2012

AUDITED FINANCIAL
STATEMENTS
MARCH 31,
2011– 2012

ANDO Corporation

Audited Financial Statements

Years ended March 31, 2011 and 2012

ANDO Corporation

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Independent Auditor's Report

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To the Board of Directors of ANDO Corporation

We have audited the accompanying consolidated financial statements of ANDO Corporation and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012 and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ANDO Corporation and its subsidiaries as at March 31, 2012, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 24 (II) to the consolidated financial statements which describes that May 24, 2012, the Board of directors of the Company has resolved to merge with HAZAMA CORPORATION by April 1, 2013, and the two companies have signed a merger agreement. Our opinion is not qualified in respect of this matter.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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.

Grant Thornton Taiyo ASG LLC

Tokyo, Japan
June 28, 2012

Consolidated Balance Sheets

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	**2012**	**2012**
ASSETS			
Current assets:			
Cash and deposits (Notes 4 and 7)	¥ 22,440	**¥ 13,991**	**$ 170,226**
Accounts and notes receivable－Trade (Note 4)	44,214	**57,736**	**702,477**
Allowance for doubtful accounts	(74)	**(137)**	**(1,671)**
Inventories (Note 8)	7,506	**6,458**	**78,572**
Deferred tax assets (Note 14)	1,183	**646**	**7,855**
Prepaid expenses and other current assets	7,285	**5,450**	**66,310**
Total current assets	82,554	**84,144**	**1,023,769**
Investments and advances:			
Investments in unconsolidated subsidiaries and affiliates (Note 5)	47	**51**	**624**
Investments in securities (Notes 4 and 5)	11,433	**14,443**	**175,727**
Advances	990	**852**	**10,366**
	12,470	**15,346**	**186,717**
Property and equipment, at cost:			
Land (Notes 9 and 10)	16,901	**14,785**	**179,892**
Buildings and structures (Note 9 and 10)	20,589	**12,760**	**155,247**
Machinery and equipment (Note 9)	2,130	**1,886**	**22,947**
Leased assets	386	**449**	**5,466**
	40,006	**29,880**	**363,552**
Accumulated depreciation	(12,119)	**(10,659)**	**(129,685)**
	27,887	**19,221**	**233,867**
Other assets:			
Deferred tax assets (Note 14)	2,644	**2,424**	**29,495**
Others	1,941	**1,438**	**17,495**
	4,585	**3,862**	**46,990**
Total assets	¥ 127,496	**¥ 122,573**	**$ 1,491,343**

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

Consolidated Balance Sheets

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	**2012**	**2012**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Notes 4 and 10)	¥ 19,325	**¥ 14,813**	**$ 180,225**
Current portion of long-term debt (Notes 4 and 10)	7,756	**6,093**	**74,140**
Accounts and notes payable-Trade (Note 4)	44,644	**51,310**	**624,284**
Accrued income taxes	184	**203**	**2,468**
Accrued bonuses	22	**194**	**2,355**
Advances on construction work in progress (Note 11)	8,078	**5,628**	**68,481**
Allowance for losses on construction contracts	534	**64**	**783**
Allowance for contingent losses	-	**365**	**4,436**
Allowance for losses on voluntary retirement scheme	1,329	-	-
Allowance for losses on disaster	112	-	-
Deferred tax liability (Note 14)	0	-	-
Others	5,335	**6,479**	**78,829**
Total current liabilities	87,319	**85,149**	**1,036,001**
Long-term liabilities:			
Long-term debt (Notes 4 and 10)	10,095	**7,478**	**90,978**
Accrued retirement benefits (Note 15)	3,352	**2,613**	**31,796**
Deferred tax liability on land revaluation (Note 9)	4,693	**3,864**	**47,016**
Others	1,175	**734**	**8,934**
	19,315	**14,689**	**178,724**
Net assets			
Shareholders' equity(Note 16):			
Common stock ; authorized 250 million shares; issued 85,488,000 shares at March 31, 2011 and 2012	8,986	**8,986**	**109,326**
Capital surplus	5,474	**5,474**	**66,606**
Retained earnings (Note 24)	2,723	**3,795**	**46,180**
Treasury stock, at cost (2011 – 2,780,694 shares, 2012 – 2,781,948 shares)	(459)	**(459)**	**(5,588)**
Total shareholders' equity	16,724	**17,796**	**216,524**
Accumulated other comprehensive income:			
Unrealized gains on securities (Note 5)	776	**1,579**	**19,211**
Deferred losses on derivative financial instruments used	(7)	**(5)**	**(59)**
Land revaluation difference (Note 9)	2,994	**3,153**	**38,354**
Foreign currency translation adjustments	48	**2**	**33**
Total accumulated other comprehensive income	3,811	**4,729**	**57,539**
Minority interests in consolidated subsidiaries	327	**210**	**2,555**
Total net assets	20,862	**22,735**	**276,618**
Total liabilities and net assets	¥ 127,496	**¥ 122,573**	**$ 1,491,343**

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, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	**2012**	**2012**
Operating revenues:			
Constructions	¥ 150,253	**¥ 159,095**	**$ 1,935,699**
Real estate	10,136	**10,284**	**125,128**
	160,389	**169,379**	**2,060,827**
Cost and expenses:			
Cost of constructions	141,715	**150,962**	**1,836,745**
Cost of real estate	8,696	**7,970**	**96,972**
Selling, general and administrative expenses	8,935	**7,798**	**94,875**
	159,346	**166,730**	**2,028,592**
Operating income	1,043	**2,649**	**32,235**
Other income (expense):			
Interest expense	(953)	**(883)**	**(10,750)**
Interest and dividends income	189	**200**	**2,439**
Gain on sales of securities investments	266	**236**	**2,868**
Loss on impairment of fixed assets (Note 9)	(87)	**(470)**	**(5,714)**
Loss on devaluation of investments in securities	(2,095)	**(138)**	**(1,685)**
Others, net (Note 13)	(2,279)	**(217)**	**(2,640)**
	(4,959)	**(1,272)**	**(15,482)**
Income (loss) before income taxes and minority interests	(3,916)	**1,377**	**16,753**
Income taxes (Note 14):			
Current	220	**246**	**2,994**
Deferred	660	**278**	**3,386**
Total income taxes	880	**524**	**6,380**
Income (loss) before minority interests	(4,796)	**853**	**10,373**
Minority interests in income (loss)	27	**46**	**556**
Net Income (loss)	(4,823)	**807**	**9,817**
Amounts per share:	**Yen**		**U.S. dollars**
Net income (loss) (Note 22)	¥ (58.32)	**¥ 9.76**	**$ 0.12**
Cash dividends paid (Note 24)	¥ 5.00	**¥ 1.50**	**$ 0.02**

