HAZAMA ANDO CORPORATION

ANNUAL REPORT 2013

Year ended March 31, 2013

HAZAMA ANDO CORPORATION

Profile

HAZAMA ANDO CORPORATION was launched on April 1, 2013, through the merger of HAZAMA CORPORATION and ANDO Corporation. Amid a difficult business environment for the construction industry, the new company is seeking to realize an expanded business scale, a streamlined and more effective management structure, and greater earnings capacity.

ANDO Corporation was founded in 1873, and HAZAMA CORPORATION in 1889. As general contractors, each with well over a century of history and possessing industry-leading technological capabilities built on experience with numerous projects, these two companies have contributed to the development of Japan and the creation of today's rich lifestyle.

The merger brings together ANDO Corporation's strength in building construction, and HAZAMA CORPORATION's established reputation in civil engineering. In addition to expanding the business scale and enhancing management efficiency, the integrated company will draw on the complementarity effect of their respective achievements, and by generating synergies in terms of technology, marketing, and cost competitiveness, establish a more solid management foundation, and realize further business development and growth.

HAZAMA ANDO CORPORATION aspires to be a "good company" for all of its stakeholders. With solid technology and passion we will meet expectations, and contribute to the development of society through building and manufacture. Further, by looking beyond the present, continually seeking to create new value, and enhancing sustainable corporate development, we will seek to realize a prosperous future, and to build a new history as HAZAMA ANDO CORPORATION.

CONTENTS

Philosophy

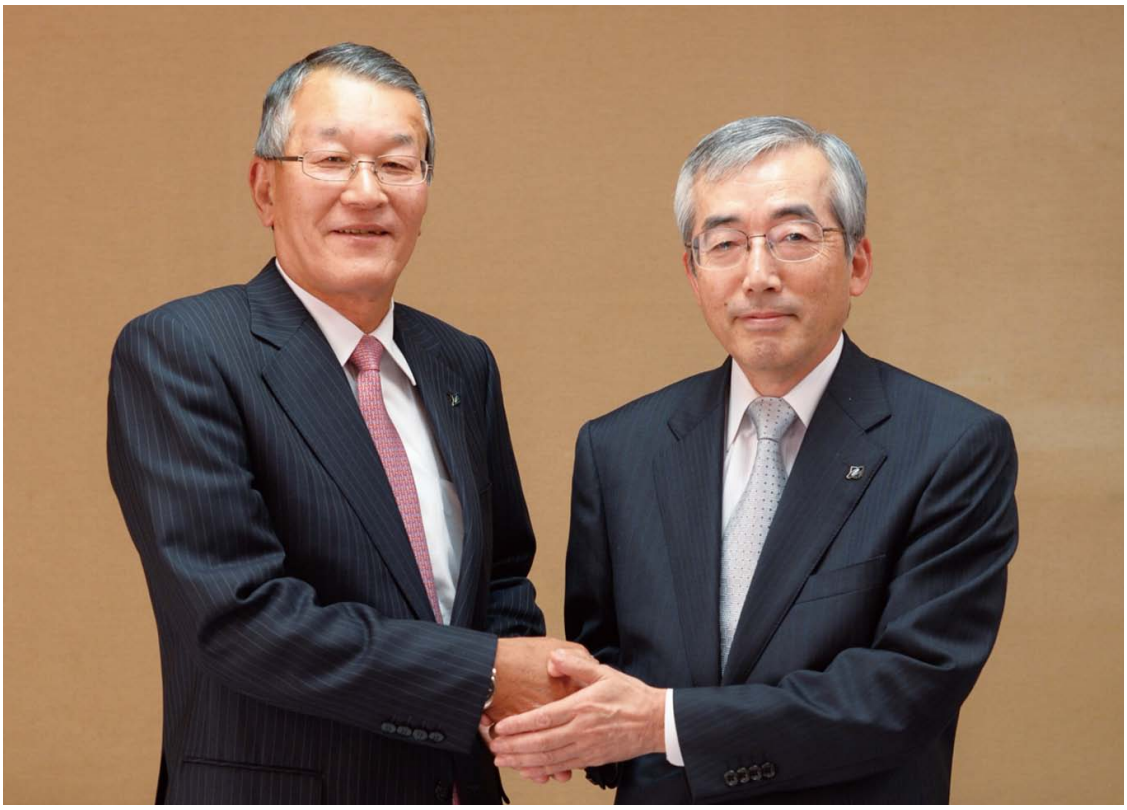
Corporate Philosophy

1. Contribute to advancing society through the sprit of craftsmanship
2. Pursue customer satisfaction with reliable technologies and passions
3. Realize a beneficial future by creating new values

Corporate Symbol

HAZAMA ANDO CORPORATION's corporate symbol features large, swirling currents crossing over a square form, in a design that simultaneously expresses reliability, energy, and strength.
The square form, suggesting stability, represents a wealth of achievements and trust cultivated over many years of history, and a genuine "customer first" attitude.
The large swirls are symbols of HAZAMA ANDO CORPORATION's determination to cherish the individual values of the merged companies, while creating new value through a bold and unconstrained pursuit of fresh challenges.
And the motion suggested in the design represents how HAZAMA ANDO CORPORATION will continuously evolve and grow, without being confined to conventional ideas.

Message from the Chairman & the President



Toshio Ono,
Representative Director and
Chairman of the Board of Directors

Toshiaki Nomura,
Representative Director and President

During fiscal 2012 (the year ended March 2013), despite signs of economic activity underpinned by reconstruction-related demand and other factors, the business environment was hampered by lingering caution regarding the outlook for corporate earnings and business. Under such conditions, HAZAMA CORPORATION recorded year-on-year gains in both revenue and ordinary income, while ANDO Corporation, despite an increase in sales, posted an operating loss on a rise in labor cost.

In fiscal 2013, the first year for the merged HAZAMA ANDO CORPORATION, we anticipate an increase in government construction spending on acceleration of recovery projects related to the Great East Japan Earthquake. In the private sector, we foresee a solid recovery in capital expenditures, but at the same time expect that further rises in labor costs, materials costs and other expenses will exert considerable pressure on earnings in the construction industry. Amid such a continued difficult business environment for the construction industry, we will draw on the complementarity effect of the achievements from the two former companies to rebuild our technology, marketing, and cost competitiveness, and to strengthen our business operations and promote efficiency. Further, through the optimal allocation of management resources and necessary investments for continued growth, we will establish the "HAZAMA ANDO" brand, and seek to be a company with a strong management foundation, high earnings capacity, and a strong presence in the market.

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Target Figures (for the fiscal year ending March 2016, the final year of the plan, individual results)

Orders:	¥300 billion
Revenues:	¥310 billion
Ordinary Income:	¥6 billion

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Medium-Term Corporate Vision

We will establish the "HAZAMA ANDO" brand, and seek to be a company with a strong management foundation, high earnings capacity, and strong presence in the market.

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Basic Management Strategies for Realization of the Medium-Term Corporate Vision

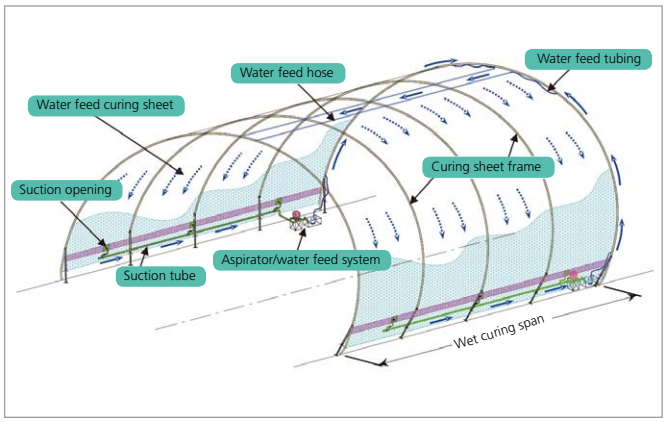
1. Enhance sales and proposal capabilities through collaboration in civil engineering
2. Lower costs through economies of scale and improvements in production systems
3. Increase market share and earnings capacity by utilizing accumulated technologies, expertise, and experience to strengthen technology development
4. Work to expand business domains

Two Technology Prizes Received for "Aqua Curtain"

In June 2012, the Aqua Curtain technology developed by HAZAMA ANDO CORPORATION received the Fiscal 2011 "Technology Development Prize" from the Japan Society of Civil Engineers, and the Fiscal 2012 "Technology Prize" from the Japan Concrete Institute.

The Japan Society of Civil Engineers Awards are given for marked contributions to civil engineering and construction. The "Technology Development Prize" is awarded for contributions to society through the advancement of civil engineering by means of the development and practical application of original and creative technologies in planning, design, construction, or maintenance. The Aqua Curtain was recognized for technology development based on innovative ideas, and the incorporation of numerous creative ideas in practical application.

The Japan Concrete Institute Awards are given for articles or works that have a marked contribution to the advancement and development of concrete engineering and technology. HAZAMA ANDO CORPORATION received the "Technology Prize" in recognition of contributions to technical advancements related to concrete, including the use of Aqua Curtain to ensure the lifelong duration of reinforced concrete structures.



Application for tunnel construction

Aqua Curtain is a revolutionary construction method that allows for wet curing of concrete structures as if they were immersed in water. It is considered an essential process for the construction of strong, beautiful, and durable concrete structures. Use of the Aqua Curtain has spread since its launch in fiscal 2011, and following the receipt of these prizes we will make efforts to expand the technology further.

Support for Sports in Kesennuma Recognized at the 6th Kids Design Awards

HAZAMA ANDO CORPORATION received an award at the 6th Kids Design Award (Reconstruction Support Design Division) for its "Kesennuma Region – Sports Support Activity," conducted as part of the company's reconstruction and recovery assistance in disaster areas of the Great East Japan Earthquake.

The Kids Design Awards are a system for honoring the realization and spread of the principles of kids designs, specifically designs that contribute to the safety and security of children, designs that open up the creativity and future of children, and designs that are made for having and raising children easier. HAZAMA ANDO CORPORATION has been a supporting company of the specified nonprofit corporation (Cabinet Office Certified NPO) Kids Design Association, which sponsors and administers the awards, since fiscal 2006.

The "Kesennuma Region – Sports Support Activity" honored with this prize was inspired by media reports that children at Shishiori Elementary School could no longer play rugby because their equipment had been washed away in the tsunami. HAZAMA ANDO CORPORATION had long and strong connections with this community, and launched a voluntary imitative with the desire to assist in the recovery of disaster areas, and to provide opportunities for children to play the rugby that they so enjoy.

We will continue to conduct activities to support disaster areas, as well as to support the aims of the Kids Design Association, and contribute to its activities as part of our CSR program.

Rugby camp for children in Kesennuma

KIDS DESIGN AWARD 2012

Kids Design Award

Range of Technologies Developed for Quick and Effective Decontamination

HAZAMA ANDO CORPORATION is conducting technical development for decontamination of radioactive material, and stepping up implementation of technologies to allow for more energy-efficient and quicker operations, as well as a reduction in the volume of waste substances generated during decontamination work.

For the decontamination of pavement contaminated by radioactive cesium, HAZAMA ANDO CORPORATION has developed the Araiguma-Radical Method and the Asphalt Pavement Thin Layer Cutting Method, and applied these technologies in actual decontamination work. The Araiguma-Radical Method removes radioactive cesium by washing the pavement surface with a high-pressure washer much stronger than a standard washer, along with a natural surface-active agent. By modifying and mechanizing construction equipment developed to clean the surface of concrete dams (see Image 1), it has become possible to decontaminate more than 1,000m2 per day (1,500m2 using the latest model).

The Asphalt Pavement Thin Layer Cutting Method utilizes a cutting machine with several rows of special convex bits (see Image 2) to remove a thin layer from the surface of asphalt pavement. Shaving approximately 5mm from the pavement surface reduces the amount of radioactive cesium by more than 95%. The process also significantly reduces the amount of waste generated by cutting.

Combustible material collected during decontamination work is incinerated, and since the ash remaining contains high concentrations of radioactive cesium, heavy metals and other hazardous substances, it is placed in an interim storage facility or final disposal site. However, capacity in these facilities is limited, so there is a need to reduce the volume of incinerated ash. To address this problem, HAZAMA ANDO CORPORATION developed a technology that applies a special method to densely solidify incinerated ash using external vibration, and create solidified blocks or sheets. This technique is based on technologies HAZAMA ANDO CORPORATION developed to recycle the coal ash generated as a by-product in thermal power stations, and has successfully reduced the volume of contaminated ash by around 30%.

These results are part of the Fiscal 2012 Decontamination Technologies Verification Project (portion held over from Fiscal 2011) adopted by the Ministry of the Environment. HAZAMA ANDO CORPORATION will continue with efforts to develop and put into use various technologies to complete decontamination work as quickly as possible.

Asphalt pavement scraper

Araiguma-Radical high-pressure cleaner

An-Thick Construction Method with Thick Concrete Walls and Floors

Construction method for apartment complexes without crossbeams

HAZAMA ANDO CORPORATION has developed the An-Thick construction method for reinforced concrete buildings with thick floors and walls. This construction technique has been certified by the General Building Research Corporation of Japan (No. 12-10).

Fig: Comparison of interior space

Conventional rigid-frame structure

An-Thick construction method

An-Thick is a framework construction method comprising walls and floors thicker than those found in ordinary reinforced concrete buildings. It has a rigid-frame structure supported mainly by the rigidity and bearing force of the out-of-plane direction, rather than the horizontal force, such as the ridge direction seismic load. The construction method gives the exterior of the building the appearance of a stack of boxes, and is suitable for long-life quality housing and other high-grade apartment complexes.

In a conventional rigid-frame structure, the posts and beams protrude into the living space, but with a floor and wall structure there are no posts or beams, creating clean interior spaces. Also, the lack of crossbeams with the An-Thick method offers greater freedom in the location of ventilating holes, and when combined with a false floor the layout for the kitchen and bath is variable, making the construction technique suitable for so-called "skeleton/infill" apartments intended for long-life quality housing. Further, since the walls and floors are thicker than usual, the rooms have better sound insulation.

HAZAMA ANDO CORPORATION has been involved in the construction of numerous apartment complexes. By adding this new frame construction method to our lineup of construction techniques, we can better provide living spaces that meet customer needs.

Major Orders Received

- Toppan Printing New Gunma Plant Construction Work/ TOPPAN PRINTING CO., LTD. (Japan) ❶
- Kitakokubun Area Pipe And Culvert Work Phase 2/Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (Japan)
- Fukuyama Transporting West Kanto Logistics Center Construction Work/Fukuyama Transporting Co., Ltd. (Japan)
- The Trans-Hokkaido Expressway Tenguyama Tunnel Construction Work/East Nippon Expressway Co., Ltd. (Japan)
- DAIDO METAL Mexico Factory Project/DAIDO METAL Mexico S. A. de C. V. (Mexico) ❷
- Water Supply Improvement Project in Concepcion and Pilar/ Ministry of Public Works and Communications (Paraguay) ❸

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Major Projects in Progress

- Algeria East West Expressway East Work Section/Expressway Public Corporation, Ministry of Public Works (Algeria)
- Central Circular Shinagawa Route Ohashi Junction Tunnel/ Metropolitan Expressway Co., Ltd. (Japan)
- New Osaka Factory Construction Work/TOPPAN FORMS CO., LTD. (Japan)
- Nagoya Castle Hommaru Palace Restoration Work/City of Nagoya, Aichi Prefecture (Japan)
- Caterpillar CRTT Facilities/Caterpillar (Thailand) Limited (Thailand) ❹

- The Project for Urgent Reconstruction of East Pump Station of Pluit in Jakarta Ciliwung-Cisadane River Basin Organization, Directorate General of Water Resources, Ministry of Public Works (Indonesia) ❺

Major Projects Completed

- SHIN-YURIGAOKA General Hospital Construction Work/ Sanseikai Medical Corporation (Japan)
- Shintakeoka Tunnel Work Phase 2/Kyushu Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (Japan)
- The Project for Construction of Sindhuli Road (Section Ⅲ)/ Department of Roads, Ministry of Physical Planning & Works (Nepal)
- BIVN Factory No. 4 Construction Project/Brother Industries (Vietnam) Ltd. (Vietnam) ❻
- Expansion of Vientiane International Airport/Ministry of Public Works and Transport (Laos) ❼
- Macara International New Bridge/Ministry of Public Works and Transport, Republic of Ecuador & Ministry of Communications, Republic of Peru (Ecuador and Peru) ❽

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Business Conditions and Outlook

1 Summary of Business Activities

Difficult conditions continued in the Japanese economy during fiscal 2012, despite signs of business activity supported by reconstruction-related demand. Industrial production declined, and a cautious attitude remained regarding corporate earnings and the business outlook. Going forward, even with the risk of an economic downturn stemming from the uncertain outlook for the global economy and prolonged energy problems domestically, the government's emergency economic stimulus package and the Bank of Japan's loosening of monetary policy are expected to lead toward economic recovery.

