

Notes to Consolidated Financial Statements

April 1, 2011 to March 31, 2012

1. Notes to Significant Basis in Preparation of Consolidated Financial Statements

(1) Scope of consolidation

[1] Number of consolidated subsidiaries: 8

Principal consolidated subsidiaries:

Addtechno Co., Ltd.
Ryoko Kaihatsu Co., Ltd
EBIRA Inc.
Special Purpose Company No. 310.2
ANDO Singapore Pte. Ltd
Thai ANDO Construction Co., Ltd
ANDO (Malaysia) SDN. BHD.
Pembinaan Ando Sdn. Bhd.

[2] Principal unconsolidated subsidiaries: none

All unconsolidated subsidiaries 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.

(2) Application of equity method

Unconsolidated company to which the equity method was applied: none

Principal affiliated company to which the equity method was not applied:

Ootakanomori Private Finance Initiative Corporation

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.

(3) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, Addtechno Co., Ltd., Ryoko Kaihatsu Co., Ltd., and EBIRA Inc. settle accounts on March 31, while four other companies including Thai ANDO Construction Co., Ltd, ANDO Singapore Pte. Ltd, ANDO (Malaysia) SDN. BHD., and Pembinaan Ando Sdn. Bhd. settle accounts on December 31, and another company, Special Purpose Company No. 310.2 settles accounts on January 31.

When preparing the consolidated financial statements, the Company uses financial statements of subsidiaries as of their respective fiscal year end, and makes the necessary adjustments for consolidation regarding significant transactions that occurred between the consolidated fiscal year end and the fiscal year end of each consolidated subsidiary.

(4) Accounting policies

[1] Valuation basis and method for major assets

a. Securities:

. Investment in subsidiaries and affiliates (unconsolidated): Stated at cost determined by the moving-average method.

. Other securities with market value: Stated at market value based on the quoted market price and other factors at the consolidated balance sheet date (Valuation difference is reported as a component of net assets, and the cost of securities sold is calculated primarily using the moving-average method).

. Other securities without market value: Stated at cost determined by the moving-average method.

b. Derivative instruments: Stated at market value.

c. 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.

[2] Depreciation/amortization method for major depreciable/amortizable assets

a. Property and equipment (excluding lease assets) : Declining-balance method

b. Intangible assets (excluding lease assets): Straight-line method

Depreciation of software is calculated on the basis of estimated useful lives (5 years) determined by the Company.

c. Lease assets : Depreciation of lease assets is calculated by the straight-line method, with lease periods of such assets being useful lives, and residual values being zero.

[3] Accounting for major allowances

a. 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.

b. 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.

c. Accrued bonuses:

To provide for employees' bonuses, the Company and its consolidated subsidiaries set aside an estimated amount in accordance with the period subject to payment.

d. 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.

e. 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.

f. 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.

[4] Recognition of revenue and related cost

For construction contracts by the end of the consolidated fiscal year, of which profitability from completed portion of construction is definitely recognized, the percentage-of-completion method is applied. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total cost. For other construction contracts, the completed contract method is applied.

[5] Other significant matters for preparation of consolidated financial statements

a. Accounting for deferred asset: Bond issuance cost is charged to income on payment.

b. Accounting for major hedging

Hedge accounting:

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.

Hedging instruments and hedged items:

Hedging instruments: Swap, Option, and forward exchange contract

Hedged items: Foreign currency transaction, and interest of loans payable

Hedging policy:

The Company uses derivative transactions solely for hedging interest and foreign exchange rate market fluctuation risks associated with existing or future assets and liabilities in accordance with its internal risk management rule.

Assessment of hedge effectiveness:

Hedge effectiveness is assessed in every 6 months to ensure if the substantial terms and conditions of hedging instruments and the hedged forecasted transactions are the same.

c. Accounting for consumption taxes

Consumption and local consumption taxes are not included in listed amounts.

(5) Changes to presentation

The followings are presented separately from the current consolidated fiscal year, as monetary materiality increased.