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

Consolidated Statements of Comprehensive Income

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	**2012**	**2012**
Income (loss) before minority interests	¥ (4,796)	**¥ 853**	**$ 10,373**
Other comprehensive income:			
Unrealized gains on securities	(34)	**803**	**9,771**
Deferred losses on derivative financial instruments used for hedge accounting	2	**2**	**31**
Land revaluation differences	-	**548**	**6,675**
Foreign currency translation adjustments	(27)	**(62)**	**(759)**
Total other comprehensive income	(59)	**1,291**	**15,718**
Comprehensive income	¥ (4,855)	**¥ 2,144**	**$ 26,091**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	¥ (4,882)	**¥ 2,115**	**$ 25,733**
Comprehensive income attributable to minority interests	27	**29**	**358**

(Note) Reclassification adjustment and tax effect regarding other comprehensive income for 2012

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2012	**2012**
Unrealized gains on securities		
Accrued in 2012	**¥ 1,236**	**$ 15,034**
Reclassification adjustment	**(236)**	**(2,868)**
Before tax effect	**1,000**	**12,166**
Tax effect	**(197)**	**(2,395)**
Unrealized gains on securities	**803**	**9,771**
Deferred losses on derivative financial instruments used for hedge accounting		
Accrued in 2012	**(3)**	**(34)**
Reclassification adjustment	**7**	**91**
Before tax effect	**4**	**57**
Tax effect	**(2)**	**(26)**
Deferred losses on derivative financial instruments used for hedge accounting	**2**	**31**
Land revaluation differences		
Tax effect	**548**	**6,675**
Land revaluation differences	**548**	**6,675**
Foreign currency translation adjustments		
Accrued in 2012	**(62)**	**(759)**
Foreign currency translation adjustments	**(62)**	**(759)**
Total other comprehensive income	**¥ 1,291**	**$ 15,718**

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

Consolidated Statements of Changes in Net Assets

ANDO Corporation and Consolidated Subsidiaries

Years ended March 31, 2011 and 2012

	Number of shared issued	Millions of yen Shareholders' Equity Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at March 31, 2010	82,707,993	¥ 8,986	¥ 5,474	¥ 7,919	¥ (459)
Net loss	–	–	–	(4,823)	–
Cash dividends	–	–	–	(414)	–
Treasury stock acquired, net	(687)	–	–	–	(0)
Reversal of revaluation reserve for land	–	–	–	41	–
Other, net	–	–	–	–	–
Balance at March 31, 2011	**82,707,306**	**8,986**	**5,474**	**2,723**	**(459)**
Net income	–	–	–	**807**	–
Cash dividends	–	–	–	**(124)**	–
Treasury stock acquired, net	**(1,254)**	–	–	–	**(0)**
Reversal of revaluation reserve for land	–	–	–	**389**	–
Other, net	–	–	–	–	–
Balance at March 31, 2012	**82,706,052**	**¥ 8,986**	**¥ 5,474**	**¥ 3,795**	**¥ (459)**

		Thousands of U.S. dollars (Note 3)			
Balance at March 31, 2011	**82,707,306**	**$ 109,326**	**$ 66,606**	**$ 33,136**	**$ (5,586)**
Net income	–	–	–	**9,817**	–
Cash dividends	–	–	–	**(1,509)**	–
Treasury stock acquired, net	**(1,254)**	–	–	–	**(2)**
Reversal of revaluation reserve for land	–	–	–	**4,736**	–
Other, net	–	–	–	–	–
Balance at March 31, 2012	**82,706,052**	**$ 109,326**	**$ 66,606**	**$ 46,180**	**$ (5,588)**

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

Consolidated Statements of Changes in Net Assets

ANDO Corporation and Consolidated Subsidiaries

Years ended March 31, 2011 and 2012

	Millions of yen				
	Accumulated other comprehensive income				
	Unrealized gain on securities	Deferred losses on derivative financial instruments used for hedge accounting	Land revaluation difference	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries
Balance at March 31, 2010	¥ 810	(9)	¥ 3,034	¥ 75	¥ 300
Net loss	—	—	—	—	—
Cash dividends	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Other, net	(34)	2	(40)	(27)	27
Balance at March 31, 2011	**776**	**(7)**	**2,994**	**48**	**327**
Net income	—	—	—	—	—
Cash dividends	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Other, net	**803**	**2**	**159**	**(46)**	**(117)**
Balance at March 31, 2012	**¥ 1,579**	**¥ (5)**	**¥ 3,153**	**¥ 2**	**¥ 210**

	Thousands of U.S. dollars (Note 3)				
Balance at March 31, 2011	**$ 9,440**	**$ (89)**	**$ 36,416**	**$ 594**	**$ 3,984**
Net income	—	—	—	—	—
Cash dividends	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Other, net	**9,771**	**30**	**1,938**	**(561)**	**(1,429)**
Balance at March 31, 2012	**$ 19,211**	**$ (59)**	**$ 38,354**	**$ 33**	**$ 2,555**