In the construction industry, the principal business of the HAZAMA ANDO Group, public sector construction investment rose steadily as restoration and reconstruction projects in the earthquake disaster areas gained momentum. Construction spending by Japan's private sector, however, continued to be weak, and the business environment remained harsh, including an increasingly severe shortage of skilled construction workers.

Under such circumstances, Hazama's orders increased ¥10.2 billion (5.8%) from the previous fiscal year to ¥186.9 billion. This was due mainly to continued steady orders for civil engineering work from Japanese government and municipal offices, along with a rise in overseas civil engineering and construction projects.

Revenues increased ¥15.8 billion year on year overall, due mainly to gains in both civil engineering and building construction on a steady rise in construction works on hand. In terms of profitability, operating income declined as a result of profitability revisions for certain large-scale projects. However, ordinary income rose slightly year on year on improvement in foreign exchange gains, leading to a ¥0.5 billion increase in net income compared to the previous fiscal year.

As a result, for the fiscal year ended March 31, 2013, HAZAMA CORPORATION recorded consolidated revenues of ¥197.8 billion, with operating income of ¥5.6 billion, ordinary income of ¥5.3 billion, and net income of ¥2.2 billion.

The overview of each business division of HAZAMA CORPORATION is as follows.

In Civil Engineering, orders amounted to ¥92.3 billion, comprising 85.8% from the government sector, and 14.2% from the private sector. Overseas orders accounted for 10.3% of total orders. Among revenues, completed construction totaled ¥91.0 billion, with operating income of ¥6.4 billion.

In Building Construction, orders amounted to ¥94.5 billion, comprising 6.6% from the government sector, and 93.4% from the private sector. Overseas orders accounted for 25.9% of total orders. Among revenues, completed construction totaled ¥88.3 billion, with an operating loss of ¥0.5 billion for the division.

Total orders received for construction, the cumulative total of the Civil Engineering and Building Construction divisions, amounted to ¥186.9 billion, comprising 45.7% from the government sector, and 54.3% the from private sector, with 18.2% of total orders from overseas. Completed construction totaled ¥179.3 billion, with operating income of ¥5.8 billion. (Note: Orders received and their breakdowns are stated on an individual basis.)

Revenue from HAZAMA CORPORATION's consolidated subsidiaries amounted to ¥15.0 billion, with operating income of ¥0.8 billion. Revenue was derived mainly from the sale of construction materials and leasing. In the Other business division, revenues amounted to ¥3.4 billion, with operation income of ¥0.2 billion. Revenue was derived mainly from surveys and research conducted on a consignment basis.

2 Outlook for the Next Fiscal Year (ending March 2014)

In the construction industry, public-sector construction investment is expected to remain firm with the execution of the associated budget. Private-sector construction investment, however, is forecast to be sluggish as a result of the delays in economic recovery. Overall, the outlook is unclear as a result of concerns over fiercer competition for orders, and a rise in construction costs stemming from higher labor and materials expenses.

Under such conditions, on April 1, 2013, HAZAMA CORPORATION merged with ANDO Corporation to form HAZAMA ANDO CORPORATION. The aim of this merger is to realize an expanded business scale, streamlined and more effective management, and greater earnings capacity.

For details on the merger and the resulting negative goodwill that the Company plans to record from fiscal 2013, see page 37, "Subsequent Event."

In consideration of the above, for the fiscal year ending March 31, 2014, the Hazama Ando Group is forecasting consolidated revenues of ¥355.0 billion, with operating income of ¥7.0 billion, ordinary income of ¥5.4 billion, and net income of ¥13.1 billion.

HAZAMA CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2013, 2012, 2011, 2010 and 2009

Summary

	Millions of yen					Thousands of U.S. dollars
	2013	2012	2011	2010	2009	**2013**
Operating results:						
Revenues						
Construction	**¥182,740**	¥169,256	¥184,630	¥182,162	¥212,535	**$1,944,250**
Other activities	**15,159**	12,794	12,072	9,715	11,742	**161,283**
Total	**197,899**	182,050	196,702	191,877	224,277	**2,105,533**
Cost of sales	**182,271**	166,630	182,692	178,380	207,522	**1,939,260**
Gross profit	**15,628**	15,420	14,010	13,497	16,755	**166,273**
Selling, general and administrative expenses	**10,015**	9,505	10,031	11,747	12,308	**106,554**
Operating income	**5,613**	5,915	3,979	1,750	4,447	**59,719**
Net income (loss)	**2,293**	1,767	1,560	(1,744)	1,002	**24,396**
Financial position:						
Total assets	**¥141,880**	¥133,177	¥141,150	¥138,359	¥157,743	**$1,509,522**
Total liabilities	**109,036**	102,620	112,085	109,984	127,457	**1,160,081**
Net assets	**32,844**	30,557	29,065	28,375	30,286	**349,441**
Cash flows:						
Cash flows from operating Activities	**¥ 7,934**	¥ (3,158)	¥ 2,880	¥ 6,293	¥ (335)	**$ 84,413**
Cash flows from investing Activities	**(723)**	562	1,260	239	3,158	**(7,692)**
Cash flows from financing Activities	**(4,347)**	(3,076)	1,636	(2,656)	(2,326)	**(46,250)**
	Yen					U.S. dollars
Per share amounts:						
Net income (loss)						
Basic	**¥ 20.69**	¥ 15.38	¥ 13.16	¥ (20.45)	¥ 7.07	**$ 0.22**
Diluted	**14.74**	11.51	10.50	—	7.00	**0.16**
Dividends						
Common stock	**3.00**	1.50	—	—	1.50	**0.03**
Class I preferred stock	**78.40**	78.80	83.28	90.80	97.72	**0.83**
Class II preferred stock	**88.40**	88.80	93.28	100.80	107.72	**0.94**
Class III preferred stock	**98.40**	98.80	103.28	110.80	117.72	**1.05**
Class IV preferred stock	**—**	93.80	98.28	105.80	112.72	**—**
Net assets	**212.75**	194.75	179.62	172.06	191.04	**2.26**

Note: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥93.99 to US$1.00 for convenience.
2. Basic net income (loss) per share is based on the weighted average number of common stock outstanding during the period, and diluted net income per share reflects the potential dilution that could occur if preferred stock were converted into common stock or share subscription rights were exercised.

Financial Review

Revenues

Revenues in fiscal 2013 totaled ¥197,899 million (US$2,105,533 thousand), of which ¥182,740 million (US$1,944,250 thousand) came from construction projects and ¥15,159 million (US$161,283 thousand) from other activities. These two business segments accounted for 92.3% and 7.7%, respectively, of total revenues.

Costs and Expenses

Cost of sales amounted to ¥182,271 million (US$1,939,260 thousand), which is equivalent to 92.1% of revenues. Selling, general and administrative expenses amounted to ¥10,015 million (US$106,554 thousand), which is equivalent to 5.1% of revenues. Operating income reached ¥5,613 million (US$59,719 thousand), and the operating margin was 2.8%. Net income amounted to ¥2,293 million (US$24,396 thousand). Basic net income per share was ¥20.69 (US$0.22). We made no dividend payments on common stock.

Financial Position and Analysis

Total assets amounted to ¥141,880 million (US$1,509,522 thousand), total liabilities amounted to ¥109,036 million (US$1,160,081 thousand), and total net assets amounted to ¥32,844 million (US$349,441 thousand) at the end of fiscal 2013.

Net assets to total assets ratio was 23.1%. Net assets per share amounted to ¥212.75 (US$2.26).

Cash Flows

Cash and cash equivalents at the end of the year increased by ¥3,357 million (US$35,717 thousand) to ¥32,659 million (US$347,473 thousand).

Net cash provided by operating activities amounted to ¥7,934 million (US$84,413 thousand) mainly as the result of income before income taxes amounting to ¥4,217 million (US$44,866 thousand), increase in advances received amounting to ¥4,603 million (US$48,973 thousand) and increase in accounts receivable amounting to ¥5,077 million (US$54,016 thousand).

Net cash used in by investing activities amounted to ¥723 million (US$7,692 thousand) mainly as a result of acquisition of tangible fixed assets amounting to ¥368 million (US$3,915 thousand).

Net cash used in financing activities amounted to ¥4,347 million (US$46,250 thousand) mainly as a result of repayment of long-term debt amounting to ¥6,589 million (US$70,103 thousand).

Construction Business (Non-Consolidated Construction Projects)

As HAZAMA COPORATION's construction business accounts for a large percentage of consolidated group business, the financial performance of the business is presented below for reference.

	Millions of yen					Thousands of U.S. dollars
Revenues	**2013**	2012	2011	2010	2009	**2013**
Civil engineering						
Domestic						
Government sector	**¥ 59,343**	¥ 54,942	¥ 60,962	¥ 63,122	¥ 54,248	**$ 631,376**
Private sector	**25,442**	19,038	15,976	23,929	32,610	**270,688**
Overseas	**6,275**	7,223	8,188	12,245	14,012	**66,763**
Subtotal	**91,060**	81,203	85,126	99,296	100,870	**968,827**
Building construction						
Domestic						
Government sector	**3,613**	4,487	8,638	7,544	5,027	**38,440**
Private sector	**62,828**	68,595	76,724	66,969	91,243	**668,454**
Overseas	**21,881**	11,688	9,452	5,386	11,003	**232,802**
Subtotal	**88,322**	84,770	94,814	79,899	107,273	**939,696**
Total construction projects	**¥179,382**	¥165,973	¥179,940	¥179,195	¥208,143	**$1,908,523**

Revenue from the civil engineering category accounted for ¥91,060 million (US$968,827 thousand), or50.8% of total revenue from construction projects, with domestic projects contributing ¥84,785 million (US$902,064 thousand), or 93.1%.

The government sector contributed ¥59,343 million (US$631,376 thousand), or 70.0%, of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥25,442 million (US$270,688 thousand), or 30.0% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥6,275 million (US$66,763 thousand), equivalent to 6.9% of total revenue in the civil engineering category.

Revenue from the building construction category totaled ¥88,322 million (US$939,696 thousand), or 49.2% of total construction revenue. Domestic projects accounted for ¥66,441 million (US$706,894 thousand), or 75.2%.

The government sector contributed ¥3,613 million (US$38,440 thousand), or 5.4%, of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥62,828 million (US$668,454 thousand), or 94.6%, of total domestic building construction revenue. Overseas building construction revenue reached ¥21,881 million (US$232,802 thousand), equivalent to 24.8% of total revenue in the building construction category.

Total overseas construction revenue reached ¥28,156 million (US$299,565 thousand) and accounted for 15.7% of total construction revenue. Civil engineering projects accounted for 22.3% of this total, and building construction for 77.7%.

	Millions of yen					Thousands of U.S. dollars
Orders Received	**2013**	2012	2011	2010	2009	**2013**
Civil engineering	**¥ 92,395**	¥ 87,212	¥ 61,521	¥ 74,028	¥108,930	**$ 983,030**
Building construction	**94,556**	89,513	80,133	80,194	97,335	**1,006,022**
Total construction projects	**¥186,951**	¥176,725	¥141,654	¥154,222	¥206,265	**$1,989,052**

Orders received for construction projects during fiscal 2013 amounted to ¥186,951 million (US$1,989,052 thousand). Overseas work contributed 18.2% of orders in the construction category. Civil engineering orders amounted to ¥92,395 million (US$983,030 thousand), or 49.4% of total construction orders. Building construction orders amounted to ¥94,556 million (US$1,006,022 thousand), which is equivalent to 50.6% of total construction orders.

	Millions of yen					Thousands of U.S. dollars
Year-end Backlog	**2013**	2012	2011	2010	2009	**2013**
Civil engineering	**¥114,655**	¥113,278	¥107,382	¥131,216	¥156,810	**$1,219,864**
Building construction	**69,652**	63,454	58,887	73,751	73,463	**741,057**
Total construction projects	**¥184,307**	¥176,732	¥166,269	¥204,967	¥230,273	**$1,960,921**

Order backlog for construction projects at the end of fiscal 2013 amounted to ¥184,307 million (US$1,960,921 thousand), with civil engineering work accounting for ¥114,655 million (US$1,219,864 thousand), or 62.2%, and building construction for ¥69,652 million (US$741,057 thousand), or 37.8%.

Consolidated Balance Sheets (HAZAMA)

HAZAMA CORPORATION and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 23)	**¥ 32,683**	¥ 29,303	**$ 347,728**
Marketable securities (Notes 7 and 23)	**0**	0	**3**
Receivables (Note 23):			
Notes (Note 25)	**1,078**	684	**11,469**
Accounts	**54,397**	49,714	**578,753**
Inventories (Notes 5 and 8)	**8,771**	10,077	**93,318**
Advances paid	**3,361**	4,952	**35,759**
Deferred income taxes (Note 16)	**3,070**	3,260	**32,663**
Other	**5,601**	2,753	**59,590**
Less allowance for doubtful accounts	**(338)**	(304)	**(3,596)**
Total current assets	**108,623**	100,439	**1,155,687**
Property and equipment (Notes 7 and 12)**:**			
Land	**13,293**	13,293	**141,430**
Buildings and structures	**14,193**	14,180	**151,005**
Machinery and equipment	**8,225**	9,484	**87,509**
Other	**226**	152	**2,405**
	35,937	37,109	**382,349**
Less accumulated depreciation	**(17,222)**	(18,176)	**(183,232)**
Net property and equipment	**18,715**	18,933	**199,117**
Investments and other assets:			
Investments in securities (Notes 3, 7 and 23)	**6,020**	5,514	**64,049**
Investments in unconsolidated subsidiaries and affiliates	**221**	221	**2,351**
Long-term loans receivable	**50**	66	**532**
Deferred income taxes (Note 16)	**2,275**	2,639	**24,205**
Prepaid pension cost	**3,165**	2,739	**33,674**
Other	**2,859**	2,772	**30,418**
Less allowance for doubtful accounts	**(48)**	(146)	**(511)**
Total investments and other assets	**14,542**	13,805	**154,718**
Total assets	**¥141,880**	¥133,177	**$ 1,509,522**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 6 and 23)	**¥ 5,600**	¥ 7,440	**$ 59,581**
Current maturities of long-term loans payable (Notes 6 and 23)	**4,327**	6,589	**46,037**
Payables (Note 23):			
Notes	**24,406**	23,804	**259,666**
Accounts	**31,355**	30,910	**333,599**
Income taxes payable	**1,283**	337	**13,650**
Advances received (Note 14)	**15,195**	9,963	**161,666**
Deposit received (Note 23)	**8,690**	5,502	**92,457**
Accrued expenses	**435**	235	**4,628**
Provision for losses on construction contracts (Note 8)	**1,643**	1,790	**17,481**
Provision for disaster payment	**—**	106	**—**
Provision for merger expenses	**697**	—	**7,416**
Other	**1,801**	3,101	**19,161**
Total current liabilities	**95,432**	89,777	**1,015,342**
Long-term liabilities:			
Long-term loans payable, less current maturities (Notes 6 and 23)	**4,579**	4,392	**48,718**
Retirement and severance benefits (Note 15)	**8,672**	8,072	**92,265**
Provision for environmental spending	**284**	286	**3,022**
Other	**69**	93	**734**
Total long-term liabilities	**13,604**	12,843	**144,739**
Net assets (Notes 19 and 20):			
Shareholders' equity:			
Common stock Authorized - 397,250,000 shares			
Issued – 116,356,517 shares	**5,000**	5,000	**53,197**
Preferred stock Authorized - 2,750,000 shares			
Issued - 2,026,224 shares	**7,000**	7,000	**74,476**
Capital surplus	**9,007**	9,004	**95,829**
Retained earnings	**11,665**	9,766	**124,109**
Less treasury stock, at cost	**(98)**	(112)	**(1,043)**
Total shareholders' equity	**32,574**	30,658	**346,568**
Accumulated other comprehensive income:			
Net unrealized losses on securities	**244**	(146)	**2,596**
Total accumulated other comprehensive income	**244**	(146)	**2,596**
Share subscription rights	**26**	45	**277**
Total net assets	**32,844**	30,557	**349,441**
Total liabilities and net assets	**¥141,880**	¥133,177	**$1,509,522**

Consolidated Statements of Income (HAZAMA)

HAZAMA CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Revenues (Notes 9 and 21):			
Construction	**¥182,740**	¥169,256	**$1,944,250**
Other activities	**15,159**	12,794	**161,283**
	197,899	182,050	**2,105,533**
Cost of sales (Notes 10 and 21):			
Construction	**168,434**	155,098	**1,792,042**
Other activities	**13,837**	11,532	**147,218**
	182,271	166,630	**1,939,260**
Gross profit	**15,628**	15,420	**166,273**
Selling, general and administrative expenses (Notes 11 and 21):	**10,015**	9,505	**106,554**
Operating income	**5,613**	5,915	**59,719**
Other income (expenses):			
Interest and dividends income	**93**	79	**989**
Foreign exchange gain (loss)	**489**	(201)	**5,203**
Interest expense	**(604)**	(716)	**(6,426)**
Loss on valuation of investments in securities	**(56)**	(128)	**(596)**
Impairment loss (Note 12)	**—**	(557)	**—**
Merger expenses (Note 13)	**(997)**	—	**(10,608)**
Other, net	**(321)**	(330)	**(3,415)**
	(1,396)	(1,853)	**(14,853)**
Income before income taxes	**4,217**	4,062	**44,866**
Income taxes (Note 16):			
Current	**1,523**	425	**16,204**
Deferred	**401**	1,870	**4,266**
	1,924	2,295	**20,470**
Income before minority interest	**2,293**	1,767	**24,396**
Net income	**¥ 2,293**	¥ 1,767	**$ 24,396**

	Yen		U.S. dollars (Note 1)
	2013	2012	**2013**
Per share amounts (Note 22):			
Net income			
Basic	**¥ 20.69**	¥ 15.38	**$ 0.22**
Diluted	**14.74**	11.51	**0.16**
Cash dividends applicable to the year			
Common stock	**3.00**	1.50	**0.03**
Class I preferred stock	**78.40**	78.80	**0.83**
Class II preferred stock	**88.40**	88.80	**0.94**
Class III preferred stock	**98.40**	98.80	**1.05**
Class IV preferred stock	**—**	93.80	**—**

See accompanying notes.