In the previous fiscal year, “Investment earning in anonymous association” of ¥22 million was included in “Others” in non-operating income, “Gain on sales of noncurrent assets” of ¥2 million was included in “Others” in extraordinary profit, “Gain on sales of land” of ¥64 million was included in “Others” in extraordinary profit, and “Loss on disaster” of ¥54 million was included in “Others” in extraordinary loss.

(6) Additional information

(New accounting standard)

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).

(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. As a result, deferred tax assets after offsetting deferred tax liabilities decreased by ¥347 million, deferred tax liability on land revaluation decreased by ¥548 million, unrealized gain on securities increased by ¥84 million, land revaluation difference increased by ¥548 million, and income taxes-deferred increased by ¥431 million.

2. Notes to Consolidated Balance Sheet

(1) Pledged assets

At March 31, 2012, the following assets were pledged by the Company as collateral for long-term debt of ¥1,701 million and short-term borrowings of ¥85 million.

	<u>Millions of yen</u>
Land	¥ 3,447
Buildings and structures	1,074

(2) Debt guarantee: ¥813 million

(3) Discounted trade notes: ¥152 million

(4) 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 ¥818 million.

(5) Investment in unconsolidated subsidiaries and affiliates: ¥55 million

(6) Commitment line

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, and the amount of loan by the correspondent financial institutions was nil.

(7) 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, which matured at the year-end date.

3. Notes to Consolidated Statement of Income

(1) Operating revenue of construction recorded by the percentage-of completion method: ¥137,247 million

(2) Impairment loss

The Company and its consolidated subsidiaries reviewed their long-lived assets for impairment. As a result, impairment loss of ¥469 million (¥0 million on building, ¥88 million on land, and ¥380 million on goodwill) was recognized as follows for the consolidated fiscal year:

Use	Item	Location	Impairment loss (Unit: millions of yen)
Assets for rent	Building, land	Miyagi and other ²	¥57
Common properties	Building, land	Iwate	30
Idle properties	Land	Shizuoka and other ³	1
-	Goodwill	Tokyo	380
Total			¥469

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 because commencement of liquidation procedure of a consolidated subsidiary (310.2 SPC). 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%.

(3) Selling, general and administrative expenses

Major accounts and amounts are as follows:

Salaries	¥3,449 million
Retirement benefit expense	¥619 million
Provision of accrued bonus	¥69 million
Provision of allowance for doubtful accounts	¥49 million

(4) Research and development expense

Research and development expenses charged to construction costs and general and administrative expenses was ¥501 million.

4. Notes to Consolidated Statement of Changes in Net Assets

(1) Total number of shares issued at the end of the consolidated fiscal year: Common stock
85,488,000 shares

Type and number of treasury stock at the end of the consolidated fiscal year: Common stock
2,781,948 shares

(2) Dividends distributed from retained earnings

[1] Amount and other information on dividends paid

Matters related to dividends resolved at the Annual Meeting of Shareholders held on June 29, 2011

. Total amount of dividends: ¥124 million

. Dividend per share: 1.5 yen

. Record date: March 31, 2011

. Effective date: June 30, 2011

[2] Regarding dividends for which the record date belongs to the current consolidated fiscal year, but the effective date is in the following consolidated fiscal year

The Company will discuss the following at the Annual Meeting of the Shareholders to be held on June 28, 2012.

- . Total amount of dividends: ¥124 million
- . Dividend per share: 1.5 yen
- . Record date: March 31, 2012
- . Effective date: June 29, 2012

Dividends payment is planned to be funded by retained earnings.

5. Notes to Financial Instruments

(1) Matters related to the status of financial instruments

The Company and group companies procure necessary funds mainly through borrowings from banks. The temporary surplus is primarily invested in financial assets with high liquidity.

Accounts and notes receivable-trade, which is operating receivables, are exposed to credit risk of customers. The Company and group companies attempt to reduce the said risk by ensuring internal deliberation and approval process in accordance with credit-risk-control internal rule.