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, 2011 and 2012

	Millions of Yen		Thousands of U.S. dollars (Note 3)
	2011	**2012**	**2012**
Operating Activities:			
Income (loss) before income taxes and minority interests	¥ (3,916)	**¥ 1,377**	**$ 16,753**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Income taxes paid	(318)	**(350)**	**(4,262)**
Depreciation	1,141	**966**	**11,755**
Amortization of goodwill	52	**52**	**638**
Loss on impairment of fixed assets	87	**470**	**5,714**
Allowance for doubtful accounts	(968)	**125**	**1,516**
Provision for severance indemnities	(35)	**(738)**	**(8,983)**
Allowance for losses on construction contracts	453	**(469)**	**(5,710)**
Loss on devaluation of investments in securities	2,095	**138**	**1,685**
Gain on sales or disposals of property and equipment, and investment securities	(325)	**(512)**	**(6,227)**
Gain on accrual of negative goodwill	-	**(147)**	**(1,787)**
Changes in assets and liabilities:			
Trade receivables	(2,218)	**(13,432)**	**(163,421)**
Inventories	6,507	**1,028**	**12,507**
Trade payables	3,888	**6,719**	**81,750**
Advances on construction work in progress	589	**(2,449)**	**(29,797)**
Others	4,462	**2,153**	**26,192**
Net cash provided by (used in) operating activities	11,494	**(5,069)**	**(61,677)**
Investing Activities:			
(Increase)/decrease in time deposits	(0)	**58**	**713**
Purchases of investment securities	(221)	**(27)**	**(325)**
Purchases of property and equipment	(85)	**(116)**	**(1,417)**
Proceeds from sale of property and equipment	524	**5,084**	**61,859**
Purchase of intangible assets	(53)	**(34)**	**(417)**
Proceeds from sale and redemption of investment securities	600	**592**	**7,199**
Payment for loans made	(661)	**(31)**	**(376)**
Proceeds from repayment of loans made	404	**172**	**2,098**
Others	(98)	**71**	**864**
Net cash provided by (used in) investing activities	410	**5,769**	**70,198**
Financing Activities:			
Increase (decrease) in short-term bank loans	1,725	**(4,512)**	**(54,901)**
Payment for redemption of bonds	(770)	**(2,525)**	**(30,722)**
Proceeds from issuance of long-term debt	2,300	**5,300**	**64,485**
Repayment of long-term debt	(10,779)	**(7,055)**	**(85,832)**
Cash dividends paid	(414)	**(124)**	**(1,509)**
Others	(89)	**(113)**	**(1,379)**
Net cash provided by (used in) financing activities	(8,027)	**(9,029)**	**(109,858)**
Effect of exchange rate changes	(39)	**(59)**	**(723)**
Net increase (decrease) in cash and cash equivalents	3,838	**(8,388)**	**(102,060)**
Cash and cash equivalents at beginning of year	18,355	**22,193**	**270,019**
Cash and cash equivalents at end of year (Note 7)	¥ 22,193	**¥ 13,805**	**$ 167,959**

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

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 years ended March 31, 2011 and 2012 include the accounts of the Company and its eight significant subsidiaries (four 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.

(2) Recognition of revenue and related cost

For construction contracts by March 31, 2010, of which profitability from completed portion of construction is definitely recognized, the percentage-of-completion method is applied. For other construction contracts, the completed contract method is applied.

For construction contracts enacted on or before March 31, 2009, 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 foreign currency translation adjustments in the accompanying consolidated balance sheets.

(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 7 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.

(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, 2011 and 2012.

(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.

(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, the allowance for doubtful accounts is provided 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.

(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.

For real estate under construction, real estate for sale, and materials and supplies, the book value is reduced based on their decrease in profitability.

(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.

(10) Accounting for Leases

The Company leases certain equipment under finance leases. 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 life and no residual value. Finance lease transactions which took place before April 1, 2008, are accounted for in accordance with the method used for ordinary operating lease transactions.

(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) Allowance for warranty on completed construction contracts

The Company provides an allowance to cover the costs of repairs for damages related to completed construction contracts for which the Company is responsible, based on previous warranty experience.

(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.

(14) Accrued Retirement Benefits

The Company accounts for the liability for retirement benefits 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.

The Company has lump-sum retirement payment plan and defined benefit pension plan (a quasi cash-balance plan). Consolidated subsidiaries don’t have defined benefit pension plan, but lump-sum retirement payment plan.

In December 2010, corresponding enforcement of new pension law, one domestic consolidated subsidiary transferred a part of its lump-sum retirement payment plan to a defined contribution plan. The “Accounting Standard for Transfer between Retirement Benefit Plans” (ASBJ Guidance No.1) has been applied. This transfer increased other loss by ¥8 million for the year ended March 31, 2011.

(15) Allowance for losses on voluntary retirement plan

Carrying a voluntary retirement scheme in effect, the Company provides an allowance for losses of retiree premium benefit and relevant expenses, which could be estimated based on the scheme.

(16) Allowance for losses on disaster

Due to the Great East Japan Earthquake (March 11, 2011), the Company provides an allowance for contingent loss on damaged facilities and restoration costs of damaged facilities.

(17) Allowance for contingent losses

In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses has been made when they are reasonably estimated considering individual risks associated with each contingency.

(18) 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.

(19) Application of “Accounting Standard for Asset Retirement Obligations”

Effective April 1, 2010, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18) and its guidance (ASBJ Guidance No.21) have been applied. On applying ASBJ No.18, the Company initially recorded asset retirement obligation of ¥96 million. As the result of applying ASBJ NO.18, operating income decreased by ¥4 million and loss before income taxes and minority interests increased by ¥68 million, for the year ended March 31, 2011.

(20) Application of "Accounting Standard for Changes in Accounting and Correction of Errors"

Effective April 1, 2011, the Company and its consolidated subsidiaries have applied the "Accounting Standard for Changes in Accounting and Correction of Errors" (ASBJ Statement No.24, December 4, 2009) and "Guidance on Accounting Standard for Changes in Accounting and Correction of Errors" (ASBJ Guidance No.24, December 4, 2009).

(21) Accounting for notes which mature at year-end date

Notes which mature at year-end date were accounted as settled at clearing date. As the year-end date of the current consolidated fiscal year was business holiday, notes receivable as of March 31, 2012 included notes of ¥91 million (US$1,110 thousand), which matured at the year-end date.

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 ¥82.19 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.