Consolidated Statements of Comprehensive Income (HAZAMA)

HAZAMA CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Income before minority interest	**¥2,293**	¥1,767	**$24,396**
Other comprehensive income			
Valuation difference on available-for-sale securities	**390**	(20)	**4,149**
Total other comprehensive income (Note 18)	**390**	(20)	**4,149**
Comprehensive income	**2,683**	1,747	**28,545**
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	**2,683**	1,747	**28,545**
Comprehensive income attribute to minority interests	**—**	**—**	**—**

See accompanying notes.

Consolidated Statements of Changes in Net Assets (HAZAMA)

HAZAMA CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of yen						
	Shareholders' equity				Accumulated other comprehensive income	Share subscription rights	Total
	Common stock and preferred stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities		
Balance at April 1, 2011	¥12,000	¥9,000	¥8,259	¥(121)	¥ (126)	¥54	¥29,066
Net income			1,767				1,767
Cash dividends paid			(259)				(259)
Disposal of treasury stock		4		16			20
Acquisition of treasury stock				(7)			(7)
Net changes in items other than shareholders' equity					(20)	(9)	(29)
Balance at April 1, 2012	**¥12,000**	**¥9,004**	**¥9,767**	**¥(112)**	**¥ (146)**	**¥45**	**¥30,558**
Net income			**2,293**				**2,293**
Cash dividends paid			**(395)**				**(395)**
Disposal of treasury stock		**3**		**15**			**18**
Acquisition of treasury stock				**(1)**			**(1)**
Redemption of fractional preferred stock		**(0)**					**(0)**
Net changes in items other than shareholders' equity					**390**	**(19)**	**371**
Balance at March 31, 2013	**¥12,000**	**¥9,007**	**¥11,665**	**¥(98)**	**¥244**	**¥26**	**¥32,844**

	Thousands of U.S. dollars (Note 1)						
	Shareholders' equity				Accumulated other comprehensive income	Share subscription rights	Total
	Common stock and preferred stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities		
Balance at April 1, 2012	**$127,673**	**$95,797**	**$103,916**	**$(1,192)**	**$(1,553)**	**$479**	**$325,120**
Net income			**24,396**				**24,396**
Cash dividends paid			**(4,203)**				**(4,203)**
Disposal of treasury stock		**32**		**160**			**192**
Acquisition of treasury stock				**(11)**			**(11)**
Redemption of fractional preferred stock		**(0)**					**(0)**
Net changes in items other than shareholders' equity					**4,149**	**(202)**	**3,947**
Balance at March 31, 2013	**$127,673**	**$95,829**	**$124,109**	**$(1,043)**	**$2,596**	**$277**	**$349,441**

See accompanying notes.

Consolidated Statements of Cash Flows (HAZAMA)

HAZAMA CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes	**¥ 4,217**	¥ 4,062	**$ 44,866**
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**560**	660	**5,958**
Impairment loss	**—**	557	**—**
Increase (decrease) in allowance for doubtful accounts	**18**	19	**192**
Increase (decrease) in retirement and severance benefits	**600**	3,371	**6,384**
Decrease (increase) in prepaid pension expenses	**(426)**	(2,739)	**(4,532)**
Interest and dividends income	**(93)**	(79)	**(989)**
Interest expense	**604**	716	**6,426**
Foreign exchange loss (gain)	**(493)**	48	**(5,245)**
Loss (gain) on sale of investments in securities	**—**	(2)	**—**
Loss (gain) on valuation of investments in securities	**56**	128	**596**
Loss (gain) on sale of property and equipment	**(8)**	(73)	**(85)**
Changes in assets and liabilities:			
Increase (decrease) in provision for business structure improvement	**697**	**—**	**7,416**
Increase (decrease) in provision for disaster payment	**(106)**	(190)	**(1,128)**
Decrease (increase) in notes and accounts receivable	**(5,077)**	3,193	**(54,016)**
Decrease (increase) in inventories	**1,305**	(2,078)	**13,884**
Decrease (increase) in advances paid	**1,592**	1,148	**16,938**
Increase (decrease) in notes and accounts payable	**1,167**	(7,446)	**12,416**
Increase (decrease) in advances received	**4,603**	911	**48,973**
Increase (decrease) in deposit received	**3,171**	(2,571)	**33,738**
Increase (decrease) in consumption tax payable	**(3,724)**	(685)	**(39,621)**
Other, net	**335**	(1,049)	**3,563**
Subtotal	**8,998**	(2,099)	**95,734**
Interest and dividends received	**93**	79	**989**
Interest paid	**(539)**	(547)	**(5,735)**
Income taxes paid	**(618)**	(591)	**(6,575)**
Net cash provided by (used in) operating activities	**7,934**	(3,158)	**84,413**
Cash flows from investing activities:			
Purchase of marketable securities and investments in securities	**(68)**	(42)	**(723)**
Sale of marketable securities and investments in securities	**53**	24	**564**
Acquisitions of property and equipment	**(368)**	(188)	**(3,915)**
Sale of property and equipment	**13**	633	**138**
Increase in loans receivable	**(2)**	(6)	**(21)**
Decrease in loans receivable	**18**	11	**192**
Other, net	**(369)**	130	**(3,927)**
Net cash provided by (used in) investing activities	**(723)**	562	**(7,692)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(1,840)**	540	**(19,577)**
Proceeds from long-term loans payable	**4,514**	3,154	**48,026**
Repayments of long-term loans payable	**(6,589)**	(6,507)	**(70,103)**
Cash dividends paid	**(395)**	(259)	**(4,203)**
Other, net	**(37)**	(4)	**(393)**
Net cash provided by (used in) financing activities	**(4,347)**	(3,076)	**(46,250)**
Effect of exchange rate changes on cash and cash equivalents	**492**	(47)	**5,235**
Net increase (decrease) in cash and cash equivalents	**3,356**	(5,719)	**35,706**
Cash and cash equivalents at beginning of year	**29,303**	35,022	**311,767**
Cash and cash equivalents at end of year (Note 4)	**¥32,659**	¥29,303	**$347,473**

See accompanying notes.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of HAZAMA ANDO CORPORATION (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥93.99 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Consolidation
The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the "Companies"). All significant intercompany transactions and unrealized profits and losses among the Companies have been eliminated in consolidation.

All companies are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method.

Investments in remaining unconsolidated subsidiaries and affiliates, which have immaterial effect on the consolidated financial statements, are accounted for at cost. Such investments are adjusted for any non-recoverable diminution in value, and income from these unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends therefrom.

(2) Revenue and cost recognition
When the outcome of construction contracts can be estimated reliably, the percentage-of-completion method (cost-to-cost method for the estimated progress) is applied. Otherwise the completed-contract method is applied.

(3) Foreign currency translation
Revenues and expenses are translated at the rates of exchange prevailing when transactions are made. Assets and liabilities denominated in foreign currencies are generally translated at the rates of foreign exchange prevailing at the balance sheet date and the resulting translation gains or losses are included in earnings.

(4) Cash and cash equivalents
Cash and cash equivalents include cash on hand, highly liquid investments with maturity of three month or less from the purchase date. See Note 4 as to a reconciliation of cash and cash equivalents reported in the consolidated statements of cash flows with cash and time deposits reported in the consolidated balance sheets.

(5) Allowance for doubtful accounts
To prepare for credit loss on receivables, collectability of normal receivables is estimated by applying the historical overall credit loss rates, and collectability of doubtful receivables is analyzed individually and the estimated uncollectible amount is recorded.

(6) Inventories
Inventories are stated at cost as determined on a specific project basis.

(7) Securities

Securities of the Companies are classified into one of the following categories based on the intent of holding, and are accounted for as follows:

(a) Debt securities that are intended to be held to maturity ("held-to-maturity debt securities") are stated at amortized cost.

(b) Securities other than trading securities, held-to-maturity debt securities and shares issued by unconsolidated subsidiaries and affiliated companies not on the equity method ("available-for-sale securities") are stated at fair market values, if their fair market values are readily available. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of these securities are computed using moving-average costs. Available-for-sale securities with no available fair market values are stated at moving-average cost.

(8) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payables is recognized in the consolidated statements of operations in the period which includes the inception date, and

(b) the discount or premium on the contract (that is the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates and interest rate increases.

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

(9) Property and equipment, depreciation

Property and equipment are carried at cost. Depreciation of building is provided on the straight-line method, and depreciation of other property and equipment is provided on the declining-balance method over estimated useful lives, except that the declining-balance method is applied to buildings of one consolidated subsidiary.

Expenditures for significant renewals and betterments are capitalized, while expenditures for normal repairs and maintenance are charged to expense when incurred.

(10) Provision for losses on construction contracts

To prepare for future losses related to construction contracts, the amount of estimated losses is recorded for the construction when losses are probable to occur and such losses can be reasonably estimated.

(11) Provision for environmental spending

To prepare for the treatment of Polychlorinated Biphenyl waste, which is obligated by the "Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste," the estimated cost for treatment is recorded.

(12) Provision for disaster payment

To prepare for expenses or losses for restoration of the property struck by Great East Japan Earthquake, the estimated amount at the end of subject fiscal year is recorded.

(13) Provision for merger expenses

To prepare for expenses expected to arise in the future due to a merger with ANDO Corporation, the reasonably estimated amount at the end of the subject fiscal year is recorded.

(14) Retirement and severance benefits

To prepare for the payment of retirement and severance benefits to employees, the Companies have recorded the amount expected to arise at the end of the subject fiscal year based on retirement benefit obligations and pension assets at the end of the subject fiscal year. Differences arising from changes in accounting standards (¥9,985 million) have been amortized in equal amounts over 15 years. Actuarial differences are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (9 years) commencing with the succeeding period. Prior service costs are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (3 years) commencing with present period.

Upon the split-up, the Company succeeded differences arising from changes in accounting standards and actuarial differences, and the above periods of amortization include the periods before split-up.

(15) Lease transactions

(a) Finance leases which transfer ownership of leased assets

Leased assets arising from finance lease transactions which transfer ownership to the lessee are depreciated by the same method as the depreciation of fixed assets.

(b) Finance leases which do not transfer ownership of leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as useful life.

(16) Income taxes

The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(17) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon the shareholders' meeting approval.

(18) Amounts per share

Basic net income per share is based on the weighted average number of common stock outstanding during the period, and diluted net income per share reflects the potential dilution that could occur if preferred stock were converted into common stock or share subscription rights were exercised.

Cash dividends per share represent amounts applicable for the respective years on accrual basis.

A net asset per share is reported at the amounts of ¥212.75 (US$2.26) and ¥194.75 at March 31, 2013 and 2012, respectively.

(19) Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates

From the year ending March 31, 2013, in accordance with the amendment in corporate tax law, the Company and its domestic subsidiaries have changed its depreciation method for property, plant and equipments. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in amended corporate tax law. Due to this change in depreciation method, operating income, ordinary income and income before taxes have each increased by ¥8 million (US$85 thousand).

(20) New accounting standards not yet applied

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)

Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(a) Summary

Accounting standard for retirement benefits is revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on how actuarial gains and losses and past service costs should be accounted for, how retirement benefit obligations and current service costs should be determined and enhancement of disclosures.

(b) Effective dates

Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

(c) Effect of application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

3. Securities

(1) The following tables summarize book values and fair values of held-to-maturity debt securities as of March 31, 2013 and 2012.

	Millions of yen					
	2013			2012		
Type	Book values	Fair values	Difference	Book values	Fair values	Difference
Securities with fair values not exceeding book values						
Bonds	**¥135**	**¥131**	**¥(4)**	¥124	¥114	¥(10)
Total	**¥135**	**¥131**	**¥(4)**	¥124	¥114	¥(10)

	Thousands of U.S. dollars		
	2013		
Type	Book values	Fair values	Difference
Securities with fair values not exceeding book values			
Bonds	**$1,437**	**$1,394**	**$(43)**
Total	**$1,437**	**$1,394**	**$(43)**

(2) The following tables summarize book values and acquisition costs of available-for-sale securities as of March 31, 2013 and 2012:

	Millions of yen					
	2013			2012		
Type	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	**¥2,718**	**¥2,061**	**¥ 657**	¥1,177	¥923	¥ 254
Sub total	**2,718**	**2,061**	**657**	1,177	923	254
Securities with book values not exceeding acquisition costs						
Equity securities	**¥806**	**¥1,066**	**¥(260)**	¥1,845	¥2,245	¥(400)
Sub total	**806**	**1,066**	**(260)**	1,845	2,245	(400)
Total	**¥3,524**	**¥3,127**	**¥ 397**	¥3,022	¥3,168	¥(146)

	Thousands of U.S. dollars		
	2013		
Type	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	**$28,918**	**$21,928**	**$ 6,990**
Sub total	**28,918**	**21,928**	**6,990**
Securities with book values not exceeding acquisition costs			
Equity securities	**$ 8,576**	**$11,342**	**$(2,766)**
Sub total	**8,576**	**11,342**	**(2,766)**
Total	**$37,494**	**$33,270**	**$(4,224)**

(3) Total sales, related gains and losses of available-for-sale securities are as follows:

	Millions of yen		Thousands of U.S. dollars
Type	**2013**	2012	**2013**
Equity securities			
Sales	**¥50**	¥6	**$532**
Related gains	**0**	2	**2**
Related losses	**—**	**—**	**—**

(4) Impairment losses on securities recognized for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type	**2013**	2012	**2013**
Available-for-sale securities	**¥56**	¥128	**$596**
Total	**¥56**	¥128	**$596**

4. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2013 and 2012 were reconciled with cash and time deposits reported in consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and time deposits	**¥32,683**	¥29,303	**$347,728**
Time deposits with maturities of exceeding 3-month from the date of acquisition	**(24)**	—	**(255)**
Total: Cash and cash equivalents	**¥32,659**	¥29,303	**$347,473**

5. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Accumulated Costs on uncompleted construction contracts	**¥ 6,655**	¥ 7,112	**$70,805**
Others	**2,116**	2,965	**22,513**
Total	**¥ 8,771**	¥ 10,077	**$93,318**

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are represented mainly by loan on deed. The average interest rates of short-term loans were 2.0% both at March 31, 2013 and 2012.

Long-term debt at March 31, 2013 and 2012 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Long-term debt from banks, insurance companies and others due serially through 2018:			
Secured 2.4%	**¥4,515**	¥1,945	**$48,037**
Unsecured 2.4% to 3.1%	**4,391**	9,036	**46,718**
Less current maturities	**(4,327)**	(6,589)	**(46,037)**
Total	**¥4,579**	¥4,392	**$48,718**

Repayment schedules for the long-term debt are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	**¥4,327**	**$46,037**
2015	**1,977**	**21,034**
2016	**1,507**	**16,034**
2017	**841**	**8,948**
2018	**254**	**2,702**
Total	**¥8,906**	**$94,755**

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of the banks, and that any collateral furnished will be applicable to all indebtedness due to that bank.

In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term and short-term debt that become due and in case of default and certain other specified events, against all other debts payable to the bank. Such rights have never been exercised by the bank.

7. Pledged Assets

The following assets were pledged to secure short-term bank loans, long-term debt and certain other obligation at March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Marketable securities	**¥ 0**	¥ 0	**$ 3**
Property and equipment	**15,185**	16,244	**161,560**
Investments in securities	**394**	339	**4,192**
Total	**¥15,579**	¥16,583	**$165,755**

8. Estimated loss on uncompleted construction contracts

Amount of costs on uncompleted construction contracts for which a construction loss is anticipated and reserve for expected losses on construction contracts in process are presented without being offset.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Amount of costs on uncompleted construction contracts for which a construction loss is anticipated, matching with reserve for expected losses on construction contracts in process	**¥19**	¥ —	**$202**

9. Revenues from construction contracts recognized by the percentage-of-completion method

Revenues from construction contracts recognized by the percentage-of-completion method for the fiscal year ended March 31, 2013 and 2012 were ¥157,701 million (US$1,677,849 thousand) and ¥137,986 million, respectively.