Investment securities consist mainly of stock. The fair value of marketable securities is measured at quoted market price on quarterly basis.

Loans, principally from financial institutions, in short-term debt are mainly for financing related to operating activities. Loans, principally from financial institutions, in long-term debt are to fund capital investment. Long-term loans with variable interest rates are exposed to the risk of interest rate fluctuations. The Group attempts to reduce the said risk using interest rate swaps. Derivative transactions entered into and managed by the Company are made in accordance with internal policies. Derivatives are generally used to hedge the risks described above, in accordance with internal control rule.

(2) Matters related to the market value of financial instruments

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

	Millions of yen		
	Book Value(*)	Fair Value(*)	Difference
Cash and deposits	¥ 13,990	¥ 13,990	¥ —
Accounts and notes receivable-Trade	57,736	57,732	(4)
Investments in securities (Notes:2)	7,519	7,519	—
Accounts and notes payable-Trade	(51,309)	(51,309)	—
Short-term bank loans	(20,006)	(20,006)	—
Current portion of bonds	(900)	(900)	—
Bonds	(450)	(447)	(2)
Long-term bank loans	(7,027)	(7,028)	0
Derivative transactions	(7)	(7)	—

(*) Amounts posted under liabilities are presented in bracket.

Notes: 1. Calculation methods of market values of financial instruments

(1) Cash and deposits

Because these are settled in a short period and their market values approximate book values, the Company deems their book values to be market values.

(2) Accounts and notes receivable-trade

The fair value of accounts and notes receivable-trade is measured at the present value by discounting receivables by separate fixed terms using an assumed rate determined taking into account the term of collection and the credit risk.

(3) Investment securities

The fair value of marketable equity securities is measured at the quoted market price of the stock exchange.

(4) Accounts and notes payable-trade, (5) Short-term bank loans, (6) Current portion of bond

Because these are settled in a short period and their market values approximate book values, the Company deems their book values to be market values.

(7) Bonds

The fair value of bonds with market quotations issued by the Company is measured at the quoted market price. The fair value of bonds without market quotations is measured at the present value of the total of the principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

(8) Long-term bank loans

The fair value of long-term bank loans is measured at the present value of the total of the principal and interest discounted by an assumed interest rate on an equivalent new loan. Variable interest loan is subject of exceptional hedge accounting of interest rate swap. The fair value of such variable interest loan is measured at the present value of the total of the principal and interest, which are treated together with the interest rate swap, discounted by an assumed interest rate on an equivalent new loan with interest rate swap.

(9) Derivative transactions

The fair value of derivative transactions is measured at the prices quoted by financial institutions. 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.

Notes: 2.

The book value of investments in securities issued by a number of nonpublic companies (amount in the consolidated balance sheets: ¥6,974 million) are not included in the table above because it is deemed to be difficult to establish their market values as they have no market prices and future cash flows cannot be estimated.

6. Notes to Properties for Rent

[1] The Company and certain consolidated subsidiaries possess certain properties for rent (office building and land) in Tokyo and other locations.

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

	Millions of yen
Book value	¥ 12,579
Fair value	12,001

Notes: 1.

The book value is calculated, by deducting the accumulated amount of depreciation and impairment losses from the acquisition cost..

Notes: 2

The fair value as of March 31, 2012 is internally calculated, principally based on professional appraisal standard (and partly adjusted using indices).

7. Notes to Per-share Information

(1) Net assets per share ¥272.35

(2) Net income per share ¥9.76

8. Notes to Significant Subsequent Event

Regarding 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 (planned)

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 is not to be utilized for allotment of shares under the

Merger.