4 Fair Value of Financial Instruments

The fair value and book value of financial instruments as of March 31, 2011 and 2012, other than items of which fair value are not practically available, were as follows:

		Millions of yen		
		Book Value	Fair Value	Difference
2011	Cash and deposits	¥ 22,440	¥ 22,440	¥ −
	Accounts and notes receivable-Trade (*1)	44,214	44,212	2
	Investments in securities (*1)(*2)	6,743	6,743	−
	Total	¥ 73,397	¥ 73,395	¥ 2
	Accounts and notes payable-Trade	¥ 44,644	¥ 44,644	¥ −
	Short-term bank loans	19,325	19,325	−
	Current portion of long-term debt	7,756	7,756	−
	Long-term debt	10,095	10,137	42
	Total	¥ 81,820	¥ 81,862	¥ 42
	Derivative transactions (*3)	¥ (13)	¥ (13)	¥ −
2012	Cash and deposits	**¥ 13,991**	**¥ 13,991**	**¥ −**
	Accounts and notes receivable-Trade (*1)	**57,736**	**57,732**	**(4)**
	Investments in securities (*1)(*2)	**7,520**	**7,520**	**−**
	Total	**¥ 79,247**	**¥ 79,243**	**¥ (4)**
	Accounts and notes payable-Trade	**¥ 51,310**	**¥ 51,310**	**¥ −**
	Short-term bank loans	**14,813**	**14,813**	**−**
	Current portion of long-term debt	**6,093**	**6,093**	**−**
	Long-term debt	**7,478**	**7,476**	**2**
	Total	**¥ 79,694**	**¥ 79,692**	**¥ 2**
	Derivative transactions (*3)	**¥ (8)**	**¥ (8)**	**¥ −**

		Thousands of U.S. dollars		
		Book Value	Fair Value	Difference
2012	Cash and deposits	**$ 170,226**	**$ 170,226**	**$ −**
	Accounts and notes receivable-Trade (*1)	**702,477**	**702,426**	**(51)**
	Investments in securities (*1)(*2)	**91,489**	**91,489**	**−**
	Total	**$ 964,192**	**$ 964,141**	**$ (51)**
	Accounts and notes payable-Trade	**$ 624,284**	**$ 624,284**	**$ −**
	Short-term bank loans	**180,225**	**180,225**	**−**
	Current portion of long-term debt	**74,140**	**74,140**	**−**
	Long-term debt	**90,978**	**90,961**	**17**
	Total	**$ 969,627**	**$ 969,610**	**$ 17**
	Derivative transactions (*3)	**$ (96)**	**$ (96)**	**$ −**

(*1) Accounts and notes receivable-trade included ¥282 million and ¥1,235 million (US$15,030 thousand) to be collected by cash over 1 to 5 years as of March 31, 2011 and 2012, respectively. Investments in securities included ¥7 million and ¥8 million (US$98 thousand) to be collected by cash on maturity over 10 years as of March 31, 2011 and 2012, respectively.

(*2) The book value of investments in securities issued by a number of nonpublic companies, which were not included in above, were ¥4,737 million and ¥6,975 million (US$84,862 thousand) as of March 31, 2011 and 2012, respectively.

(*3) Net amount of assets and liabilities arising from derivative transaction was presented as above. Net amount in liability was presented in bracket.

5 Investments in Securities

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

	Millions of Yen							
	2011				**2012**			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Stocks	¥5,570	¥1,537	¥364	¥6,743	**¥5,349**	**¥2,461**	**¥290**	**¥7,520**
Others	—	—	—	—	—	—	—	—
Total	¥5,570	¥1,537	¥364	¥6,743	**¥5,349**	**¥2,461**	**¥290**	**¥7,520**

	Thousands of U.S. dollars			
	2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Stocks	**$ 65,075**	**$ 29,947**	**$ 3,533**	**$ 91,489**
Others	—	—	—	—
Total	**$ 65,075**	**$ 29,947**	**$ 3,533**	**$ 91,489**

Proceeds from sales of investments in securities were ¥592 million and ¥625 million (US$7,600 thousand) for the years ended March 31, 2011 and 2012, respectively. On those sales, gross realized gains computed on the average cost basis were ¥266 million and ¥236 million (US$2,868 thousand) and gross realized losses were nil for the years ended March 31, 2011 and 2012, respectively.

Impairment losses on investments were as follows:

	Millions of yen		Thousands of U.S. dollars
Impairment losses on	2011	**2012**	**2012**
- Investments in securities	¥2,095	**¥138**	**$1,685**
- Investments in unconsolidated subsidiaries and affiliates	101	**-**	**-**
Total of impairment losses on investments	¥2,196	**¥138**	**$1,685**

6 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, 2011 and 2012 are qualified for hedge accounting.

Derivative transactions for which hedge accounting was adopted as of March 31, 2011 and 2012 were as follows:

		Millions of Yen		
		Principal notional amount		Fair value
	Adopted hedge accounting	Total amount	over 1 year	
2011	Principal hedge accounting	¥ 773	¥ 747	¥ (13)
	Exceptional hedge accounting for interest rate swap	5,209	4,059	(*)
2012	Principal hedge accounting	**¥ 347**	**¥ 320**	**¥ (8)**
	Exceptional hedge accounting for interest rate swap	**3,152**	**1,496**	**(*)**

		Thousands of U.S.dollars		
		Principal notional amount		Fair value
	Adopted hedge accounting	Total amount	over 1 year	
2012	Principal hedge accounting	**$ 4,219**	**$ 3,894**	**$ (96)**
	Exceptional hedge accounting for interest rate swap	**38,350**	**18,202**	**(*)**

(*) The fair value of interest rate swaps under exceptional hedge accounting was included in the fair value of long-term loans, as those swaps were accounted for together with hedged item.