10. Provision for losses on construction contracts included in cost of sales of construction contracts

Provision for losses on construction contracts included in cost of sales of construction contracts for the fiscal year ended March 31, 2013 and 2012 were ¥1,438 million (US$15,299 thousand) and ¥1,153 million, respectively.

11. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥1,135 million (US$12,076 thousand) and ¥1,121 million for the years ended March 31, 2013 and 2012, respectively.

12. Impairment Loss

No impairment loss is recognized for the year ended March 31, 2013.
Impairment loss for the year ended March, 31, 2012 is as follows:

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Kanto region	Idle asset	Land	¥ 557	$ 6,781
Kansai region	Idle asset	Land	0	0
Total			¥557	$ 6,781

The Companies generally conduct grouping of its business assets by location and idle assets by each property unit to measure impairment loss. As the above assets become idle assets in the subject fiscal year, the book value was reduced to recoverable amount, and such reduction was recorded as an impairment loss in the extraordinary loss caption. The recoverable amounts of these assets were measured based on net selling price, and were mainly evaluated based on appraisal value.

13. Merger expenses

Merger expenses for the year ended March 31, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Office relocation-related expenses	**¥ 631**	¥ —	**$ 6,714**
Other merger expenses	**366**	—	**3,894**
Total	**¥ 997**	¥ —	**$ 10,608**

(Note) Of the above amount, ¥697 million ($7,416 thousand) in expenses expected to arise in the future has been recorded as provision for merger expenses.

14. Advances Received

As is customary in Japan, the Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

15. Retirement and Severance Benefits

The liabilities for retirement and severance benefits included in the consolidated balance sheets as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥(18,739)**	¥(17,004)	**$(199,372)**
Fair value of pension assets	**9,427**	8,572	**100,298**
Less unrecognized net transition obligation	**672**	1,007	**7,150**
Less unrecognized actuarial differences	**3,343**	2,866	**35,567**
Less unrecognized past service liability	**(210)**	(774)	**(2,234)**
Prepaid pension cost	**(3,165)**	(2,739)	**(33,674)**
Retirement and severance benefits	**¥ (8,672)**	¥ (8,072)	**$ (92,265)**

Included in the consolidated statements of operations for the years ended March 31, 2013 and 2012 are retirement and severance benefit expenses as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service costs-benefits earned during the year	**¥ 881**	¥ 876	**$ 9,373**
Interest cost on projected benefit obligation	**319**	384	**3,394**
Expected return on pensions assets	**(129)**	(170)	**(1,372)**
Amortization of net transition obligation	**336**	336	**3,575**
Amortization of net actuarial differences	**390**	807	**4,149**
Amortization of prior service costs	**(565)**	(540)	**(6,011)**
Retirement and severance benefit expense	**¥1,232**	¥1,693	**$13,108**

The discount rate used by the Company is 1.0% and 2.0% at March 31, 2013 and 2012.

The rate of expected return on pension assets is 1.5% and 2.0% at March 31, 2013 and 2012.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated total service years.

Actuarial differences are recognized in the consolidated statements of operations using the straight-line method over 9 years commencing with the succeeding period.

Prior service costs are recognized in the consolidated statements of operations using the straight-line method over 3 years commencing with the present period.

Net transition obligation is recognized using the straight-line method over 15 years.

16. Income Taxes

The Companies were subject to a number of taxes based on income, which, in the aggregate, indicate statutory rate in Japan of approximately 38.0% and 40.7% for the years ended March 31, 2013 and 2012.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2013 and 2012.

	2013	2012
Statutory tax rate	**38.0%**	40.7%
Non-deductible expenses for tax purposes	**2.0**	3.6
Per capita inhabitant taxes	**3.6**	3.9
Change in valuation allowance	**(3.5)**	(3.9)
Decrease in deferred income tax assets due to tax rate changes	**—**	12.6
Tax rate difference of special corporate tax for reconstruction	**2.8**	—
Others	**2.7**	(0.4)
Effective tax rate	**45.6%**	56.5%

Significant components of the Companies' deferred income taxes as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred income tax assets:			
Tax loss carry-forwards	**¥ —**	¥ 319	**$ —**
Non-deductible retirement benefits	**3,179**	3,056	**33,823**
Non-deductible construction costs under the percentage-of-completion method	**1,264**	1,194	**13,448**
Others	**2,835**	3,074	**30,163**
Gross deferred income tax assets	**7,278**	7,643	**77,434**
Less: Valuation allowance	**(620)**	(703)	**(6,596)**
Total deferred income tax assets	**6,658**	6,940	**70,838**
Deferred income tax liabilities:			
Prepaid pension cost	**(1,161)**	(1,041)	**(12,352)**
Others	**(152)**	—	**(1,618)**
Total deferred income tax liabilities	**(1,313)**	(1,041)	**(13,970)**
Net deferred income taxes	**¥5,345**	¥5,899	**$56,868**

17. Certain Lease Information

(Lessee)
As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases continue to be accounted for as operating leases. A summary of assumed amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value of assets under finance leases which do not transfer ownership of leased assets to the lessee at March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013			2012		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Vehicles, tools, furniture and fixtures	—	—	—	¥17	¥14	¥3
Others	—	—	—	—	—	—
Total	—	—	—	¥17	¥14	¥3

	Thousands of U.S. dollars		
	2013		
	Acquisition cost	Accumulated depreciation	Net book value
Vehicles, tools, furniture and fixtures	—	—	—
Total	—	—	—

Depreciation charges are computed using the straight-line method over lease terms assuming no residual value.

Lease payments and assumed depreciation charges under such finance leases for the years ended March 31, 2013 and 2012 were ¥2 million (US$32 thousand) and ¥20 million, respectively.

The following is a schedule by year of future lease payments (inclusive of interest) under finance leases as of March 31, 2013:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	**¥3**	**$32**
Total	**¥3**	**$32**

18. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized gains (losses) on securities:			
Increase (decrease) during the year	**¥494**	¥(142)	**$5,256**
Reclassification adjustment	**49**	122	**521**
Sub-total, before tax	**543**	(20)	**5,777**
Tax (expense) or benefit	**(153)**	—	**(1,628)**
Sub-total, net of tax	**390**	(20)	**4,149**
Total other comprehensive income	**¥390**	¥ (20)	**$4,149**

19. Net Assets

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock (or preferred stock). However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock and preferred stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized generally by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

20. Consolidated Statements of Changes in Net Assets

(1) Common stock and preferred stock issued

	Number of shares				
	Common stock	Class I preferred stock	Class II preferred stock	Class III preferred stock	Class IV preferred stock
Balance at April 1, 2012	**100,000,000**	**750,000**	**875,000**	**875,000**	**250,000**
Increase during the year	**16,356,517**	**0**	**0**	**0**	**0**
Decrease during the year	**0**	**0**	**723,726**	**0**	**0**
Balance at March 31, 2013	**116,356,517**	**750,000**	**151,224**	**875,000**	**250,000**

There were no changes of number of shares issued during the years ended March 31, 2012.
Detail of increase or decrease during the year ended March 31, 2013 was as follows:

(Common stock)

	Number of shares
Increase by exercising the call option of Class II preferred stock	16,356,517

(Class II preferred stock)

	Number of shares
Decrease by retirement of treasury stock	723,726

On December 25, 2003, the Company issued 2,750 thousand shares of its preferred stock at ¥4,000 per each share through a third-party allotment of shares. Holders of preferred stock of each class are entitled to receive annual dividends and distribution of residual assets, in priority to holders of common stock. Holders of preferred stock of each class have neither voting right at shareholders' meeting, nor right to receive allotments of offered shares or share subscription rights.

Class I, II and IV preferred stock are non-cumulative and non-participating, and class III preferred stock is cumulative and participating. Exercisable period of each conversion right is as follows:

	Class I preferred stock	Class II preferred stock	Class III preferred stock	Class IV preferred stock
Exercisable period of right to convert into common stock	December 25, 2008 to December 24, 2023	December 25, 2010 to December 24, 2025	December 25, 2012 to December 24, 2027	December 25, 2008 to December 24, 2023

(2) Treasury stock outstanding

(Common stock)

	Number of shares
Balance at April 1, 2011	1,172,112
Increase during the year	57,612
Decrease during the year	153,100
Balance at April 1, 2012	**1,076,624**
Increase during the year	**3,215**
Decrease during the year	**140,600**
Balance at March 31, 2013	**939,239**

(Class II preferred stock)

	Number of shares
Balance at April 1, 2011	0
Increase during the year	0
Decrease during the year	0
Balance at April 1, 2012	**0**
Increase during the year	**723,726**
Decrease during the year	**723,726**
Balance at March 31, 2013	**0**

(Details of increase or decrease)
(Common stock)

	Number of shares
Increase by purchase of shares less than one unit	3,215
Decrease by delivery of treasury stock	140,600

(Class II preferred stock)

	Number of shares
Increase by exercising the call option	723,726
Decrease by retirement of treasury stock	723,726

21. Segment Information

Effective April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17 on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(1) General information about reportable segments
Each reportable segment of the Companies is the business unit of the Companies, which discrete financial information is able to obtain. Reportable segments are reviewed periodically at the Board of Directors meeting in order to determine distribution of management resources and evaluate business results by each reportable segment.

The Companies mainly operate the construction and construction-related business. Among them the Company, the general constructor, operates their businesses that is composed of the civil engineering and building construction, and each headquarter plans and executes on their business strategy of production systems and sales process in Japan and overseas.

Furthermore, consolidated subsidiaries respectively develop their business by cooperating with the Company.

Accordingly, the Companies classify their business operating segments, identified by product and services, into three reportable segments as "Civil engineering segment", "Building construction segment" and "Consolidated subsidiaries segment".

The major products and services of each segment are as follows:

Reportable segments	Major products and services
Civil engineering	Civil engineering of the Company in Japan and overseas
Building construction	Building construction of the Company in Japan and overseas
Consolidated subsidiaries	Constructions and sales of construction materials of consolidated subsidiaries

(2) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

Accounting methods of reported segment are the same as that set forth in "Summary of Significant Accounting Policies". The segment profits or losses for each reportable segment are in conformity to the operating income of consolidated statements of income. Intersegment transactions and transfers are based on fair market prices.

Assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, corresponding depreciation expenses including amortization of intangible fixes assets are allocated to Civil engineering segment and Building construction segment according to the reasonable criterion measured by depending on the degree on benefit.

(3) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

(a) Segment information as of and for the fiscal year ended March 31, 2013 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2013:								
Revenues:								
Outside customers	**¥91,060**	**¥88,322**	**¥15,053**	**¥194,435**	**¥3,464**	**¥197,899**	**¥ —**	**¥197,899**
Intersegment	**—**	**0**	**26,722**	**26,722**	**1**	**26,723**	**(26,723)**	**—**
Total	**91,060**	**88,322**	**41,775**	**221,157**	**3,465**	**224,622**	**(26,723)**	**197,899**
Segment profit (loss)	**6,456**	**(593)**	**811**	**6,674**	**276**	**6,950**	**(1,337)**	**5,613**
Assets	**Note 4**	**Note 4**	**23,259**	**115,616**	**3,167**	**118,783**	**23,097**	**141,880**
Other material items:								
Depreciation and amortization	**179**	**173**	**155**	**507**	**—**	**507**	**(4)**	**503**
Capital expenditures	**Note 4**	**Note 4**	**70**	**312**	**—**	**312**	**—**	**312**

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2013:								
Revenues:								
Outside customers	**$968,827**	**$939,696**	**$160,155**	**$2,068,678**	**$36,855**	**$2,105,533**	**$ —**	**$2,105,533**
Intersegment	**—**	**0**	**284,307**	**284,307**	**11**	**284,318**	**(284,318)**	**—**
Total	**968,827**	**939,696**	**444,462**	**2,352,985**	**36,866**	**2,389,851**	**(284,318)**	**2,105,533**
Segment profit (loss)	**68,688**	**(6,309)**	**8,629**	**71,008**	**2,936**	**73,944**	**(14,225)**	**59,719**
Assets	**Note 4**	**Note 4**	**247,462**	**1,230,088**	**33,695**	**1,263,783**	**245,739**	**1,509,522**
Other material items:								
Depreciation and amortization	**1,904**	**1,841**	**1,649**	**5,394**	**—**	**5,394**	**(42)**	**5,352**
Capital expenditures	**Note 4**	**Note 4**	**745**	**3,320**	**—**	**3,320**	**—**	**3,320**

Notes:

1. "Other" consisted of mainly research and other activities, which are not included in reportable segment.
2. Reconciliations amounts were as follows:
   (i) Reconciliations amount of segment profit was to ¥(1,337) million (US$(14,225) thousand), which included ¥39 million (US$415 thousand) of intersegment eliminations and others, and ¥(1,376) million (US$(14,640) thousand) of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
   (ii) Reconciliations amount of segment assets was to ¥23,097 million (US$245,739 thousand), which included ¥(13,137) million (US$(139,770) thousand) of intersegment eliminations and others, and ¥36,234 million (US$385,509 thousand) of corporate assets. Corporate assets were mainly cash and time deposits, investments in securities and others, which are not attributed to reportable segments.
3. Segment profit was adjusted to operating income of consolidated statement of operations.
4. As discussed in Note 21. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, for your information, segment assets of Civil engineering segment and Building construction segment are amounted to ¥92,357 million (US$982,626 thousand), and capital expenditures of these segments are amounted to ¥242 million (US$2,575 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2012, which is restated in conformity with the requirements of the Standard, is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2012:								
Revenues:								
Outside customers	¥81,203	¥84,762	¥14,835	¥180,800	¥1,250	¥182,050	¥ —	¥182,050
Intersegment	—	9	29,188	29,197	13	29,210	(29,210)	—
Total	81,203	84,771	44,023	209,997	1,263	211,260	(29,210)	182,050
Segment profit	6,777	(171)	691	7,297	120	7,417	(1,502)	5,915
Assets	Note 4	Note 4	22,767	111,855	467	112,322	20,855	133,177
Other material items:								
Depreciation and amortization	208	214	178	600	—	600	(4)	596
Capital expenditures	Note 4	Note 4	180	356	—	356	(7)	349

Notes:

1. "Other" consisted of mainly research and other activities, which are not included in reportable segment.
2. Reconciliations amounts were as follows:
   (i) Reconciliations amount of segment profit was to ¥(1,502) million, which included ¥(6) million of intersegment eliminations and others, and ¥(1,496) million of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
   (ii) Reconciliations amount of segment assets was to ¥20,855 million, which included ¥(13,461) million of intersegment eliminations and others, and ¥34,316 million of corporate assets. Corporate assets were mainly cash and time deposits, investments in securities and others, which are not attributed to reportable segments.
3. Segment profit was adjusted to operating income of consolidated statement of operations.
4. As discussed in Note 21. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, for your information, segment assets of Civil engineering segment and Building construction segment are amounted to ¥89,088 million, and capital expenditures of these segments are amounted to ¥176 million.

(4) Related information

(a) Information about products and services

Disclosure of information about products and services is omitted, since reportable segments of the Companies are classified by their products and services.

(b) Information about geographic areas

(Revenues)

Revenues information about geographic areas for the year ended March 31, 2013and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Geographic Areas	**2013**	2012	**2013**
Japan	**¥169,661**	¥163,134	**$1,805,097**
Other	**28,238**	18,916	**300,436**
Total	**¥197,899**	¥182,050	**$2,105,533**

(Tangible fixed assets)

Disclosure of tangible fixed assets information about geographic areas is omitted, since the proportion of tangible fixed assets in Japan to total tangible fixed assets is over 90%.

(c) Information about major customers

		Millions of yen	Thousands of U.S. dollars
Customers	Related reportable segments	**2013**	
Ministry of Land, Infrastructure, Transport and Tourism	Civil engineering, Building construction	**¥22,595**	**$240,398**

		Millions of yen
Customers	Related reportable segments	2012
Ministry of Land, Infrastructure, Transport and Tourism	Civil engineering	¥23,717

(d) Impairment loss of fixed assets by reported segment

No impairment loss is recognized for the year ended March 31, 2013.

Impairment loss of fixed assets by reported segment of year ended March 31, 2012 is as follow.