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

- ① L o c a t i o n Minato-ku, Tokyo
- ② R e p r e s e n t a t i v e Representative Director, President:
Toshio Ono
- ③ B u s i n e s s Civil engineering, construction
- ④ C a p i t a l ¥12,000 million
- ⑤ E s t a b l i s h e d o n : O c t o b e r 1, 2003
- ⑥ N u m b e r o f C o m m o n s t o c k 100,000,000 shares
O u t s t a n d i n g I - c l a s s p r e f e r r e d s t o c k 750,000 shares
S h a r e s I I - c l a s s p r e f e r r e d s t o c k 875,000 shares
I I I - c l a s s p r e f e r r e d s t o c k 875,000 shares
I V - c l a s s p r e f e r r e d s t o c k 250,000 shares
- ⑦ D a t e o f f i s c a l M a r c h 31
y e a r - e n d
- ⑧ N u m b e r o f (n o n - c o n s o l i d a t e d b a s i s) 2,039
e m p l o y e e s (c o n s o l i d a t e d b a s i s) 2,263
- ⑨ C o n s o l i d a t e d O p e r a t i n g R e s u l t s a n d F i n a n c i a l P o s i t i o n f o r P a s t 3
Y e a r s

Fiscal Year Ended March 31	2010	2011	2012
	(Unit: Millions of yen)		
Net Assets	28,374	29,065	30,557
Total Assets	138,358	141,150	133,176
Sales	191,877	196,701	182,049
Operating Income	1,750	3,978	5,915
Ordinary Income	581	2,654	4,779
Net Income	△1,743	1,560	1,766
	(Unit: Yen)		
Net Assets per Share	172.06	179.62	194.75
Net Income per Share	△20.45	13.16	15.38
Dividend per Share	Common stock —	Common stock —	Common stock 1.50 (planned)
	I-Class Preferred stock 90.80	I-Class Preferred stock 83.28	I-Class Preferred stock 78.80 (planned)
	II-Class Preferred stock	II-Class Preferred stock	II-Class Preferred stock

	100.80	93.28	88.80 (planned)
III-Class Preferred stock		III-Class Preferred stock	III-Class Preferred stock
	110.80	103.28	98.80 (planned)
IV-Class Preferred stock		IV-Class Preferred stock	IV-Class Preferred stock
	105.80	98.28	93.80 (planned)

(4) Status after the Merger

	Integrated Company
① Trade name	HAZAMA ANDO CORPORATION
② Location	Minato-ku, Tokyo
③ Representative	Toshiaki Nomura, president and representative director
④ Business	Civil engineering, building construction, and real estate
⑤ Capital	12,000 million yen
⑥ Fiscal year end	March 31

Notes to Non-consolidated Financial Statements

April 1, 2011 to March 31, 2012

1. Notes to Principal Accounting Policies

[1] Valuation basis and method for major assets

a. Securities:

. Investment in subsidiaries and affiliates: Stated at cost determined by the moving-average method.

. Other securities with market value: Stated at market value based on the quoted market price and other factors at the last day of the fiscal year (Valuation difference is reported as a component of net assets, and the cost of securities sold is calculated primarily using the moving-average method).

. Other securities without market value: Stated at cost determined by the moving-average method.

b. Derivative instruments: Stated at market value.

c. Inventories:

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[2] Depreciation/amortization method for major depreciable/amortizable assets

a. Property and equipment (excluding lease assets): Declining-balance method

b. Intangible assets (excluding lease assets): Straight-line method

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c. Lease assets : Depreciation of lease assets is calculated by the straight-line method, with lease periods of such assets being useful lives, and residual values being zero.

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a. 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.

b. Allowance for warranty on completed construction contracts:

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c. Accrued bonuses:

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d. 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.

e. Accrued retirement benefits:

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[4] Recognition of revenue and related cost

For construction contracts by the last day of the fiscal year, of which profitability from completed portion of construction is definitely recognized, the percentage-of-completion method is applied. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total cost. For other construction contracts, the completed contract method is applied.

[5] Other significant matters for preparation of non-consolidated financial statements

a. Accounting for deferred asset: Bond issuance cost is charged to income on payment.

b. Accounting for major hedging

Hedge accounting:

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.