7 Cash and cash equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2011 and 2012 were reconciled with cash and deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Cash and deposits	¥22,440	**¥13,991**	**$170,226**
Time deposits with maturities of exceeding three months from the date of acquisition	(247)	**(186)**	**(2,267)**
Cash and cash equivalents	¥22,193	**¥13,805**	**$167,959**

8 Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Construction work in progress	¥ 1,077	**¥ 1,235**	**$ 15,019**
Real estate for sale	1,429	**1,204**	**14,650**
Real estate under construction	5,000	**4,019**	**48,903**
	¥ 7,506	**¥ 6,458**	**$ 78,572**

The balances of real estate for sale and real estate under construction were after devaluation based on decrease in profitability. Loss on devaluation of inventories of ¥322 million and ¥1 million (US$18 thousand) were stated as cost of real estate for the year ended March 31, 2011 and 2012, respectively.

9 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. As of March 31, 2012, the difference between the total market value and the total book value of revalued land used for business operations was ¥819 million (US$9,962 thousand). The difference included ¥428 million (US$5,208 thousand), which was arising from land used for rent business.

< Impairment >

The Company and its consolidated subsidiaries reviewed their long-lived assets for impairment as of the year ended March 31, 2011 and 2012. As a result, impairment loss was recognized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Buildings and structures	¥ 6	**¥ 1**	**$ 7**
Land	80	**89**	**1,082**
Others (Goodwill for 2012)	1	**380**	**4,625**
Total	¥ 87	**¥ 470**	**$ 5,714**

The Company and its consolidated subsidiaries reviewed impairment, on a specific project basis for assets for rent 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 rent, 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%.

10 Short-term Borrowings and Long-term Debt

Short-term borrowings are represented by 365-day notes, principally unsecured, bearing interest at average rate of 1.9% and 2.1% per annum at March 31, 2011 and 2012, respectively.

Long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Unsecured bonds,			
2011: 6 month Yen TIBOR, 0.61% to 1.11%, due 2011-2014	¥ 1,750		
2012: 6 month Yen TIBOR, 0.93% to 1.11%, due 2013-2014		**¥ 1,350**	**$ 16,425**
Secured bonds,			
4.08%, due 2014	2,125	—	—
Loans from banks and other financial institutions, collateralized, payable principally on a quarterly installment basis,			
2011: average 2.3%, due 2011-2026	13,976		
2012: average 2.2%, due 2012-2026		**12,221**	**148,693**
Total	17,851	**13,571**	**165,118**
Less portion due within one year	(7,756)	**(6,093)**	**(74,140)**
Total	¥ 10,095	**¥ 7,478**	**$ 90,978**

At March 31, 2012, the following assets were pledged by the Company as collateral for long-term debt of ¥1,702 million (US$20,702 thousand) and current portion of long-term debt of ¥86 million (US$1,041 thousand).

	Carrying value	
	Millions of yen	Thousands of U.S. dollars
Land	¥ 3,447	$ 41,942
Buildings and structures	1,075	13,074
	¥ 4,522	$ 55,016

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, 2012 was as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2013	¥ 6,093	$ 74,140
2014	3,350	40,766
2015	2,397	29,159
2016	486	5,907
2017 and after	1,245	15,146
	¥ 13,571	$ 165,118

11 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.

12 Research and Development Expenses

Research and development expenses charged to construction costs and general and administrative expenses for the years ended March 31, 2011 and 2012 were ¥591 million and ¥501 million (US$6,101 thousand), respectively.

13 Other Loss - Net

The composition of other loss-net for the year ended March 31, 2011 and 2012 was as follows:

	Millions of yen
	2011
Provision for long-term delinquent accounts	¥ (202)
Investment earning in anonymous association	23
Gain on sales of land	58
Reversal of allowance for doubtful accounts	332
Provision for warranty on completed construction contracts	(393)
Provision for losses on disaster	(112)
Provision for voluntary retirement scheme	(1,329)
Impairment loss on investments in affiliates	(101)
Others	(555)
	¥ (2,279)

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Investment earning in anonymous association, net	**¥ 227**	**$ 2,768**
Commitment fee	**(143)**	**(1,743)**
Gain on sales of properties	**297**	**3,610**
Gain on accrual of negative goodwill	**147**	**1,786**
Provision for contingent losses	**(365)**	**(4,436)**
Losses on disaster	**(144)**	**(1,750)**
Others	**(236)**	**(2,875)**
	¥ (217)	**$ (2,640)**

14 Income Taxes

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Deferred tax assets:			
Current:			
Unrealized loss on real estate for sale, etc.	¥ 149	**¥ 118**	**$ 1,438**
Accrued bonuses	9	**70**	**848**
Allowance for contingent losses	-	**139**	**1,686**
Allowance for losses on voluntary retirement scheme	541	**-**	**-**
Others	543	**358**	**4,358**
Valuation allowance	(59)	**(39)**	**(475)**
	1,183	**646**	**7,855**
Non-current:			
Unrealized loss on investment securities	641	**586**	**7,136**
Bad debt expense on loans, etc.	84	**74**	**900**
Allowance for doubtful accounts	676	**702**	**8,538**
Accrued retirement benefits	2,268	**1,831**	**22,276**
Net operating loss carryforward	2,225	**1,694**	**20,614**
Others	439	**355**	**4,315**
Valuation allowance	(2,952)	**(1,971)**	**(23,983)**
	3,381	**3,271**	**39,796**
Total deferred tax assets	4,564	**3,917**	**47,651**
Deferred tax liabilities:			
Current:			
Refundable enterprise tax	(0)	**-**	**-**
	(0)	**-**	**-**
Non-current :			
Unrealized gain on securities	(397)	**(592)**	**(7,203)**
Reserve for renewal of assets	(340)	**(255)**	**(3,098)**
	(737)	**(847)**	**(10,301)**
Total deferred tax liabilities	(737)	**(847)**	**(10,301)**
Net deferred tax assets	¥ 3,827	**¥ 3,070**	**$ 37,350**

A reconciliation of the difference between the statutory tax rate and the effective income tax rate of was as follows:

	2012	
Statutory tax rate	40.7	%
Increase (reduction) in taxes resulting from:		
Items that may not be incorporated in losses permanently	6.5	
Items that may not be incorporated in profits permanently	(2.8)	
Inhabitant equalization tax	7.7	
Valuation allowance	(53.7)	
Adjustment of deferred tax assets by the changes in effective tax rate	31.3	
Impairment loss of goodwill	11.2	
Gain on accrual of negative goodwill	(4.3)	
Other	1.5	
Effective income tax rate	38.1	%

There is no reconciliation for 2011, as loss before income taxes was recorded.