	Millions of yen					
	2012					
	Reportable segments					
	Civil engineering	Building construction	Consolidated subsidiaries	Other	Eliminations and others	Total
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ 557	¥ 557

22. Amounts per Share of Common Stock

Basis of calculation of basic and diluted net income per share (the “EPS”) for the year ended March 31, 2013 is as follows:

	Net income	Weighted-average shares	EPS	
Year ended March 31, 2013:	Millions of yen	Thousands of shares	Yen	U.S. dollars
Net income	**¥2,293**			
Net income not available to common shareholders				
Cash dividends on preferred stock	**158**			
Basic EPS-Net income available to common shareholders	**¥2,135**	**103,215**	**¥20.69**	**$0.22**
Effect of dilution				
Cash dividends on preferred stock	**158**	**51,293**		
Shares adjusted by share subscription rights	**—**	**1,085**		
Diluted EPS-Net income for computation	**¥2,293**	**155,593**	**¥14.74**	**$0.16**

Basis of calculation of basic net loss per share (the "EPS") for the year ended March 31, 2012 is as follows:

Year ended March 31, 2012:	Net loss Millions of yen	Weighted-average shares Thousands of shares	EPS Yen
Net income	¥1,767		
Net income not available to common shareholders			
Cash dividends on preferred stock	247		
Basic EPS-Net income available to common shareholders	¥1,520	98,831	¥15.38
Effect of dilution			
Cash dividends on preferred stock	247	51,884	
Shares adjusted by share subscription rights	—	2,859	
Diluted EPS-Net income for computation	¥1,767	153,574	¥11.51

23. Financial Instruments

(1) Status of financial instruments

(a) Policies for using financial instruments

The Companies raise funds mainly by borrowings from bank, and restrict temporary surplus funds to the lower risk assets such as deposits. Derivative transactions are employed for hedging of the risk described below, and never use for speculation.

(b) Detail of financial instruments and the related risks

Notes and accounts receivable are exposed to the credits risks in relation to customers. Foreign currency-dominated notes and accounts receivable are also exposed to foreign exchange risk.

Investment securities which are mainly share held for keep the relationship with business partners are exposed to market price fluctuation risk.

Notes and accounts payable are mostly settled within one year.

Borrowing is primarily for working funds. With variable interest rates, it is exposed to interest-rates risk.

Borrowing, notes and accounts payable are also exposed to liquidity risk.

Derivative transactions entered into by the Companies are forward currency exchange contracts to hedge foreign exchange risk involving oversea business and interest rate swap contracts to hedge interest-rates risk involving borrowing.

Refer to Note 2(8) "Derivatives and hedging transactions" for information about the hedging instruments and hedging items, hedging policy and method of evaluating hedging effectiveness concerning the hedge accounting methods adopted by the Companies.

(c) Policies and processes for risk management

In order to control customer's credit risk, each business and sales management division within the Companies conduct periodic monitoring of key transaction partners and attempt to find out deterioration of the financial situation at the initial stage under the internal credit policies.

For the purpose of hedging foreign exchange risk, the Companies conduct forward exchange contracts. The Companies also conduct interest rate swap contracts to avert interest-rate risk by each long-term borrowing.

Fair value of investment securities are periodically reported to the Directors and Executive Officers. The possession situation of securities is also continually reviewed, taking into consideration of the Companies' relationship with respective business partners.

Derivative transactions are treated by the Finance Department in accordance with the established policies. The Companies deal with credible banks to reduce the credit risk.

In order to manage the liquidity risk, the Companies update financial plan monthly.

(d) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market value or reasonable estimate if there is no market value. Since certain assumptions are used for estimating values, values could be different if different assumptions are applied. In addition, the derivative contract amounts described in Note 24 "Derivative Financial Instruments" are not indicative of actual market risk involved in derivative transactions.

(2) Fair value of financial instruments

The following tables summarize book values and fair values of financial instruments as of March 31, 2013:

	Millions of yen			Thousands of U.S. dollars		
Type	Book values	Fair values	Difference	Book values	Fair values	Difference
Assets						
(a) Cash and time deposits	**¥32,683**	**¥32,683**	**¥ —**	**$347,728**	**$347,728**	**$ —**
(b) Receivables:						
Notes	**1,078**	**1,078**	**—**	**11,469**	**11,469**	**—**
Accounts	**54,397**	**54,382**	**(15)**	**578,753**	**578,593**	**(160)**
(c) Marketable securities and Investments in securities:						
Held-to-maturity debt securities	**134**	**130**	**(4)**	**1,427**	**1,384**	**(43)**
Available-for-sale securities	**3,524**	**3,524**	**—**	**37,493**	**37,493**	**—**
Total assets	**¥91,816**	**¥91,797**	**¥(19)**	**$976,870**	**$976,667**	**$ (203)**
Liabilities						
(a) Payables:						
Notes	**¥24,406**	**¥24,406**	**¥ —**	**$259,666**	**$259,666**	**$ —**
Accounts	**31,355**	**31,355**	**—**	**333,599**	**333,599**	**—**
(b) Short-term bank loans	**5,600**	**5,600**	**—**	**59,581**	**59,581**	**—**
Current maturities of long-term debt	**4,327**	**4,327**	**—**	**46,037**	**46,037**	**—**
(c) Deposit received	**8,690**	**8,690**	**—**	**92,457**	**92,457**	**—**
(d) Long-term debt, less current maturities	**4,579**	**4,562**	**17**	**48,718**	**48,537**	**181**
Total liabilities	**¥78,957**	**¥78,940**	**¥ 17**	**$840,058**	**$839,877**	**$ 181**

The following tables summarize book values and fair values of financial instruments as of March 31, 2012:

	Millions of yen		
Type	Book values	Fair values	Difference
Assets			
(a) Cash and time deposits	¥29,303	¥29,303	¥ —
(b) Receivables:			
Notes	684	684	—
Accounts	49,714	49,700	(14)
(c) Investments in securities:			
Held-to-maturity debt securities	123	114	(9)
Available-for-sale securities	3,022	3,022	—
Total assets	¥82,846	¥82,823	¥(23)
Liabilities			
(a) Payables:			
Notes	¥23,804	¥23,804	¥ —
Accounts	29,676	29,676	—
(b) Short-term bank loans	7,440	7,440	—
Current maturities of long-term debt	6,589	6,589	—
(c) Deposit received	5,502	5,502	—
(d) Long-term debt, less current maturities	4,392	4,399	(7)
Total liabilities	¥77,403	¥77,410	¥ (7)

Notes:

1. Method of measurement of financial instruments and matters concerning securities and derivatives

(Assets)

(a) Cash and time deposits

The fair values of this account are equivalent to the book value, since this account is settled in a short period of time.

(b) Notes, accounts and unconsolidated subsidiaries and affiliates receivables

The fair values of these accounts are based on the present value of discounted cash flows using the interest rate determined by the factors of the remaining terms and credit risks, with respect to each receivable categorized by collection terms.

(c) Marketable securities and Investments in securities

The fair values of this account are based on the quoted market value.

(Liabilities)

(a) Notes and accounts payables, (b) Short-term bank loans and current maturities of long-term debt and (c) Deposit received

The fair values of these accounts are equivalent to the book value, since these accounts are settled in a short period of time.

(d) Long-term debt, less current maturities

The fair values of this account are based on the present value of discounted cash flows using the interest rate which may be applicable when the same kinds of borrowings are made.

(Derivative transactions)

See Note 24 "Derivative Financial Instruments".

2. Financial instruments which are difficult to estimate the fair value

Non-marketable securities (book values of ¥2,362 million (US$25,129 thousand) and ¥2,369 million as of March 31, 2013 and 2012, respectively) are not included in the above "Assets (c) Investments in securities"; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

3. Redemption schedules for cash and time deposits, receivables and held-to-maturity debt securities as of March 31, 2013 and 2012 are as follows:

	Millions of yen							
	2013				2012			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	**¥32,683**	**¥ —**	**¥ —**	**¥ —**	¥29,303	¥ —	¥ —	¥ —
Receivables:								
Notes	**1,078**	**—**	**—**	**—**	684	—	—	—
Accounts	**53,113**	**1,284**	**—**	**—**	48,411	1,303	—	—
Held-to-maturity debt securities	**—**	**—**	**135**	**—**	—	—	124	—
Total	**¥86,873**	**¥ 1,284**	**¥135**	**¥ —**	¥78,398	¥ 1,303	¥ 124	¥ —

	Thousands of U.S. dollars			
	2013			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	**$347,728**	**$ —**	**$ —**	**$ —**
Receivables:				
Notes	**11,469**	**—**	**—**	**—**
Accounts	**565,081**	**13,661**	**—**	**—**
Held-to-maturity debt securities	**—**	**—**	**1,436**	**—**
Total	**$924,278**	**$13,661**	**$1,436**	**$ —**

24. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting as of March 31, 2013 and 2012 are as follows:

(Special case interest swap treatment)

		Millions of yen					
		2013			2012		
		Contract amount		Fair value	Contract amount		Fair value
Type of derivative transactions	Main items hedged	Total	Settled over 1 year		Total	Settled over 1 year	
Interest swap contract: To pay fixed, to receive variable	Long-term debt	**¥1,316**	**¥731**	**Note 1**	¥1,716	¥1,065	Note 1

		Thousands of U.S. dollars		
		2013		
		Contract amount		Fair value
Type of derivative transactions	Main items hedged	Total	Settled over 1 year	
Interest swap contract: To pay fixed, to receive variable	Long-term debt	**$14,001**	**$7,777**	**Note 1**

Note:

1. The fair values of special case interest swap treatment are included in the fair value of long-term debt since such interest swap is treated together with long-term debt being hedged.

25. Effect of bank holiday

The year-end of March 31, 2013 and 2012 fell on a bank holiday. Notes maturing on March 31, 2013 and 2012 were settled on following business day, April 1, 2013 and April 2, 2012 and accounted for accordingly. The amounts settled on were as follows:

	Millions of yen		Thousands of U.S. dollars
Type	**2013**	2012	**2013**
Notes receivable	**¥ 31**	¥ 112	**$330**
Total	**¥ 31**	¥ 112	**$330**

26. Asset Retirement Obligations

Disclosures about asset retirement obligations are omitted, since the amount of asset retirement obligations is immaterial for the year ended March 31, 2013.

27. Fair Value of Investment and Rental Property

Disclosures about fair value of investment and rental property are omitted, since the total amount of investment and rental property is immaterial for the years ended March 31, 2013 and 2012.

28. Stock Option Plans

(1) Amount of cost and accounts for stock options as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cost of sales on construction contracts	**¥ —**	¥ 0	**$ —**
Selling, general and administrative expenses	**2**	9	**21**

(2) Amount of profit and accounts for not exercising of stock options as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Special profits	**¥3**	¥9	**$32**

(3) The stock options outstanding as of March 31, 2013 are mainly as follows:

(a) Content

	The first series of share subscription rights (A)	The first series of share subscription rights (B)	The second series of share subscription rights (A)	The second series of share subscription rights (B)
	June 27, 2008	June 27, 2008	June 26, 2009	June 26, 2009
Persons granted	Directors of the company: 8 Executive officers: 13	Executive employees: 76	Directors of the company: 9 Executive officers: 12	Executive employees: 9
Class and number of shares	110,400 shares of common stock	722,000 shares of common stock	115,000 shares of common stock	86,400 shares of common stock
Date of grant	July 15, 2008	July 15, 2008	July 14, 2009	July 14, 2009
Condition of settlement rights	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the fifth stockholders' meeting to the sixth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be an employee of the Company who has continued to work at the Company from July 15, 2008 until July 15, 2010. However, this condition is invalid in case of death, retirement age or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the fifth stockholders' meeting to the sixth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be an employee of the Company who has continued to work at the Company from July 14, 2009 until July 14, 2011. However, this condition is invalid in case of death, retirement age or loss of position due to Company circumstances.
Length of service	From July 15, 2008 to July 14, 2009	From July 15, 2008 to July 15, 2010	From July 14, 2009 to July 13, 2010	From July 14, 2009 to July 14, 2011
Exercisable period	From July 15, 2009 to July 14, 2019	From July 16, 2010 to July 15, 2015	From July 14, 2010 to July 13, 2020	From July 15, 2011 to July 14, 2016

	The third series of share subscription rights (A)	The fourth series of share subscription rights (A)
	June 29, 2010	June 29, 2011
Persons granted	Directors of the company: 8 Executive officers: 8	Directors of the company: 9 Executive officers: 13
Class and number of shares	90,000 shares of common stock	85,800 shares of common stock
Date of grant	July 16, 2010	July 15, 2011
Condition of settlement rights	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the seventh stockholders' meeting to the eighth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the eighth stockholders' meeting to the ninth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.
Length of service	From July 16, 2010 to July 15, 2011	From July 15, 2011 to July 14, 2012
Exercisable period	From July 16, 2011 to July 15, 2021	From July 15, 2012 to July 14, 2022

(b) Number and price

	The first series of share subscription rights (A)	The first series of share subscription rights (B)	The second series of share subscription rights (A)	The second series of share subscription rights (B)	The third series of share subscription rights (A)	The fourth series of share subscription rights (A)
Non-vested shares						
At the beginning of the year	—	—	—	—	—	85,000
Granted during the year	—	—	—	—	—	—
Forfeited and expired during the year	—	—	—	—	—	—
Vested during the year	—	—	—	—	—	85,000
At the end of the year	—	—	—	—	—	—
Vested shares						
At the beginning of the year	48,500	304,000	69,000	67,200	81,000	—
Vested during the year	—	—	—	—	—	85,000
Exercised during the year	13,200	57,000	23,000	9,600	18,000	19,800
Forfeited or expired during the year	—	104,500	—	—	—	—
Unexercised at the end of the year	35,300	142,500	46,000	57,600	63,000	66,000
Exercise price	¥ 1	¥125	¥ 1	¥120	¥ 1	¥ 1
Average stock price at exercise	¥145	¥223	¥134	¥265	¥156	¥167
Fair value price at the grant date	¥107	¥ 30	¥101	¥ 28	¥ 72	¥111

(4) Method to estimate fair value of stock options
It does not give employees stock options for the current fiscal year.

(5) Method to estimate number of vested stock options
As a rational estimate of the forfeited number of stock options in the future is generally difficult, the company adopts a method whereby only forfeited numbers are reflected.

29. Subsequent Event

On May 24, 2012, the Company has implemented a merger agreement with ANDO Corporation ("ANDO") which took effect on April 1, 2013, and the approval of the extraordinary general meetings of shareholders held on July 20, 2012.

(1) Outline of the merger

(a) Name and business of acquired company
Name: ANDO Corporation
Business: Construction and real estimate business

(b) Main reason of the merger
The merger is expected to expand our business scale, to streamline and enhance management efficiency, and to strengthen earnings capabilities. This agreement, through a capital tie-up with ANDO from 2003 and based on the track record we have built, will allow us to take advantage of the complementary effect to generate synergies in technology, sales and cost competitiveness, as well as to strengthen business fields and promote efficiency. In addition, by establishing a foundation for further overseas business development and expansion into new business fields, the merger is expected to enhance our earnings capabilities, financial foundation and corporate value, to establish a more solid management foundation, and to foster business development and growth.

(c) Date of merger
April 1, 2013

(d) Regal form of merger
Absorption-type merger (HAZAMA as the surviving company, ANDO as the extinct company)

(e) Name after management integration
HAZAMA ANDO CORPORATION

(f) Voting rights acquired
100%

(g)Reason for determining acquiring company
It is decided that HAZAMA be the acquiring company and ANDO be the acquired company, due to shareholders of HAZAMA a wholly owned subsidiary, will have the largest percentage of voting rights of the integrated company.

(2) Acquisition cost of acquired company

		Millions of yen	Thousands of U.S. dollars
		2013	
Consideration for the acquisition	Common stocks	¥ 9,117	$ 97,000
Immediacy acquisition cost	Advisory cost, etc.	125	1,330
Acquisition cost		¥ 9,242	$ 98,330

(3) Share exchange ratio, its basis for determination, number of share delivered

	HAZAMA (Surviving company)	ANDO (Extinct company)
Content of allotment in relation to the merger	Common stock 1	Common stock 0.53

Notes:
1. 0.53 shares of HAZAMA's common stock are allotted and delivered per share of ANDO common stock.
However, it isn't allotted to 2,783,963 shares of the Company's common stock which ANDO owns.
2. Frontier Management Inc. and ABeam M&A Consulting Ltd. were appointed by HAZAMA and ANDO, respectively, as third party valuation institutions in determining the share exchange ratio for the merger. HAZAMA and ANDO engaged in negotiation and discussions with reference to the share exchange ratio analysis provided by the above third party institutions and with consideration for HAZAMA's and ANDO's financial conditions, asset situation, performance trends and stock price movements. As a result, HAZAMA and ANDO reached an agreement in terms of the share exchange ratio set forth above.
3. Number of shares delivered by the merger is 43,833,139 common stock of HAZAMA. (HAZAMA does not apply treasury stock to the allotment of shares by this merger.)

(4) Amount of gain on negative goodwill and reason for recognizing negative goodwill

(a) Amount of gain on negative goodwill
¥10,538 million ($112,118 thousand)

(b) Reason for recognizing negative goodwill
ANDO accounted for the difference between the acquisition cost and the net amount of assets and liabilities acquired, as negative goodwill.

