to 2.30% per annum and at average rate of 1.7% per annum at March 31, 2008 and 2009, respectively.

Long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Unsecured bonds, 2008: 0.61% to 1.11%, due 2008-2013 2009: 0.61% to 1.11%, due 2009-2013	¥ 2,060	¥ 2,500	\$ 25,451
Loans from banks and other financial institutions, collateralized, payable principally on a quarterly installment basis, 2008: 1.50% to 3.06%, due 2008-2013 2009: 1.53% to 3.62%, due 2009-2013	27,851	25,699	261,626
Total	29,911	28,199	287,077
Less portion due within one year	(12,270)	(10,594)	(107,853)
Total	¥ 17,641	¥ 17,605	\$ 179,224

Notes to Consolidated Financial Statements

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

At March 31, 2009, the following assets were pledged by the Company as collateral for long-term debt in the amount of ¥350 million (US\$3,563 thousand).

	Carrying value	
	Millions of yen	Thousands of U.S. dollars
Land	¥ 2,535	\$ 25,807

As is customary in Japan, additional collateral or letters of guarantee must be given if requested by a lending bank, and such bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in case of default and certain specified events, against all debts payable to the bank.

The annual repayment schedule of long-term debt (including current portion) as of March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2010	¥ 10,594	\$ 107,853
2011	9,203	93,684
2012	5,812	59,173
2013	1,980	20,157
2014	610	6,210
	¥ 28,199	\$ 287,077

10 Advances on Construction Work in Progress

The Company normally receives payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

11 Research and Development Expenses

Research and development expenses charged to construction costs and general and administrative expenses for the years ended March 31, 2008 and 2009 were ¥606 million and ¥632 million (US\$6,436 thousand), respectively.

Notes to Consolidated Financial Statements
 ANDO Corporation and Consolidated Subsidiaries
 Years ended March 31, 2008 and 2009

12 Other Loss - Net

The composition of other loss-net for the year ended March 31, 2008 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Provision for long-term delinquent accounts	¥ (879)	¥ (4,071)	\$ (41,440)
Investment earning in anonymous association	449	102	1,035
Loss on sales of land	(56)	(14)	(145)
Gain on sales of land	0	4,571	46,529
Reversal/(Provision) of allowance for doubtful accounts	116	139	1,420
Others	(612)	(1,429)	(14,547)
	¥ (982)	¥ (702)	\$ (7,148)

Notes to Consolidated Financial Statements
ANDCO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

13 Income Taxes

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2008 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Current:			
Unrealized loss on real estate for sale, etc.	¥ 1,258	¥ 172	\$ 1,746
Net operating loss carryforward	1,770	449	4,574
Others	1,077	621	6,326
Valuation allowance	(58)	(96)	(982)
	<u>4,047</u>	<u>1,146</u>	<u>11,664</u>
Non-current:			
Unrealized loss on land	374	374	3,811
Bad debt expense on loans, etc.	129	129	1,316
Allowance for doubtful accounts	438	1,472	14,981
Provision for severance indemnities	2,110	2,142	21,810
Others	667	646	6,575
Valuation allowance	(933)	(1,017)	(10,355)
	<u>2,785</u>	<u>3,746</u>	<u>38,138</u>
Total deferred tax assets	<u>6,832</u>	<u>4,892</u>	<u>49,802</u>
Deferred tax liabilities:			
Current:			
Refundable enterprise tax	-	¥ (6)	(58)
	<u>-</u>	<u>(6)</u>	<u>(58)</u>
Non-current :			
Unrealized gain on securities	(1,308)	(181)	(1,844)
Reserve for renewal of assets	(394)	(379)	(3,856)
	<u>(1,702)</u>	<u>(560)</u>	<u>(5,700)</u>
Total deferred tax liabilities	<u>(1,702)</u>	<u>(566)</u>	<u>(5,758)</u>
Net deferred tax assets	¥ 5,130	¥ 4,326	\$ 44,044

Notes to Consolidated Financial Statements
ANDCO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

A reconciliation of the difference between the statutory tax rate and the effective income tax rate of March 31, 2008 was not prepared due to loss before income taxes and minority interests. The reconciliation for March 31, 2009 is as follows:

	2009
Statutory tax rate	40.7 %
Increase (reduction) in taxes resulting from:	
Items that may not be incorporated in losses permanently	10.2
Items that may not be incorporated in profits permanently	(21.5)
Inhabitant equalization tax	10.0
Valuation allowance	9.4
Other	1.5
Effective income tax rate	50.3 %

14 Pension and Severance Plans

Upon terminating employment, employees of the Company and consolidated subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities and/or pension payment as described below.