(Changes in effective tax rate)

Following the promulgation on December 2, 2011 of “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No.114 of 2011) and “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No.117 of 2011), the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 40.7% to 38.01% for temporary differences expected to be eliminated in the fiscal year beginning on or after April 1, 2012, and to 35.64% for temporary differences expected to be eliminated in the fiscal year beginning on or after April 1, 2015. As a result, deferred tax assets after offsetting deferred tax liabilities decreased by ¥348 million (US$4,231 thousand), deferred tax liability on land revaluation decreased by ¥549 million (US$6,675 thousand), unrealized gain on securities increased by ¥84 million (US$1,022 thousand), land revaluation difference increased by ¥549 million (US$6,675 thousand), and income taxes-deferred increased by ¥432 million (US$5,251 thousand).

15 Retirement Benefits

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

The Company and the consolidated subsidiaries in Japan have lump-sum retirement payment 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 defined benefit pension plan (a quasi cash-balance 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.

In December 2010, corresponding enforcement of new pension law, one domestic consolidated subsidiary transferred a part of its lump-sum retirement payment plan to a defined contribution plan. The "Accounting Standard for Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1) has been applied. On this transfer, benefit obligation and accrued severance indemnities decreased by ¥1 million, respectively. Plan assets of ¥18 million was transferred to defined contribution plan. Other loss of ¥8 million was recorded on this transfer for the year ended March 31, 2011.

In addition, under certain circumstances, employees of the Company and consolidated subsidiaries receive premium benefit upon terminating employment.

Benefit obligation and plan assets, funded status and composition of amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Benefit obligation	¥ (15,406)	**¥ (14,353)**	**$ (174,634)**
Fair value of plan assets	8,375	**6,733**	**81,919**
Benefit obligation in excess of plan assets	(7,031)	**(7,620)**	**(92,715)**
Unrecognized actuarial loss	4,065	**5,170**	**62,905**
Prepaid pension cost	283	**60**	**732**
Accrued retirement benefit	¥ (3,249)	**¥ (2,510)**	**$ (30,542)**

The components of net pension and severance costs for the years ended March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Service cost	¥ 767	**¥ 751**	**$ 9,139**
Interest cost	399	**384**	**4,678**
Expected return on plan assets	(192)	**(173)**	**(2,104)**
Amortization of unrecognized actuarial gain/loss	535	**549**	**6,679**
Contribution to defined contribution plan	1	**3**	**34**
Net periodic benefit cost	1,510	**1,514**	**18,426**
Loss recorded on transfer of plan	9	—	—
Total	¥ 1,519	**¥ 1,514**	**$ 18,426**

In addition to above costs, retiree premium benefit of ¥16 million and ¥12 million (US$143 thousand), and retiree premium benefit accompanying implementation of voluntary retirement scheme of ¥1,329 million and ¥81 million (US$988 thousand), were stated as expense/loss for the years ended March 31, 2011 and 2012, respectively.

Assumptions used as of March 31, 2011 and 2012 were as follows:

	2011		**2012**
Discount rate	2.5%	:	**1.5%**
Expected return on plan assets	3.5%	:	**3.5%**
Amortization period of unrecognized actuarial gain/loss	10 years	:	**10 years**

Accrued retirement benefits as of March 31, 2011 and 2012 included retirement benefits for directors and corporate auditors of ¥59 million and ¥59 million (US$726 thousand), respectively.

16 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.

17 Leases

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, 2011 and 2012, were as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Acquisition cost	¥ 26	**¥ 12**	**$ 144**
Accumulated depreciation	19	**11**	**130**
Net leased property	¥ 7	**¥ 1**	**$ 14**

Future minimum lease payments (Machinery and Equipment):

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Due within one year	¥ 5	**¥ 1**	**$ 14**
Due over one year	2	—	—
Total	¥ 7	**¥ 1**	**$ 14**

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, 2012 was as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2013	¥ 95	$ 1,124
2014	56	683
2015	45	549
2016	27	323
2017 and after	6	79
	¥ 134	$ 1,634

18 Contingent Liabilities and Commitments

The Company discounted notes receivables-trade at financial institutions. At March 31, 2012, discounted notes receivables-trade of ¥153 million (US$1,860 thousand) were not included on the consolidated balance sheet.

At March 31, 2012, the Company had the following contingent liabilities for loans guaranteed:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans of customers and others		
- Takara Leben CO., LTD.	**¥ 719**	**$ 8,753**
- GOLD CREST Co., Ltd.	**52**	**633**
- Hoosiers Corporation	**42**	**506**
Total	**¥ 813**	**$ 9,892**

The Company has a commitment line provided by co-financing of 9 correspondent financial institutions for the purpose of efficient financing. At March 31, 2012, the commitment line amount was ¥12,100 million (US$147,220 thousand), and the amount of loan by the correspondent financial institutions was nil.

19 Asset Retirement Obligations

Effective April 1, 2010, the "Accounting Standard for Asset Retirement Obligations (ARO)" (ASBJ Statement No.18) and its guidance (ASBJ Guidance No.21) have been applied.

The Company applies ASBJ Statement NO.18 to the fair value of a liability for an ARO that is recorded when there is a legal obligation associated with the retirement, such as dismantlement and or repair, of its own buildings. The Company estimated AROs based on residual useful life (3 to 40 years) and discount rate of 0.18 to 2.07 per cent.

The following table indicates the changes to the before-tax asset retirement obligations:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Balance at April 1	¥ 96	**¥ 91**	**$ 1,113**
Liabilities incurred	-	**-**	**-**
Accretion expense	1	**1**	**15**
Others	(6)	**(2)**	**(36)**
Balance at March 31	¥ 91	**¥ 90**	**$ 1,092**

No significant AROs associated with any legal obligations to retire certain rented properties, which the Company and group companies use under rent contracts, have been recognized, as indeterminate settlement dates for the asset retirements prevent estimation of the fair value of the associated ARO.