(5) Amount of assets and liabilities acquired on date of merger

	Millions of yen	Thousands of U.S. dollars
	2013	
Current assets	¥ 84,266	$ 896,542
Fixed assets	32,432	345,058
Total assets	116,698	1,241,600
Current liabilities	83,084	883,966
Long-term liabilities	13,834	147,186
Total liabilities	96,918	1,031,152

Independent Auditors' Report (HAZAMA)

To the Board of Directors of HAZAMA ANDO CORPORATION:

We have audited the accompanying consolidated financial statements of HAZAMA ANDO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 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 financial position of HAZAMA ANDO CORPORATION and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 29 to the consolidated financial statements, HAZAMA CORPORATION and ANDO Corporation merged on April 1, 2013.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 27, 2013
Tokyo, Japan

Consolidated Balance Sheets (ANDO)

ANDO Corporation and Consolidated Subsidiaries
March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	**2013**	**2013**
ASSETS			
Current assets:			
Cash and deposits (Notes 4 and 7)	¥ 13,991	**¥ 25,911**	**$ 275,500**
Accounts and notes receivable – Trade (Note 4)	57,736	**57,164**	**607,809**
Allowance for doubtful accounts	(137)	**(226)**	**(2,408)**
Inventories (Note 8)	6,458	**3,923**	**41,711**
Deferred tax assets (Note 16)	646	**580**	**6,173**
Prepaid expenses and other current assets	5,450	**2,067**	**21,976**
Total current assets	84,144	**89,419**	**950,761**
Investments and advances:			
Investments in			
unconsolidated subsidiaries and affiliates (Note 5)	51	**49**	**524**
Investments in securities (Notes 4 and 5)	14,443	**15,651**	**166,412**
Advances	852	**760**	**8,083**
Total investments and advances	15,346	**16,460**	**175,019**
Property and equipment, at cost:			
Land (Notes 9 and 10)	14,785	**9,572**	**101,779**
Buildings and structures (Note 9 and 10)	12,760	**10,224**	**108,710**
Machinery and equipment (Note 9)	1,886	**856**	**9,102**
Leased assets	449	**418**	**4,438**
	29,880	**21,070**	**224,029**
Accumulated depreciation	(10,659)	**(7,791)**	**(82,837)**
Total property and equipment	19,221	**13,279**	**141,192**
Other assets:			
Deferred tax assets (Note 16)	2,424	**815**	**8,659**
Others	1,438	**3,390**	**36,048**
Total other assets	3,862	**4,205**	**44,707**
Total assets	¥ 122,573	**¥ 123,363**	**$ 1,311,679**

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	**2013**	**2013**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Notes 4 and 10)	¥ 14,813	**¥ 10,579**	**$ 112,483**
Current portion of long-term debt (Notes 4 and 10)	6,093	**5,325**	**56,614**
Accounts and notes payable-Trade (Note 4)	51,310	**55,962**	**595,026**
Accrued income taxes	203	**397**	**4,221**
Accrued bonuses	194	**127**	**1,354**
Advances on construction work in progress (Note 11)	5,628	**7,842**	**83,381**
Allowance for warranty on completed construction contracts	539	**560**	**5,955**
Allowance for losses on construction contracts	64	**688**	**7,311**
Allowance for contingent losses	365	**—**	**—**
Allowance for merger-related cost (Note 14)	—	**414**	**4,409**
Others	5,940	**6,206**	**65,986**
Total current liabilities	85,149	**88,100**	**936,740**
Long-term liabilities:			
Long-term debt (Notes 4 and 10)	7,478	**8,341**	**88,686**
Accrued retirement benefits (Note 17)	2,613	**2,172**	**23,094**
Deferred tax liability on land revaluation (Note 9)	3,864	**2,160**	**22,964**
Others	734	**771**	**8,206**
Total long-term liabilities	14,689	**13,444**	**142,950**
Net assets			
Shareholders' equity (Note 18):			
Common stock			
authorized 250 million shares; issued 85,488,000 shares at March 31, 2012 and 2013	8,986	**8,986**	**95,540**
Capital surplus	5,474	**5,474**	**58,206**
Retained earnings	3,795	**4,947**	**52,603**
Treasury stock, at cost (2012 - 2,781,948 shares, 2013 - 2,783,963 shares)	(459)	**(459)**	**(4,886)**
Total shareholders' equity	17,796	**18,948**	**201,463**
Accumulated other comprehensive income:			
Unrealized gains on securities (Note 5)	1,579	**2,244**	**23,857**
Deferred losses on derivative financial instruments used for hedge accounting	(5)	**(4)**	**(45)**
Land revaluation difference (Note 9)	3,153	**46**	**491**
Foreign currency translation adjustments	2	**120**	**1,276**
Total accumulated other comprehensive income	4,729	**2,406**	**25,579**
Minority interests in consolidated subsidiaries	210	**465**	**4,947**
Total net assets	22,735	**21,819**	**231,989**
Total liabilities and net assets	¥ 122,573	**¥ 123,363**	**$ 1,311,679**

Consolidated Statements of Income (ANDO)

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	**2013**	**2013**
Operating revenues:			
Constructions (Note 12)	¥ 159,095	**¥ 166,694**	**$ 1,772,404**
Real estate	10,284	**15,643**	**166,323**
	169,379	**182,337**	**1,938,727**
Cost and expenses (Note 13):			
Cost of constructions (Note 12)	150,962	**160,646**	**1,708,094**
Cost of real estate	7,970	**13,595**	**144,547**
Selling, general and administrative expenses	7,798	**7,868**	**83,661**
	166,730	**182,109**	**1,936,302**
Operating income	2,649	**228**	**2,425**
Other income (expense):			
Interest expense	(883)	**(622)**	**(6,618)**
Interest and dividends income	200	**267**	**2,840**
Gain on sales of properties	—	**966**	**10,278**
Gain on sales of securities investments	236	—	—
Loss on impairment of fixed assets (Note 9)	(470)	**(75)**	**(795)**
Loss on devaluation of investments in securities	(138)	**(102)**	**(1,088)**
Retiree premium benefit	—	**(587)**	**(6,246)**
Merger-related cost (Note 14)	—	**(586)**	**(6,232)**
Others, net (Note 15)	(217)	**(513)**	**(5,452)**
	(1,272)	**(1,252)**	**(13,313)**
Income (loss) before income taxes and minority interests	1,377	**(1,024)**	**(10,888)**
Income taxes (Note 16):			
Current	246	**815**	**8,667**
Deferred	278	**(522)**	**(5,553)**
Total income taxes	524	**293**	**3,114**
Income (loss) before minority interests	853	**(1,317)**	**(14,002)**
Minority interests in income (loss)	46	**263**	**2,796**
Net Income (loss)	807	**(1,580)**	**(16,798)**

Amounts per share:	Yen		U.S. dollars
Net income (loss) (Note 25)	¥ 9.76	**¥ (19.10)**	**$ (0.20)**
Cash dividends paid	¥ 1.50	**¥ 1.50**	**$ 0.02**

Consolidated Statements of Comprehensive Income (ANDO)

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	**2013**	**2013**
Income (loss) before minority interests	¥ 853	**¥ (1,317)**	**$ (14,002)**
Other comprehensive income:			
Unrealized gains on securities	803	**665**	**7,069**
Deferred losses on derivative financial instruments used for hedge accounting	2	**1**	**6**
Land revaluation differences	548	**(124)**	**(1,319)**
Foreign currency translation adjustments	(62)	**159**	**1,689**
Total other comprehensive income	1,291	**701**	**7,445**
Comprehensive income	¥ 2,144	**¥ (616)**	**$ (6,557)**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	¥ 2,115	**¥ (921)**	**$ (9,794)**
Comprehensive income attributable to minority interests	29	**305**	**3,237**

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	**2013**	**2013**
Unrealized gains on securities			
Accrued in 2012	¥ 1,236	**¥ 931**	**¥ 9,897**
Reclassification adjustment	(236)	**102**	**1,087**
Before tax effect	1,000	**1,033**	**10,984**
Tax effect	(197)	**(368)**	**(3,915)**
Unrealized gains on securities	803	**665**	**7,069**
Deferred losses on derivative financial instruments used for hedge accounting			
Accrued in 2012	(3)	**(3)**	**(30)**
Reclassification adjustment	7	**4**	**40**
Before tax effect	4	**1**	**10**
Tax effect	(2)	**(0)**	**(4)**
Deferred losses on derivative financial instruments used for hedge accounting	2	**1**	**6**
Land revaluation differences			
Tax effect	548	**(124)**	**(1,319)**
Land revaluation differences	548	**(124)**	**(1,319)**
Foreign currency translation adjustments			
Accrued in 2012	(62)	**159**	**1,689**
Foreign currency translation adjustments	(62)	**159**	**1,689**
Total other comprehensive income	¥ 1,291	**¥ 701**	**¥ 7,445**

Consolidated Statements of Changes in Net Assets (ANDO)

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

		Millions of yen			
		Shareholders' Equity			
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
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)**
Net loss	—	—	—	**(1,580)**	—
Cash dividends	—	—	—	**(248)**	—
Treasury stock acquired, net	**(2,015)**	—	—	—	**(0)**
Reversal of revaluation reserve for land	—	—	—	**2,982**	—
Decrease of retained earning resulting from decrease of consolidated subsidiaries	—	—	—	**(2)**	—
Other, net	—	—	—	—	—
Balance at March 31, 2013	**82,704,037**	**¥ 8,986**	**¥ 5,474**	**¥ 4,947**	**¥ (459)**

		Thousands of U.S. dollars (Note 3)			
Balance at March 31, 2012	**82,706,052**	**$ 95,540**	**$ 58,206**	**$ 40,356**	**$ (4,883)**
Net loss	—	—	—	**(16,798)**	—
Cash dividends	—	—	—	**(2,638)**	—
Treasury stock acquired, net	**(2,015)**	—	—	—	**(3)**
Reversal of revaluation reserve for land	—	—	—	**31,708**	—
Decrease of retained earning resulting from decrease of consolidated subsidiaries	—	—	—	**(25)**	—
Other, net	—	—	—	—	—
Balance at March 31, 2013	**82,704,037**	**$ 95,540**	**$ 58,206**	**$ 52,603**	**$ (4,886)**

	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, 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**
Net loss	—	—	—	—	—
Cash dividends	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Decrease of retained earning resulting from decrease of consolidated subsidiaries	—	—	—	—	—
Other, net	**665**	**1**	**(3,107)**	**118**	**255**
Balance at March 31, 2013	**¥ 2,244**	**¥ (4)**	**¥ 46**	**¥ 120**	**¥ 465**

	Thousands of U.S. dollars (Note 3)				
Balance at March 31, 2012	**$ 16,788**	**$ (51)**	**$ 33,518**	**$ 29**	**$ 2,233**
Net loss	—	—	—	—	—
Cash dividends	—	—	—	—	—
Treasury stock acquired, net	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—
Decrease of retained earning resulting from decrease of consolidated subsidiaries	—	—	—	—	—
Other, net	**7,069**	**6**	**(33,027)**	**1,247**	**2,714**
Balance at March 31, 2013	**$ 23,857**	**$ (45)**	**$ 491**	**$ 1,276**	**$ 4,947**

Consolidated Statements of Cash Flows (ANDO)

ANDO Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. dollars (Note 3)
	2012	**2013**	**2013**
Operating Activities:			
Income (loss) before income taxes and minority interests	¥ 1,377	**¥ (1,024)**	**$ (10,888)**
Adjustments to reconcile income (loss) before income taxes			
Income taxes paid	(350)	**(437)**	**(4,652)**
Depreciation	966	**469**	**4,983**
Amortization of goodwill	52	**—**	**—**
Loss on impairment of fixed assets	470	**75**	**795**
Allowance for doubtful accounts	125	**(894)**	**(9,507)**
Provision for severance indemnities	(738)	**(339)**	**(3,602)**
Allowance for losses on construction contracts	(469)	**623**	**6,626**
Allowance for merger-related cost	**—**	**414**	**4,409**
Loss on devaluation of investments in securities	138	**157**	**1,665**
Gain on sales of property and equipment, and investment securities	(512)	**(964)**	**(10,252)**
Gain on accrual of negative goodwill	(147)	**—**	**—**
Changes in assets and liabilities:			
Trade receivables	(13,432)	**2,362**	**25,114**
Inventories	1,028	**2,613**	**7,782**
Trade payables	6,719	**4,406**	**46,851**
Advances on construction work in progress	(2,449)	**2,195**	**23,344**
Others	2,153	**910**	**9,674**
Net cash provided by (used in) operating activities	(5,069)	**10,566**	**112,342**
Investing Activities:			
(Increase)/decrease in time deposits	58	**(40)**	**(425)**
Purchases of investment securities	(27)	**(263)**	**(2,796)**
Purchases of property and equipment	(116)	**(110)**	**(1,171)**
Proceeds from sale of property and equipment	5,084	**6,557**	**69,721**
Purchase of intangible assets	(34)	**(75)**	**(795)**
Proceeds from sale and redemption of investment securities	592	**220**	**2,339**
Payment for loans made	(31)	**(25)**	**(268)**
Proceeds from repayment of loans made	172	**118**	**1,251**
Others	71	**325**	**3,459**
Net cash provided by (used in) investing activities	5,769	**6,057**	**64,397**
Financing Activities:			
Increase (decrease) in short-term bank loans	(4,512)	**(4,308)**	**(45,807)**
Proceeds from issuance of bonds	**—**	**600**	**6,380**
Payment for redemption of bonds	(2,525)	**(960)**	**(10,208)**
Proceeds from issuance of long-term debt	5,300	**6,300**	**66,986**
Repayment of long-term debt	(7,055)	**(5,846)**	**(62,154)**
Cash dividends paid	(124)	**(124)**	**(1,319)**
Cash dividends paid to minority interests	**—**	**(49)**	**(523)**
Others	(113)	**(110)**	**(1,167)**
Net cash provided by (used in) financing activities	(9,029)	**(4,497)**	**(47,812)**
Effect of exchange rate changes	(59)	**356**	**3,791**
Net increase (decrease) in cash and cash equivalents	(8,388)	**12,482**	**132,718**
Cash and cash equivalents at beginning of year	22,193	**13,805**	**146,778**
Decrease in cash and cash equivalents by exclusion of subsidiaries from consolidation	**—**	**(603)**	**(6,405)**
Cash and cash equivalents at end of year (Note 7)	¥ 13,805	**¥ 25,684**	**$ 273,091**

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, 2012 and 2013 include the accounts of the Company and its seven (eight in 2012) significant subsidiaries (three (four in 2012) domestic and four overseas subsidiaries). For the year ended March 31, 2013, "310-2 Tokutei Mokuteki Kaisha (special purpose company)" was excluded from the scope of consolidation due to decrease of materiality resulting from sale of major assets.

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, 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.

(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:
(a) 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.
(b) Held-to-maturity debt securities, which are expected to be held to maturity, are reported at amortized cost.
(c) 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, 2012 and 2013.

(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.

(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 merger-related cost

The Company provides an allowance for merger-related cost, to be incurred in future in association with the merger with HAZAMA CORPORATION, which could be estimated at end of year.

(17) 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.

(18) Change in accounting procedures

Following the revision of Japanese income tax law, depreciation has been computed by the method on the basis of the revised Japanese income tax law over property, plant and equipment acquired on or after April 2012.

Its impact is immaterial on operating income, and loss before income taxes and minority interests.

(19) 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 was business holiday, notes receivable as of March 31, 2012 and 2013 included notes of ¥91 million and ¥819 million (US$8,718 thousand), respectively, 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 ¥94.05 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, 2012 and 2013, other than items of which fair value are not practically available, were as follows:

		Millions of yen		
		Book Value	Fair Value	Difference
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)	¥ —
2013	Cash and deposits	**¥ 25,911**	**¥ 25,911**	**¥ —**
	Accounts and notes receivable-Trade (*1)	**57,164**	**57,152**	**(12)**
	Investments in securities (*1)(*2)	**8,714**	**8,714**	**—**
	Total	**¥ 91,789**	**¥ 91,777**	**¥ (12)**
	Accounts and notes payable-Trade	**¥ 55,962**	**¥ 55,962**	**¥ —**
	Short-term bank loans	**10,579**	**10,579**	**—**
	Current portion of long-term debt	**5,325**	**5,325**	**—**
	Long-term debt	**8,341**	**8,335**	**6**
	Total	**¥ 80,207**	**¥ 80,201**	**¥ 6**
	Derivative transactions (*3)	**¥ (7)**	**¥ (7)**	**¥ —**

		Thousands of U.S. dollars		
		Book Value	Fair Value	Difference
2013	Cash and deposits	**$ 275,500**	**$ 275,500**	**$ —**
	Accounts and notes receivable-Trade (*1)	**607,809**	**607,681**	**(128)**
	Investments in securities (*1)(*2)	**92,650**	**92,650**	**—**
	Total	**$ 975,959**	**$ 975,831**	**$ (128)**
	Accounts and notes payable-Trade	**$ 595,026**	**$ 595,026**	**$ —**
	Short-term bank loans	**112,483**	**112,483**	**—**
	Current portion of long-term debt	**56,614**	**56,614**	**—**
	Long-term debt	**88,686**	**88,627**	**59**
	Total	**$ 852,809**	**$ 852,750**	**$ 59**
	Derivative transactions (*3)	**$ (74)**	**$ (74)**	**$ —**

(*1) Accounts and notes receivable-trade included ¥1,235 million and ¥1,624 million (US$17,267 thousand) to be collected by cash over 1 to 5 years as of March 31, 2012 and 2013, respectively. Investments in securities included ¥8 million and ¥8 million (US$90 thousand) to be collected by cash on maturity over 10 years as of March 31, 2012 and 2013, respectively.