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Hedged items: Foreign currency transaction, and interest of loans payable

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c. Accounting for consumption taxes

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(5) Changes to presentation

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(6) Additional information

(New accounting standard)

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(Changes in effective tax rate)

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2. Notes to Non-consolidated Balance Sheet

(1) Pledged assets

At March 31, 2012, the following assets were pledged by the Company as collateral for long-term debt of ¥350 million.

	<u>Millions of yen</u>
Land	¥ 2,535

(2) Debt guarantee: ¥1,099 million

(3) Monetary receivables from and payables to subsidiaries and affiliates

* Short-term monetary receivables:	¥398 million
* Short-term monetary payables:	¥331 million
* Long-term monetary receivables:	¥1,022 million

(4) Discounted trade notes: ¥152 million

(5) 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 ¥818 million.

(6) Commitment line

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, and the amount of loan by the correspondent financial institutions was nil.

(7) 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 fiscal year was business holiday, notes receivable as of March 31, 2012 included notes of ¥91 million, which matured at the year-end date.

3. Notes to Non-consolidated Statement of Income

(1) Operating revenue of construction recorded by the percentage-of completion method: ¥130,882 million

(2) Transactions with subsidiaries and affiliates

Operating transactions

Revenues	¥674 million
Purchase of goods	¥1,694 million

Non-operating transactions ¥316 million

(3) Impairment loss

The Company reviewed its long-lived assets for impairment. As a result, impairment loss of ¥89 million (¥0 million on building, and ¥88 million on land) was recognized as follows for the fiscal year:

(Unit: Millions of yen)

Use	Item	Location	Impairment loss
Assets for rent	Building, land	Miyagi and other ²	¥57
Common properties	Building, land	Iwate	30
Idle properties	Land	Shizuoka and other ³	1
Total			¥89

The Company 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 reduced the carrying value of the assets to the recoverable amount, because decrease in profitability of assets for rent, and decrease in market value of idle properties. 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%.

(4) Research and development expense

Research and development expenses charged to construction costs and general and administrative expenses was ¥501 million.

4. Notes to Non-consolidated Statement of Changes in Net Assets

*Total number of shares issued at the end of the fiscal year: Common stock 85,488,000 shares

*Type and number of treasury stock at the end of the fiscal year: Common stock 2,781,948 shares

5. Notes to Tax Effect Accounting

Significant components of deferred tax assets and liabilities:

	(Unit: Millions of yen)
Deferred tax assets:	
Current:	
Unrealized loss on real estate for sale, etc.	¥ 118
Accrued bonuses	62
Allowance for contingent losses	138
Others	353
Valuation allowance	(37)
	<u>635</u>
Non-current:	
Loss on revaluation of investments in subsidiaries and affiliates	202
Loss on revaluation of investment securities	539
Bad debt expense on loans, etc.	74
Allowance for doubtful accounts	701
Accrued retirement benefits	1,819
Net operating loss carryforward	1,694
Others	330
Valuation allowance	(2,124)
	<u>3,236</u>
Total deferred tax assets	<u>3,871</u>
Deferred tax liabilities:	
Non-current :	
Unrealized gain on securities	(591)
Reserve for renewal of assets	(254)
Total deferred tax liabilities	<u>(846)</u>
Net deferred tax assets	<u>¥ 3,024</u>

6. Notes to Noncurrent Assets Used by Lease

Finance leases excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee:

Other than noncurrent assets recorded in the non-consolidated balance sheet, certain office equipments are used under finance leases for which the ownership of the leased assets is not considered to be transferred to the lessee.

(1) The amounts equivalent to acquisition cost, accumulated depreciation, and balance at the end of fiscal year

	(Unit: Millions of yen)		
	Amounts equivalent to		
	Acquisition cost	Accumulated depreciation	Balance at the end of the fiscal year
Tools, equipment, fixtures, and automobile	¥ 11	¥ 10	¥ 1
Total	¥ 11	¥ 10	¥ 1

(2) Future minimum lease payments

	(Unit: Millions of yen)
Due within one year	¥ 1
Due over one year	—
Total	¥ 1

The amount equivalent to acquisition cost is calculated by the method of including the lease-related interests, because the percentage of future minimum lease payment in the total property and equipments is low as at March 31, 2012.