ARO is included as part of other long term liabilities in the consolidated balance sheet.

20 Rent business

The Company and certain consolidated subsidiaries possess certain properties for rent. For the year ended March 31, 2011 and 2012, operating income from rent business of ¥688 million and ¥741 million (US$9,021 thousand) were recorded as operating income of Real estate and other segment, and impairment loss from rent business of ¥87 million and ¥59 million (US$721 thousand) were recorded as other expense, respectively.

The book value and fair value of properties for rent were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	**2011**	**2012**	**2012**
Book value	¥ 18,148	**¥ 17,228**	**¥ 12,579**	**$ 153,051**
Fair value		**17,875**	**12,001**	**146,021**

Decrease of the book value of properties for rent in 2011 was mainly due to sale of properties for rent (¥430 million). Decrease of the book value of properties for rent in 2012 was as a result of offset of increase by the change of the usage of properties from construction business (¥2,418 million (US$29,424 thousand)), and of decrease by sale of properties for rent (¥7,256 million (US$88,279 thousand))

21 Segment Information

Effective April 1, 2010, "The Accounting Standard for Disclosure of Segment Information" (ASBJ Statement No.17) and its guidance (ASBJ Guidance No.20) have been applied.

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

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

Business segment information for the years ended March 31, 2011 and 2012 was as follows:

Year ended March 31, 2011	Millions of Yen				
	Construction	Real estate	Total	Elimination and /or Corporate	Consolidated
Sales:					
Outside customers	¥ 150,253	¥ 10,136	¥ 160,389	¥ —	¥ 160,389
Intersegment	3	179	182	(182)	—
Total	150,256	10,315	160,571	(182)	160,389
Operating income	2,028	697	2,725	(1,682)	1,043
Total assets	80,065	23,564	103,629	23,867	127,496
Other item:					
Depreciation	406	652	1,058	83	1,141
Capital expenditures	257	16	273	48	321
Loss on impairment of fixed assets	—	74	74	13	87
Goodwill - Amortization	—	52	52	—	52
- Balance	—	432	432	—	432

Year ended March 31, 2012	Millions of Yen				
	Construction	Real estate	Total	Elimination and /or Corporate	Consolidated
Sales:					
Outside customers	**¥ 159.095**	**¥ 10.284**	**¥ 169.379**	**¥ —**	**¥ 169.379**
Intersegment	**12**	**145**	**157**	**(157)**	**—**
Total	**159,107**	**10,429**	**169,536**	**(157)**	**169,379**
Operating income	**2,557**	**1,679**	**4,236**	**(1,587)**	**2,649**
Total assets	**83,954**	**12,896**	**96,850**	**25,723**	**122,573**
Other item:					
Depreciation	**285**	**620**	**905**	**61**	**966**
Capital expenditures	**150**	**71**	**221**	**33**	**254**
Loss on impairment of fixed assets	—	**438**	**438**	**32**	**470**
Goodwill - Amortization	—	**52**	**52**	—	**52**
- Balance	—	—	—	—	—

Year ended March 31, 2012	Thousands of U.S. dollars				
	Construction	Real estate	Total	Elimination and /or Corporate	Consolidated
Sales:					
Outside customers	$ 1,935,699	$ 125,128	$ 2,060,827	$ —	$ 2,060,827
Intersegment	150	1,762	1,912	(1,912)	—
Total	1,935,849	126,890	2,062,739	(1,912)	2,060,827
Operating income	31,113	20,423	51,536	(19,301)	32,235
Total assets	1,021,466	156,903	1,178,369	312,974	1,491,343
Other item:					
Depreciation	3,467	7,544	11,011	744	11,755
Capital expenditures	1,821	866	2,687	400	3,087
Loss on impairment of fixed assets	—	5,324	5,324	390	5,714
Goodwill - Amortization	—	638	638	—	638
- Balance	—	—	—	—	—

In the year ended March 31, 2012, the Company additionally invested in B-class preferred stock of a consolidated subsidiary, "310・2 Tokutei Mokuteki Kaisha" (special purpose company). As the result, gain on accrual of negative goodwill of ¥147 million (US$1,787 thousand) was recorded in the account of real estate segment.

The following relevant information was omitted pursuant to the related regulations on the consolidated financial statements.

(1) Product and service line information
(2) Geographic area information, and Overseas sales information
(3) Major customer information

22 Per Share Information

	Yen		U.S. dollars
	2011	**2012**	**2012**
Basic net income/(loss) per share	¥ (58.32)	**¥ 9.76**	**$ 0.12**
Net assets per share	¥ 248.28	**¥ 272.35**	**$ 3.31**

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/(loss) per share was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Net income/(loss)	¥ (4,823)	**¥ 807**	**$ 9,817**
Amount not belonging to ordinary shareholders	—	—	—
Net income/(loss) attributable to common stock	¥ (4,823)	**¥ 807**	**$ 9,817**
Weighted average number of ordinary shares (thousand of shares)	82,707	**82,706**	

23 Litigation

The Company has brought a litigation in Tokyo regional court to claim repayment of ¥1,800 million (US$21,900 thousand) against Niigata University, which the Company paid as an advance on request by the defendant for introducing medical devices for proton beam cancer therapy.

24 Subsequent Events

(I) Cash dividends

Shareholders of the Company approved the following appropriation of retained earnings at the annual meeting on June 28, 2012.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 124	$ 1,509

(II) Conclusion of the merger agreement with HAZAMA CORPORATION:

May 24, 2012, each Board of directors of the Company and HAZAMA CORPORATION (HAZAMA) has resolved to merge on an equal footing by April 1, 2013, and the two companies have signed a merger agreement.

The execution of the merger is subject to certain relevant condition, such as approvals at the Company's Annual Meeting of Shareholders and HAZAMA's Extraordinary Meeting of Shareholders and Meeting of Class-Shareholders, and approvals by the relevant authorities, and subject to no occurrence of significant matters to prevent the merger.

Following the resolution of approval for the merger at the relevant Meeting of Shareholders, the Company's stock is to be delisted from Tokyo Stock Exchange at March 27, 2013.