(*2) The book value of investments in securities issued by a number of nonpublic companies, which were not included in above, were ¥6,975 million and ¥6,987 million (US$74,286 thousand) as of March 31, 2012 and 2013, 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							
	2012				**2013**			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Stocks	¥ 5,349	¥ 2,461	¥ 290	¥ 7,520	**¥ 5,612**	**¥ 3,333**	**¥ 231**	**¥ 8,714**
Total	¥ 5,349	¥ 2,461	¥ 290	¥ 7,520	**¥ 5,612**	**¥ 3,333**	**¥ 231**	**¥ 8,714**

	Thousands of U.S. dollars			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Stocks	**$ 59,670**	**$ 35,437**	**$ 2,457**	**$ 92,650**
Total	**$ 59,670**	**$ 35,437**	**$ 2,457**	**$ 92,650**

Proceeds from sales of investments in securities were ¥625 million and nil for the years ended March 31, 2012 and 2013, respectively. On those sales, gross realized gains computed on the average cost basis were ¥236 million and gross realized losses were nil for the year ended March 31, 2012.

Impairment losses on investments were as follows:

	Millions of yen		Thousands of U.S. dollars
Impairment losses on	2012	**2013**	**2013**
- Investments in securities	¥ 138	**¥ 102**	**$ 1,088**
- Investments in unconsolidated subsidiaries and affiliates	—	**54**	**577**
Total of impairment losses on investments	¥ 138	**¥ 156**	**$ 1,665**

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, 2012 and 2013 are qualified for hedge accounting.

Derivative transactions for which hedge accounting was adopted as of March 31, 2012 and 2013 were as follows:

		Millions of Yen		
		Principal notional amount		Fair value
	Adopted hedge accounting	Total amount	over 1 year	
2012	Principal hedge accounting	¥ 347	¥ 320	¥ (8)
	Exceptional hedge accounting for interest rate swap	3,152	1,496	(*)
2013	Principal hedge accounting	**¥ 320**	**¥ 293**	**¥ (7)**
	Exceptional hedge accounting for interest rate swap	**4,183**	**2,366**	**(*)**

		Thousands of U.S. dollars		
		Principal notional amount		Fair value
	Adopted hedge accounting	Total amount	over 1 year	
2013	Principal hedge accounting	**$ 3,403**	**$ 3,120**	**$ (74)**
	Exceptional hedge accounting for interest rate swap	**44,476**	**25,157**	**(*)**

(*) 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, 2012 and 2013 were reconciled with cash and deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Cash and deposits	¥ 13,991	**¥ 25,911**	**$ 275,500**
Time deposits with maturities of exceeding three months from the date of acquisition	(186)	**(227)**	**(2,409)**
Cash and cash equivalents	¥ 13,805	**¥ 25,684**	**$ 273,091**

8. Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Construction work in progress	¥ 1,235	**¥ 1,238**	**$ 13,165**
Real estate for sale	1,204	**1,327**	**14,103**
Real estate under construction	4,019	**1,358**	**14,443**
	¥ 6,458	**¥ 3,923**	**$ 41,711**

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 ¥1 million and ¥12 million (US$133 thousand) were stated as cost of real estate for the year ended March 31, 2012 and 2013, 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, 2013, the difference between the total market value and the total book value of revalued land used for business operations was ¥628 million (US$6,677 thousand). The difference included ¥340 million (US$3,612 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, 2012 and 2013. As a result, impairment loss was recognized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Buildings and structures	¥ 1	**¥ 15**	**$ 156**
Machinery and equipment	—	**21**	**226**
Land	89	**39**	**413**
Goodwill	380	**—**	**—**
Total	¥ 470	**¥ 75**	**$ 795**

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 2.1% and 1.9% per annum at March 31, 2012 and 2013, respectively.

Long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Unsecured bonds,			
2012: 6 month Yen TIBOR, 0.93% to 1.11%, due 2013-2014	¥ 1,350		
2013: 6 month Yen TIBOR, 0.47% to 1.08%, due 2013-2017		**¥ 990**	**$ 10,526**
Loans from banks and other financial institutions, collateralized, payable principally on a quarterly installment basis,			
2012: average 2.2%, due 2012-2026	12,221		
2013: average 2.2%, due 2013-2025		**12,676**	**134,774**
Total	13,571	**13,666**	**145,300**
Less portion due within one year	(6,093)	**(5,325)**	**(56,614)**
Total	¥ 7,478	**¥ 8,341**	**$ 88,686**

At March 31, 2013, the following assets were pledged by the Company as collateral for long-term debt of ¥1,156 million (US$12,291 thousand) and current portion of long-term debt of ¥86 million (US$910 thousand).

	Carrying value	
	Millions of yen	Thousands of U.S. dollars
Land	¥ 912	$ 9,697
Buildings and structures	1,019	10,838
	¥ 1,931	$ 20,535

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, 2013 was as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2014	¥ 5,325	$ 56,614
2015	4,371	46,471
2016	2,216	23,557
2017	615	6,545
2018 and after	1,139	12,113
	¥ 13,666	$ 145,300

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. Revenue and Cost

Revenue recognized using the percentage-of-completion method for the year ended March 31, 2012 and 2013 were ¥137,247 million and ¥148,957 million (US$1,583,805 thousand).

Provision of allowance for losses on construction contracts included in cost of sales for the year ended March 31, 2012 and 2013 were ¥64 million and ¥688 million (US$7,311 thousand).

13. Research and Development Expenses

Research and development expenses charged to construction costs and general and administrative expenses for the years ended March 31, 2012 and 2013 were ¥501 million and ¥495 million (US$5,262 thousand), respectively.

14. Merger-related cost

For the year ended March 31, 2013, merger-related cost were recorded in association with the merger with HAZAMA CORPORATION as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Cost related to relocation	**¥ 245**	**$ 2,609**
Others	**341**	**3,623**
	¥ 586	**$ 6,232**

Among the cost, ¥414 million (US$4,409 thousand) were provided for an allowance for merger-related cost to the amount estimated to incur in future.

15. Other Loss - Net

The composition of other loss-net for the year ended March 31, 2012 and 2013 was as follows:

	Millions of yen
	2012
Investment earning in anonymous association, net	¥ 227
Commitment fee	(143)
Gain on sales of properties	297
Gain on accrual of negative goodwill	147
Provision for contingent losses	(365)
Losses on disaster	(144)
Others	(236)
	¥ (217)

	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Investment earning in anonymous association, net	**¥ 41**	**$ 434**
Commitment fee	**(144)**	**(1,533)**
Provision for long-term delinquent accounts	**(388)**	**(4,124)**
Exchange gain, net	**79**	**842**
Losses on devaluation of investments in subsidiaries and affiliates	**(54)**	**(577)**
Losses on sale of notes receivable	**(41)**	**(436)**
Others	**(6)**	**(58)**
	¥ (513)	**$ (5,452)**

16. Income Taxes

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Deferred tax assets:			
Current:			
Unrealized loss on real estate for sale, etc.	¥ 118	**¥ 115**	**$ 1,220**
Accrued bonuses	70	**48**	**517**
Allowance for merger-related cost	—	**158**	**1,676**
Allowance for contingent losses	139	**—**	**—**
Others	358	**666**	**7,083**
Valuation allowance	(39)	**(407)**	**(4,323)**
	646	**580**	**6,173**
Non-current:			
Unrealized loss on investment securities	586	**568**	**6,044**
Bad debt expense on loans, etc.	74	**74**	**787**
Allowance for doubtful accounts	702	**320**	**3,399**
Accrued retirement benefits	1,831	**1,747**	**18,578**
Net operating loss carryforward	1,694	**723**	**7,691**
Others	364	**377**	**4,000**
Valuation allowance	(1,971)	**(1,916)**	**(20,373)**
	3,280	**1,893**	**20,126**
Total deferred tax assets	3,926	**2,473**	**26,299**
Deferred tax liabilities:			
Non-current :			
Unrealized gain on securities	(592)	**(960)**	**(10,209)**
Reserve for renewal of assets	(255)	**(114)**	**(1,216)**
Others	(9)	**(4)**	**(42)**
	(856)	**(1,078)**	**(11,467)**
Total deferred tax liabilities	(856)	**(1,078)**	**(11,467)**
Net deferred tax assets	¥ 3,070	**¥ 1,395**	**$ 14,832**

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 2013, as loss before income taxes was recorded.

17. 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.

One domestic consolidated subsidiary also has a defined contribution plan. And one overseas consolidated subsidiary has a lump-sum retirement payment plan since the year ended March 31, 2012.

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, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Benefit obligation	¥ (14,353)	**¥ (12,747)**	**$ (135,538)**
Fair value of plan assets	6,733	**7,542**	**80,194**
Benefit obligation in excess of plan assets	(7,620)	**(5,205)**	**(55,344)**
Unrecognized actuarial loss	5,170	**3,072**	**32,666**
Prepaid pension cost	60	**39**	**416**
Accrued retirement benefit	¥ (2,510)	**¥ (2,172)**	**$ (23,094)**

The components of net pension and severance costs for the years ended March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Service cost	¥ 751	**¥ 743**	**$ 7,904**
Interest cost	384	**215**	**2,284**
Expected return on plan assets	(173)	**(115)**	**(1,227)**
Amortization of unrecognized actuarial gain/loss	549	**459**	**4,882**
Contribution to defined contribution plan	3	**3**	**33**
Total	¥ 1,514	**¥ 1,305**	**$ 13,876**

In addition to above costs, retiree premium benefit of ¥12 million and ¥2 million (US$20 thousand), and retiree premium benefit accompanying implementation of voluntary retirement scheme of ¥81 million and ¥587 million (US$6,246 thousand), were stated as expense/loss for the years ended March 31, 2012 and 2013, respectively.

Assumptions used as of March 31, 2012 and 2013 were as follows:

	2012		**2013**
Discount rate	1.5%	:	**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, 2012 included retirement benefits for directors and corporate auditors of ¥59 million.

18. 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.

19. 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, 2012 and 2013, were as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Acquisition cost	¥ 12	**¥ —**	**$ —**
Accumulated depreciation	11	—	—
Net leased property	¥ 1	**¥ —**	**$ —**

Future minimum lease payments (Machinery and Equipment):

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Due within one year	¥ 1	**¥ —**	**$ —**
Due over one year	—	—	—
Total	¥ 1	**¥ —**	**$ —**

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, 2013 was as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2014	¥ 86	$ 916
2015	78	826
2016	58	621
2017	30	316
2018	11	112
	¥ 263	$ 2,791

20. Contingent Liabilities and Commitments

At March 31, 2013, 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.	**¥ 105**	**$ 1,114**
- GOLD CREST Co., Ltd.	**112**	**1,198**
Total	**¥ 217**	**$ 2,312**

The Company has a commitment line provided by co-financing of 10 correspondent financial institutions for the purpose of efficient financing. At March 31, 2013, the commitment line amount was ¥13,100 million (US$139,288 thousand), and the amount of loan by the correspondent financial institutions was nil.

21. Asset Retirement Obligations

The Company accounts for asset retirement obligations (AROs), consisting of costs reflecting the legal obligations 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 percent.

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

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Balance at April 1	¥ 91	**¥ 90**	**$ 954**
Liabilities incurred	—	**—**	**—**
Accretion expense	1	**1**	**11**
Others	(2)	**(31)**	**(332)**
Balance at March 31	¥ 90	**¥ 60**	**$ 633**

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.

22. Rent business

The Company and certain consolidated subsidiaries possess certain properties for rent. For the year ended March 31, 2012 and 2013, operating income from rent business of ¥741 million and ¥484 million (US$5,146 thousand) were recorded as operating income of Real estate and other segment, and impairment loss from rent business of ¥59 million and ¥39 million (US$412 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
		2012	**2013**	**2013**
Book value	at beginning of year	¥ 17,228	**¥ 12,579**	**$ 133,750**
	increase/(decrease) in year	(4,649)	**(3,080)**	**(32,754)**
	at end of year	¥ 12,579	**¥ 9,499**	**$ 100,996**
Fair value		¥ 12,001	**¥ 9,582**	**$ 101,884**

Decrease of the book value of properties for rent in 2012 was principally as a result of offset of increase by the change of the usage of properties from construction business (¥2,418 million), and of decrease by sale of properties for rent (¥7,256 million). Decrease of the book value of properties for rent in 2013 was principally by sale of idle properties (¥2,406 million (US$25,579 thousand)).

23. Segment Information

The Company and its consolidated subsidiaries operate primarily in the following business segments:
(a) Construction ..... Building construction, civil engineering, etc.
(b) Real estate ..... Resale, management and rental of land and building

Business segment information for the years ended March 31, 2012 and 2013 was as follows:

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	—	438	438	32	470
Goodwill - Amortization	—	52	52	—	52
- Balance	—	—	—	—	—

Year ended March 31, 2013	Millions of yen				
	Construction	Real estate	Total	Elimination and /or Corporate	Consolidated
Sales:					
Outside customers	**¥ 166,694**	**¥ 15,643**	**¥ 182,337**	**¥ —**	**¥ 182,337**
Intersegment	**1**	**138**	**139**	**(139)**	**—**
Total	**166,695**	**15,781**	**182,476**	**(139)**	**182,337**
Operating income	**96**	**1,491**	**1,587**	**(1,359)**	**228**
Total assets	**87,779**	**14,639**	**102,418**	**20,945**	**123,363**
Other item:					
Depreciation	**229**	**189**	**418**	**51**	**469**
Capital expenditures	**223**	**49**	**272**	**58**	**330**
Loss on impairment of fixed	**36**	**1**	**37**	**38**	**75**

Year ended March 31, 2013	Thousands of U.S. dollars				
	Construction	Real estate	Total	Elimination and /or Corporate	Consolidated
Sales:					
Outside customers	**$ 1,772,404**	**$ 166,323**	**$ 1,938,727**	**$ —**	**$ 1,938,727**
Intersegment	**14**	**1,468**	**1,482**	**(1,482)**	**—**
Total	**1,772,418**	**167,791**	**1,940,209**	**(1,482)**	**1,938,727**
Operating income	**1,019**	**15,860**	**16,879**	**(14,454)**	**2,425**
Total assets	**933,319**	**155,653**	**1,088,972**	**222,707**	**1,311,679**
Other item:					
Depreciation	**2,431**	**2,013**	**4,444**	**539**	**4,983**
Capital expenditures	**2,372**	**524**	**2,896**	**612**	**3,508**
Loss on impairment of fixed	**383**	**5**	**388**	**407**	**795**

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 was recorded in the account of real estate segment.

Sales information by geographic area for the year ended March 31, 2013 was as follows:

	Millions of yen	Thousands of U.S. dollars
Sales:		
Japan	¥ 162,172	$ 1,724,320
South-east Asia	20,048	213,165
Others	117	1,242
Total	182,337	1,938,727

Sales information was classified by country or area based on the location of customers.

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 (for 2012), and Overseas sales information
(3) Major customer information

24. Related Party Transactions

Related party transactions between the Company and related parties for the year ended March 31, 2013 were as follows:

Category	Subsidiary
Name	Todai-interact-pfi Co., Ltd.
Address	Tokyo, Minato-ku
Capital	¥50 million (US$532 thousand)
Type of business	Real estate business
Share of voting right	70% held directly
Relationship	Receiving order of construction
Nature of transaction	Sales of construction
Amounts of transaction	¥3,203 million (US$34,053 thousand)
Account	Accounts receivable-trade
Balance at end of year	¥2,172 million (US$23,092 thousand)

(*1) The amounts of transaction do not include consumption tax. The balance at end of year includes consumption tax.
(*2) Terms and conditions of transaction and policy for determining them
They are determined, based on negotiation, under the same terms as general transactions.

25. Per Share Information

	Yen		U.S. dollars
	2012	**2013**	**2013**
Basic net income/(loss) per share	¥ 9.76	**¥ (19.10)**	**$ (0.20)**
Net assets per share	¥ 272.35	**¥ 258.19**	**$ 2.75**

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
	2012	**2013**	**2013**
Net income/(loss)	¥ 807	**¥ (1,580)**	**$ (16,798)**
Amount not belonging to ordinary shareholders	—	—	—
Net income/(loss) attributable to common stock	¥ 807	**¥ (1,580)**	**$ (16,798)**
Weighted average number of ordinary shares (thousand of shares)	82,706	**82,705**	

26. Subsequent Events

Merger with HAZAMA CORPORATION:

The Company and HAZAMA CORPORATION ("HAZAMA") signed a merger agreement on May 24, 2012, and merged on April 1, 2013.