(3) Lease payment and amount equivalent to depreciation

Lease payment	¥3 million
Amount equivalent to depreciation	¥3 million

(4) Calculation method for the amount equivalent to depreciation

Depreciation of leased property and equipment is calculated by the straight-line method based on the lease terms and the residual value of zero.

7. Notes to Transactions with Related Parties

Subsidiaries and affiliates, etc.

Type:	Subsidiary
Name of company:	RYOKO KAIHATSU CO., LTD.
Location:	Nagoya city in Aichi
Common stock:	¥80 million
Business:	Real estate business
Percentage of voting rights:	100%
Description of relationship:	Brokerage of the Company's real estate transactions
Description of transaction:	Receiving of dividends
Transaction amount:	¥280 million
Accounts:	Dividends income
Balance at the end of the fiscal year:	nil

8. Notes to Per-share Information

(1) Net assets per share ¥253.68

(2) Net income per share ¥10.15

9. Notes to Significant Subsequent Event

Regarding 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 (planned)

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 is not to be utilized for allotment of shares under the Merger.

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

- ① L o c a t i o n Minato-ku, Tokyo
- ② R e p r e s e n t a t i v e Toshio Ono, president and representative director
- ③ B u s i n e s s Civil engineering, construction
- ④ C a p i t a l 12,000 million yen
- ⑤ E s t a b l i s h e d o n : O c t o b e r 1, 2003
- ⑥ N u m b e r o f C o m m o n s t o c k 100,000,000 shares
O u t s t a n d i n g I - c l a s s p r e f e r r e d s t o c k 750,000 shares
S h a r e s I I - c l a s s p r e f e r r e d s t o c k 875,000 shares
I I I - c l a s s p r e f e r r e d s t o c k 875,000 shares
I V - c l a s s p r e f e r r e d s t o c k 250,000 shares
- ⑦ D a t e o f f i s c a l M a r c h 31
y e a r - e n d
- ⑧ N u m b e r o f (n o n - c o n s o l i d a t e d b a s i s) 2,039
e m p l o y e e s (c o n s o l i d a t e d b a s i s) 2,263
- ⑨ C o n s o l i d a t e d O p e r a t i n g R e s u l t s a n d F i n a n c i a l P o s i t i o n f o r P a s t 3
Y e a r s

Fiscal Year Ended March 31	2010	2011	2012
	(Unit: Millions of yen)		
Net Assets	28,374	29,065	30,557
Total Assets	138,358	141,150	133,176
Sales	191,877	196,701	182,049
Operating Income	1,750	3,978	5,915
Ordinary Income	581	2,654	4,779
Net Income	△1,743	1,560	1,766
	(Unit: Yen)		
Net Assets per Share	172.06	179.62	194.75
Net Income per Share	△20.45	13.16	15.38
Dividend per Share	Common stock —	Common stock —	Common stock 1.50 (planned)
	I -Class Preferred stock 90.80	I -Class Preferred stock 83.28	I -Class Preferred stock 78.80 (planned)
	II -Class Preferred stock	II -Class Preferred stock	II -Class Preferred stock

	100.80	93.28	88.80 (planned)
III-Class Preferred stock		III-Class Preferred stock	III-Class Preferred stock
	110.80	103.28	98.80 (planned)
IV-Class Preferred stock		IV-Class Preferred stock	IV-Class Preferred stock
	105.80	98.28	93.80 (planned)

(4) Status after the Merger

	Integrated Company
① Trade name	HAZAMA ANDO CORPORATION
② Location	Minato-ku, Tokyo
③ Representative	Toshiaki Nomura, president and representative director
④ Business	Civil engineering, building construction, and real estate
⑤ Capital	12,000 million yen
⑥ Fiscal year end	March 31