The Company and the consolidated subsidiaries in Japan have unfunded severance plans for employees, the benefits of which are generally determined on the basic rate of pay at the time of termination of employment.

The Company also has a non-contributory pension plan which covers employees who have been in the Company's service for more than 20 years. The pension benefits are determined based on years of service and the compensation amounts, and are payable at the option of the retiring employee in a lump-sum amount or on a monthly pension.

Effective October 1, 2007, the Company partly amended its retirement plan and introduced the quasi cash-balance plan under which benefits are determined based on the variable-interest rate rather than the fixed-interest rate as was in the pre-amended plan.

Notes to Consolidated Financial Statements
ANDDO Corporation and Consolidated Subsidiaries
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Benefit obligation and plan assets, funded status and composition of amounts recognized in the consolidated balance sheets as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Benefit obligation	¥ (17,293)	¥ (16,803)	\$ (171,060)
Fair value of plan assets	12,411	8,620	87,754
Benefit obligation in excess of plan assets	(4,882)	(8,183)	(83,306)
Unrecognized actuarial loss	2,013	5,433	55,310
Prepaid pension cost	500	557	5,674
Accrued postretirement benefit	¥ (3,369)	¥ (3,307)	\$ (33,670)

The components of net pension and severance costs for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Service cost	¥ 804	¥ 809	\$ 8,234
Interest cost	432	431	4,390
Expected return on plan assets	(278)	(233)	(2,370)
Amortization of prior service cost	(192)	-	-
Amortization of unrecognized actuarial gain/loss	(114)	298	3,030
Net periodic benefit cost	¥ 652	¥ 1,305	\$ 13,284

Assumptions used as of March 31, 2008 and 2009 were as follows:

	2008		2009
Discount rate	2.50%	:	2.50%
Expected return on plan assets	3.50%	:	3.50%
Amortization period of unrecognized actuarial gain/loss	10 years	:	10 years
Recognition period of prior service cost	Fully recognized as incurred	:	_____

Accrued severance indemnities as of March 31, 2008 and 2009 include retirement benefits for directors and corporate auditors of ¥128 million and ¥114 million (US\$1,164 thousand), respectively.

Notes to Consolidated Financial Statements
ANDCO Corporation and Consolidated Subsidiaries
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15 Shareholders' Equity

The Companies act of Japan requires, if total amount of legal reserve and capital surplus is less than 25% of the common stock amount, legal reserve be appropriated 10% of any cash disbursement made as an appropriation of retained earnings until total amount of legal reserves and capital surplus equals to 25% of the common stock amount.

16 Leases

As described per Note2 (10), new accounting standard for leases was applied effective April 1, 2008.

Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2008 and 2009, were as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Acquisition cost	¥ 147	¥ 94	\$ 963
Accumulated depreciation	90	63	644
Net leased property	¥ 57	¥ 31	\$ 319

Future minimum lease payments (Machinery and Equipment):

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Due within one year	¥ 26	¥ 15	\$ 155
Due over one year	31	16	164
Total	¥ 57	¥ 31	\$ 319

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
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Lease debt was recorded for leased assets which took place on and after April 1, 2008. The lease-related interest was included in the amount of lease debt, and was allocated over the period of lease. The annual repayment schedule of lease debt (including current portion) as of March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2010	¥ 52	\$ 534
2011	52	534
2012	51	523
2013	24	244
2014	4	38
	¥ 183	\$ 1,873

17 Contingent Liabilities and Commitments

At March 31, 2009, the Company had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Trade notes endorsed	¥ 446	\$ 4,538
Guarantees of loans of customers and others	497	5,058
Total	¥ 943	\$ 9,596

The Company has a commitment line provided by co-financing of 9 correspondent financial institutions for the purpose of efficient financing. At March 31, 2009, the commitment line amount was ¥12,100 million (US\$123,180 thousand), and the amount of loan by the correspondent financial institutions was nil.