(1) Outline of integration

[1] Name and business of acquiring company

Name: HAZAMA CORPORATION

Business: Construction, real estate

[2] Principal purpose of integration

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.

[3] Date of integration

April 1, 2013

[4] Legal method of integration

Absorption-type Merger

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

[5] Name of the integrated company

Kabushiki Kaisha Ando Hazama ("HAZAMA ANDO CORPORATION" in English)

[6] Reason for determining the company surviving the absorption-type merger

The shareholders of HAZAMA shares the most voting rights of the integrated company. Therefore, HAZAMA was determined as an acquiring company and the Company was determined as an acquired company for merger accounting.

(2) Allotment of shares, method of calculation, and number of issued shares

	Ratio of merger
HAZAMA (the company surviving the absorption-type merger)	Common stock 1
The Company (the company absorbed in the absorption-type merger)	Common stock 0.53

[1] Allotment of shares

HAZAMA's common stock shares are to 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 are to be allotted to the Company's treasury stocks (2,783,963 shares).

[2] Method of calculation

As for the calculation of ratio of merger, the Company assigned ABeam M&A Consulting Ltd. (present "marvel partners Inc."), and HAZAMA assigned Frontier Management Inc. Based on the result of calculation, the Company and HAZAMA deliberately discussed and finally agreed the ratio of merger, after the consideration on financial position, status of assets, prospect of business, market price and so on.

[3] Number of issued shares

The number of HAZAMA's common stock to be issued under the merger is 43,833,139 shares.

Independent Auditors' Report (ANDO)

To the Board of Directors of HAZAMA ANDO CORPORATION:

We have audited the accompanying consolidated financial statements of ANDO Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013 and the consolidated statements of incomes, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, 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 misstatements, 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 judgement, 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, we consider 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, while the objective of the financial statement audit is 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 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 consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 26 to the consolidated financial statements which describe that the Company merged with HAZAMA CORPORATION on April 1, 2013. 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, 2013 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

June 18, 2013
Tokyo, Japan

Corporate Governance

Basic Policy

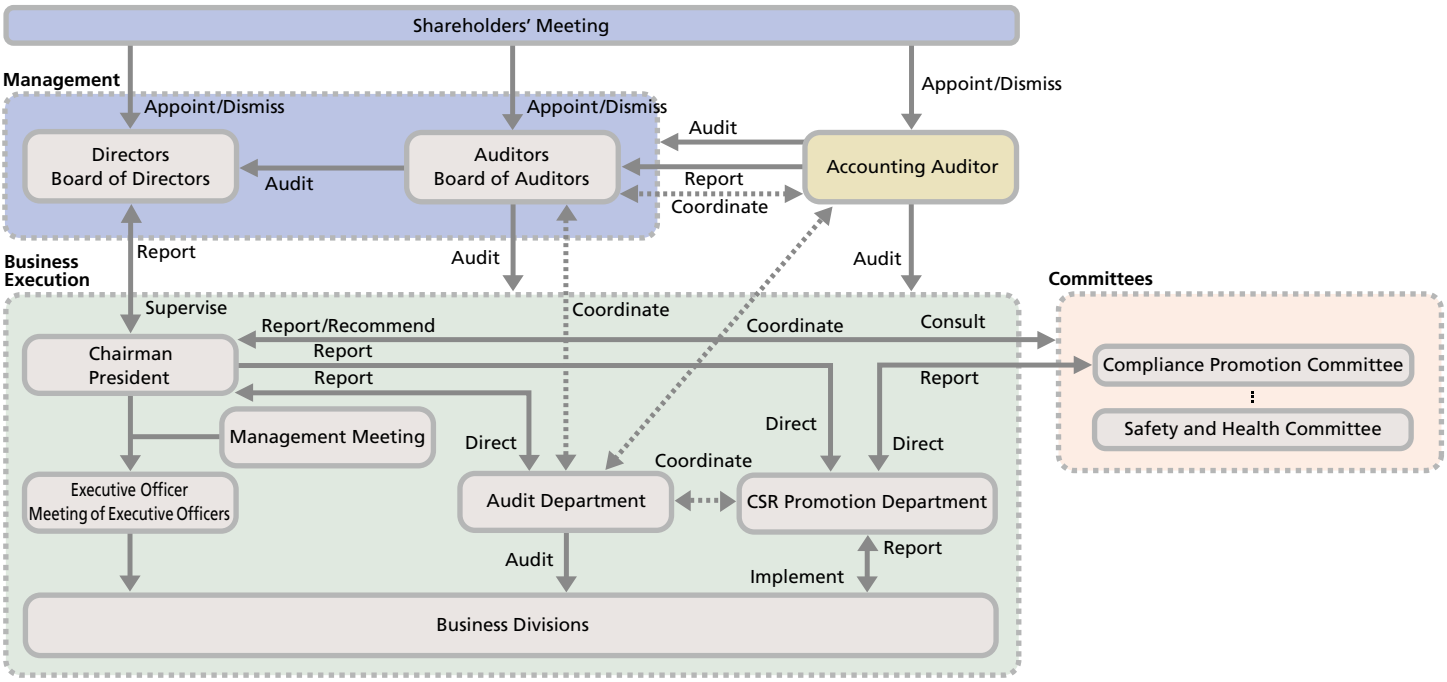
HAZAMA ANDO CORPORATION recognizes the need for transparency and fairness in management oversight and flexibility in decision-making. We consider it a management priority to maintain and implement a management system, rooted in the current organizational structure centered on the Board of Directors and the auditing system, which is able to respond quickly to changes in the business environment.

Matters Regarding Corporate Functions including Business Execution, Auditing/Supervision, Nominating and Determination of Compensation

To strengthen its corporate governance, HAZAMA ANDO CORPORATION maintains a clear distinction between the decision-making and operational oversight functions of the directors and Board of Directors, and the business execution function of the Management Meeting, executive officers and the Meeting of Executive Officers. The specific functions are as follows.

1. Revisions related to the directors
   The term for directors is fixed at one year to further clarify the management responsibility of directors, and to establish an optimal management structure to respond to changes in the business environment. Further, to clarify the roles and responsibilities of board members, HAZAMA ANDO CORPORATION does not have the position of "executive director," and only makes a distinction between "representative director" and "director."
2. Board of Directors
   The Board of Directors is comprised of 11 members as of July 31, 2013. The Board meets monthly to promptly render decisions on important matters regarding management, and to provide oversight of business execution.
3. Management Meeting
   The Management Meeting meets monthly to discuss policies for management strategies and other matters, to confirm the progress of business plans, and to diversify and strengthen policy-proposing capabilities.
4. Executive officer system
   The number of executive officers as of July 31, 2013, totaled 39 (including 11 executive officers who concurrently serve as directors). HAZAMA ANDO CORPORATION has established the six officer categories of "chairman," "president," "vice president," "senior managing executive officer," "managing executive officer" and "executive officer." We have clarified the responsibilities for the operations executive officers manage, and limited the term to one year to enhance the mobility and flexibility of the executive officer system. In addition, we clarified through a resolution of the Board of Directors the rights and responsibilities regarding operations managed, and implemented a compensation system that reflects the performance of operations managed.
5. Meeting of Executive Officers
   The Meeting of Executive Officers meets monthly in accordance with the executive officer system, to enhance the efficiency of consensual decision-making and strengthen operational execution, as well as to ensure that management information is conveyed promptly and accurately along the management line, and to provide for the sharing of information among departments.
6. Board of Auditors System
   Auditors (including external auditors), in accordance with auditing standards established by the Board of Auditors, and in line with the auditing policies for each fiscal period, division of duties and other rules, maintains communication with directors, the Internal Auditing Department and other employees. Auditors attend meetings of the Board of Directors and other important meetings, receive reports and explanations from directors and employees regarding the status of the execution of their duties, review important documents and other papers, and conduct audits at the head office and other major business locations.
7. Various Committees
   HAZAMA ANDO CORPORATION has established various committees that contribute to the streamlining of management operations. These include the Compliance Promotion Committee to discuss and provide advice regarding compliance matters, and the Central Safety and Health Committee to discuss and provide advice regarding health and safety matters.

Corporate Governance Structure of HAZAMA ANDO CORPORATION

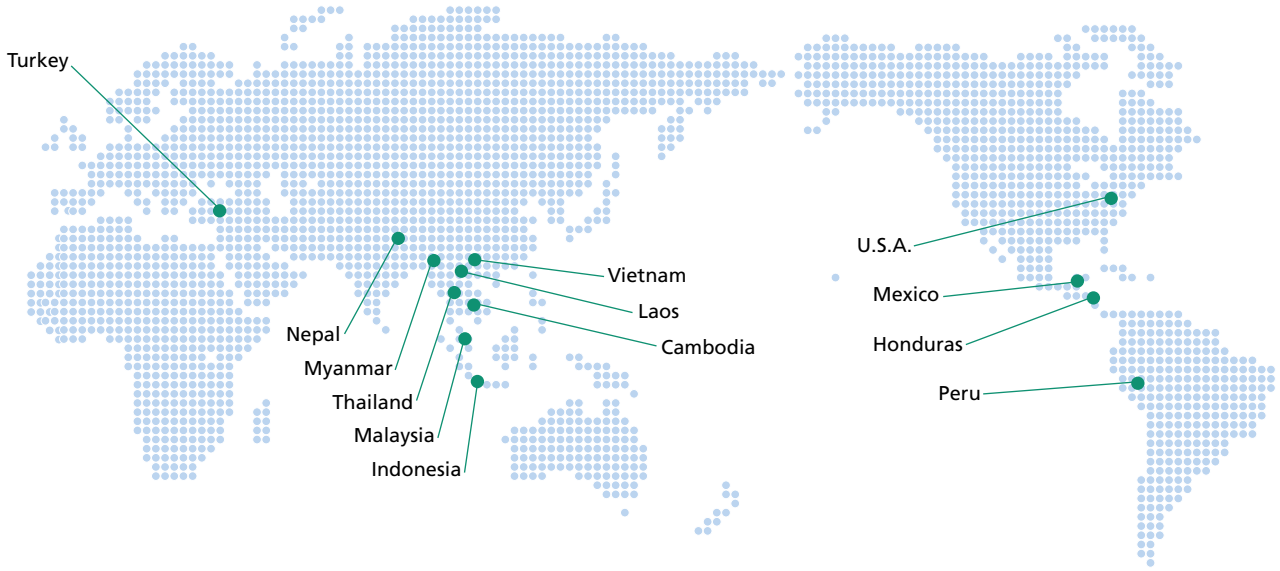


Global Network

Japan

Head Office	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3600
Branches	Sapporo, Tohoku, Tohoku Building, Hokuriku, Metropolitan Area Building No.1, Metropolitan Area Building No.2, Kanto Civil, Shizuoka, Nagoya, Osaka, Shikoku, Hiroshima, Kyushu	
International Division	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3640
Branches	Asia, North America	
Technical Research Institute	515-1, Karima, Tsukuba-shi, Ibaraki, 305-0822, Japan	81-29-858-8800

Overseas



Offices	Address	Phone
Thailand	159 Serm-Mit Tower Building, 15th Floor, Sukhumvit Road 21 (Soi Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand	66-2-665-7041
Vietnam	18th Floor, Harbour View Tower, 35 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam	84-8-38299533
Malaysia	Suite 13.4, Level 13, Menara IMC, Letter Box No.9, No.8, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	60-3-2031-4902
Indonesia	Menara Thamrin, 14th Floor, Suite 1405, JL. M.H. Thamrin Kav. 3, Jakarta, 10250, Indonesia	62-21-3140392
Laos	Ban Sibounheung Unit No.3 House No.030 Chanthabouly District Vientiane Capital, LAO.P.D.R	856-21-250-872
Myanmar	Room No.513, YANGON INTERNATIONAL HOTEL, No.330, Ahlone Road, Dagon Township, Yangon, Myanmar	95-1-216002 (Ext.513)
Cambodia	Office NO.19, HOTEL CAMBODIANA 313 Sisowath Quay, Phnom Penh, Cambodia	855-23-992-914
Nepal	P.O.Box No.4137 Ward No.4 Baluwatar, Kathmandu, Nepal	977-1-4438032
Turkey	ATATURK MAHALLESI GIRNE CADDESI, NO:27, D:2-3, Atasehir, Istanbul, Turkey	90-216-456-5047
Mexico	Hamburgo No. 206 Int. 203 Col. Juárez, C.P. 06600 Del. Cuauhtémoc, México, D.F.	52-55-5525-9311
U.S.A.	500 West Wilson Bridge Road, Suite 130 Worthington, Ohio 43085, U.S.A.	1-614-985-4906
Peru	AV. Javier Prado Este 1104, Edificio San Agustin Of.603, San Isidro, Lima, Peru	51-1-225-7553
Honduras	Colonia Lomas de Miraflores Sur 3ra. Calle, Casa No. 4310, Tegucigalpa M.D.C., Honduras, C.A	504-2271-1283

Corporate Data *(As of April 1, 2013)*

Name
HAZAMA ANDO CORPORATION

Established
October 1, 2003

Capital
¥12,000 million

Authorized Shares
Common stock
397,250,000
Preferred stock
2,750,000

Issued Shares
Common stock
160,189,656
Preferred stock
2,026,224

Number of Shareholders
41,149
(Note: This total includes two shareholders of preferred stock.)

Number of Employees
3,458

Directors, Officers *(As of July 1, 2013)*

Board Directors

Representative Director & Chairman of the Board of Directors
Toshio Ono

Representative Director & President
Toshiaki Nomura

Representative Directors & Vice Presidents
Mitsuaki Higo
Ken Aoki
Haruyuki Kaneko

Board Directors / Senior Managing Executive Officers
Hisanori Ueno
Yoshinobu Okabe
Hikari Yamazaki
Hidekazu Kojima

Board Director / Managing Executive Officers
Hisayoshi Kinoshita
Masanori Komiya

Auditors

Auditors
Motonori Kinoshita
Takashi Yamada

Auditor (External Auditor)
Junichi Kurosaki

Corporate Auditor (External Auditor)
Takashi Ejiri

Executive Officers

Senior Managing Executive Officers
Toshioki Nishida
Shigeki Endo

Managing Executive Officers
Fumio Sugimoto
Toru Kumaki
Mamoru Iwao
Kiyoka Fukunishi
Hidetoshi Yoichi

Executive Officers
Yoshikazu Kotegawa
Ryuichi Takai
Toshimitsu Ueno
Daizo Yoshikawa
Hiroyuki Yasuhara
Takamitsu Takeuchi
Tadashi Chiba
Katsuhiko Tabuchi
Hiromitsu Maehara
Kazuya Ozawa
Katsuhiko Kosaka
Akira Yoshimoto
Yoshihiro Nasu
Toshihiko Kitano
Shinkichi Komatsubara
Masato Fukutomi
Shozo Tsuji
Yasushi Kikuchi
Masaaki Tomita
Yoichi Matsuura
Tatsumi Asao

Major Subsidiaries and Affiliates *(As of August 1, 2013)*

Name	Stated Capital	Principal Business	Address / Phone
Hazama Ando Kogyo Co., Ltd.	152.5 million JPY	Sales of Construction Materials	1-38-4, Kameido, Koto-ku, Tokyo 136-0071, Japan 81-3-5626-7130
Aoyama Kiko Co., Ltd.	80 million JPY	Construction, Procurement	2-45, Yamanaka, Kitamoto-shi, Saitama 364-0004, Japan 81-48-591-9770
Addtechno Co., Ltd.	80 million JPY	Construction, Building Management	1-4-8, Shibadaimon, Minato-ku, Tokyo 105-0012, Japan 81-3-3435-1611
EBIRA Inc.	80 million JPY	Construction, Merchandising	1-4-8, Shibadaimon, Minato-ku, Tokyo 105-0012, Japan 81-3-3435-1001
Ryoko Kaihatsu Co., Ltd.	80 million JPY	Real-estate	1-8-20, Marunouchi, Naka-ku, Nagoya-shi, Aichi 460-0002, Japan 81-52-232-2171
HAZAMA ANDO (THAILAND) CO., LTD.	16 million THB	Construction	159 Serm-Mit Tower Building, 15th Floor, Sukhumvit Road 21 (Soi Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand 66-2-665-2980
HAZAMA ANDO SINGAPORE PTE. LTD.	6.5 million SGD	Construction	168 Jalan Bukit Merah #03-07 D&E, Tower C, Singapore 150168 65-6270-9498
HAZAMA ANDO MALAYSIA SDN. BHD.	800,000 MYR	Construction	No. 84B, Jalan Sutera Tanjung 8/4, Taman Sutera Utama, 81300 Skudai, Johor, Malaysia 60-7-557-3833

HAZAMA ANDO
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