(1) Objective of the Merger

Japan's construction industry shows signs of recovery, such as the reconstruction in the areas of the Great East Japan Earthquake, the increase of government construction spending, and the gradual recovery in residential and real-estate markets. Even though, capital investments have remained below since Lehman-Shock, and this long contraction has resulted in persistently harsh business environment

The two companies have established cooperative relationship of mutual trust since the conclusion of capital and operational alliance agreement in 2003. To seek sustainable growth, the two companies have mutually agreed the business integration be the best solution by expanding businesses, pursuing great efficiency of management, and enhancing profitability.

Through the merger, the integrated company will utilize the combination of resources in technology, sales-force, and cost competitiveness that each has built up, and will pursue the enhancement and efficiency of business. In addition, the integrated company will make more effort to strengthen management structure and further growth, through expanding overseas business and implementing its structure for new business.

(2) Outline of the Merger

[1] Schedule of the Merger

June 28, 2012:	The Company's Annual Meeting of Shareholders
July 20, 2012 (planned):	HAZAMA's Extraordinary Meeting of Shareholders and Meeting of Class-Shareholders
March 27, 2013 (planned):	Delisting the Company from Tokyo Stock Exchange
April 1, 2013 (planned):	Effective date of Merger

[2] Method of the Merger

Absorption-type Merger

HAZAMA will be the company surviving the absorption-type merger and the Company will be the company absorbed in the absorption-type merger.

[3] Allotment of shares under the Merger

Under the Merger, HAZAMA's common stock shares will be delivered by allotment to each of the shareholders of the

Company at the ratio of 0.53 HAZAMA shares to one the Company share. No HAZAMA shares will be allotted to the Company's treasury stocks (2,781,948 shares as of March 31, 2012).

The number of HAZAMA's common stock to be issued under the Merger is 43,834,207 shares (planned). HAZAMA's treasury stocks are not to be utilized for allotment of shares under the Merger.

(3) Outline of HAZAMA (As of March 31, 2012)

□	Location	Minato-ku, Tokyo
□	Representative	Representative Director, President: Toshio Ono
□	Business	Civil engineering, construction
□	Capital	¥12,000 million (US$146,003 thousand)
□	Established on	October 1, 2003
□	Number of Outstanding Shares	Common stock 100,000,000 shares I-class preferred stock 750,000 shares II-class preferred stock 875,000 shares III-class preferred stock 875,000 shares IV-class preferred stock 250,000 shares
□	Date of fiscal year-end	March 31
□	Number of employees	(non-consolidated basis) 2,039 (consolidated basis) 2,263

□ Consolidated Operating Results and Financial Position for Past 3 Years

Fiscal Year Ended March 31	2010	2011	2012	2012
	(Millions of yen)			(Thousands of U.S. dollars)
Net Assets	28,374	29,065	30,557	371,785
Total Assets	138,358	141,150	133,176	1,620,343
Sales	191,877	196,701	182,049	2,214,977
Operating Income	1,750	3,978	5,915	71,967
Ordinary Income	581	2,654	4,779	58,146
Net Income	△1,743	1,560	1,766	21,487
	(Yen)			(U.S. dollar)
Net Assets per Share	172.06	179.62	194.75	2,369.51
Net Income per Share	△20.45	13.16	15.38	187.13
Dividend per Share	Common stock — Ⅰ-Class Preferred stock 90.80 Ⅱ-Class Preferred stock 100.80 Ⅲ-Class Preferred stock 110.80 Ⅳ-Class Preferred stock 105.80	Common stock — Ⅰ-Class Preferred stock 83.28 Ⅱ-Class Preferred stock 93.28 Ⅲ-Class Preferred stock 103.28 Ⅳ-Class Preferred stock 98.28	Common stock 1.50 Ⅰ-Class Preferred stock 78.80 Ⅱ-Class Preferred stock 88.80 Ⅲ-Class Preferred stock 98.80 Ⅳ-Class Preferred stock 93.80	Common stock 0.02 Ⅰ-Class Preferred stock 0.96 Ⅱ-Class Preferred stock 1.08 Ⅲ-Class Preferred stock 1.20 Ⅳ-Class Preferred stock 1.14

(4) Status after the Merger

	Integrated Company
Trade name	Kabushiki Kaisha Ando・Hazama （"HAZAMA ANDO CORPORATION" in English）
Location	Minato-ku, Tokyo
Representative	Representative Director, President: Toshiaki Nomura
Business	Construction, civil engineering, and real estate
Capital	¥12,000 million (US$146,003 thousand)
Date of fiscal year-end	March 31

BOARD OF DIRECTORS, STATUTORY AUDITORS AND EXECUTIVE OFFICERS

JUNE 28, 2012

Board of Directors

President and Representative Director

Toshiaki Nomura

Representative Director

Ken Aoki

Directors

Yoshinobu Okabe
Akinori Bo
Kazuo Ichikawa
Shigeki Endo
Tadashi Kikuchi
Masanori Komiya

Statutory Auditors

Motonori Kinoshita
Shigehiro Wakamatsu
Takashi Ejiri
Yutaka Higashihara

Executive Officers

President and Chief Executive Officer

Toshiaki Nomura*

Executive Vice Presidents

Ken Aoki *
Yoshinobu Okabe*
Akinori Bo*

Senior Executive Officers

Kazuo Ichikawa*
Shigeki Endo*

Managing Executive Officers

Yoshikazu Kotegawa
Tadashi Kikuchi*
Koichiro Nagashima
Masanori Komiya*
Hideaki Tsubota
Kiyoka Fukunishi

Executive Officers

Ryuichi Takai
Hikaru Iwata
Kenji Tsuboi
Shoichi Kawamoto
Tsutomu Kanai
Katsuhiko Tabuchi
Kazuya Ozawa
Akira Yoshimoto
Yoshihiro Nasu
Shinkichi Komatsubara
Hitoshi Kohiruimaki
Yoshiyuki Kishida
Shozo Tsuji
Masaaki Tomita
Yoichi Matsuura

* : Member of Board of Directors

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