Notes to Consolidated Financial Statements
ANDCO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

18 Per Share Information

	Yen		U.S. dollars
	2008	2009	2009
Basic net income per share	¥ 13.67	¥ 7.53	\$ 0.08
Net assets per share	¥ 335.48	¥ 302.13	\$ 3.08

The Company has no dilutive common stock outstanding. Therefore, the information of diluted net income per share was not presented.

The basis for calculation of net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Net income	¥ 1,131	¥ 623	\$ 6,341
Amount not belonging to ordinary shareholders	—	—	—
- Of which bonuses to directors by appropriation of retained earnings	—	—	—
Net income attributable to common stock	¥ 1,131	¥ 623	\$ 6,341
Weighted average number of ordinary shares (thousand of shares)	82,712	82,710	

19 Subsequent Events

Shareholders of the Company approved the following appropriation of retained earnings at the annual meeting on June 26, 2009.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 414	\$ 4,210

Notes to Consolidated Financial Statements
ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2009

20 Segment Information

(1) Industry segment information

The Company and its consolidated subsidiaries operate primarily in the following business segments:

- ① Construction..... Building construction, civil engineering, etc.
- ② Real estate and other Resale and rental of land and building, leasing, etc.

Business segment information for the years ended March 31, 2008 and 2009 was as follows:

Year ended March 31, 2008	Millions of Yen				
	Construction	Real estate and other	Total	Elimination and/or Corporate	Consolidated
Sales:					
Outside customers	¥ 243,151	¥ 8,243	¥ 251,394	¥ —	¥ 251,394
Intersegment	112	283	395	(395)	—
Total	243,263	8,526	251,789	(395)	251,394
Operating expenses	239,886	7,054	246,940	1,706	248,646
Operating income	3,377	1,472	4,849	(2,101)	2,748
Total assets	121,103	25,590	146,693	28,562	175,255
Depreciation	327	309	636	70	706
Loss on impairment of fixed assets	456	654	1,110	8	1,118
Capital expenditures	193	96	289	28	317
Year ended March 31, 2009					
Millions of Yen					
	Construction	Real estate and other	Total	Elimination and/or Corporate	Consolidated
Sales:					
Outside customers	¥ 221,384	¥ 5,015	¥ 226,399	¥ —	¥ 226,399
Intersegment	3	195	198	(198)	—
Total	221,387	5,210	226,597	(198)	226,399
Operating expenses	215,715	4,630	220,345	1,796	222,141
Operating income	5,672	580	6,252	(1,994)	4,258
Total assets	120,481	28,062	148,543	20,407	168,950
Depreciation	339	237	576	74	650
Loss on impairment of fixed assets	339	33	372	2	374
Capital expenditures	312	479	791	64	855

Notes to Consolidated Financial Statements
ANDCO Corporation and Consolidated Subsidiaries
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Year ended March 31, 2009	Thousands of U.S. dollars				
	Construction	Real estate and other	Total	Elimination and/or Corporate	Consolidated
Sales:					
Outside customers	\$ 2,253,729	\$ 51,051	\$ 2,304,780	\$ —	\$ 2,304,780
Intersegment	29	1,984	2,013	(2,013)	—
Total	2,253,758	53,035	2,306,793	(2,013)	2,304,780
Operating expenses	2,196,021	47,134	2,243,155	18,276	2,261,431
Operating income	57,737	5,901	63,638	(20,289)	43,349
Total assets	1,226,519	285,680	1,512,199	207,742	1,719,941
Depreciation	3,448	2,416	5,864	749	6,613
Loss on impairment of fixed assets	3,453	335	3,788	24	3,812
Capital expenditures	3,180	4,876	8,056	651	8,707

(2) Geographic area information

Japan represented more than 90% of total assets and the consolidated sales, respectively, at March 31, 2008 and 2009 and for the years then ended, and geographic area information was omitted pursuant to the related regulations on the consolidated financial statements.

(3) Overseas sales information

Overseas sales accounts for less than 10% of the consolidated sales for the years ended March 31, 2008 and 2009, and overseas sales information was omitted pursuant to the related regulations on the consolidated financial statements.

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JUNE 26, 2009

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President and Representative Director

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Representative Directors

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Tokuichi Yamaguchi

Directors

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Yoshinobu Okabe

Toshiaki Nomura

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