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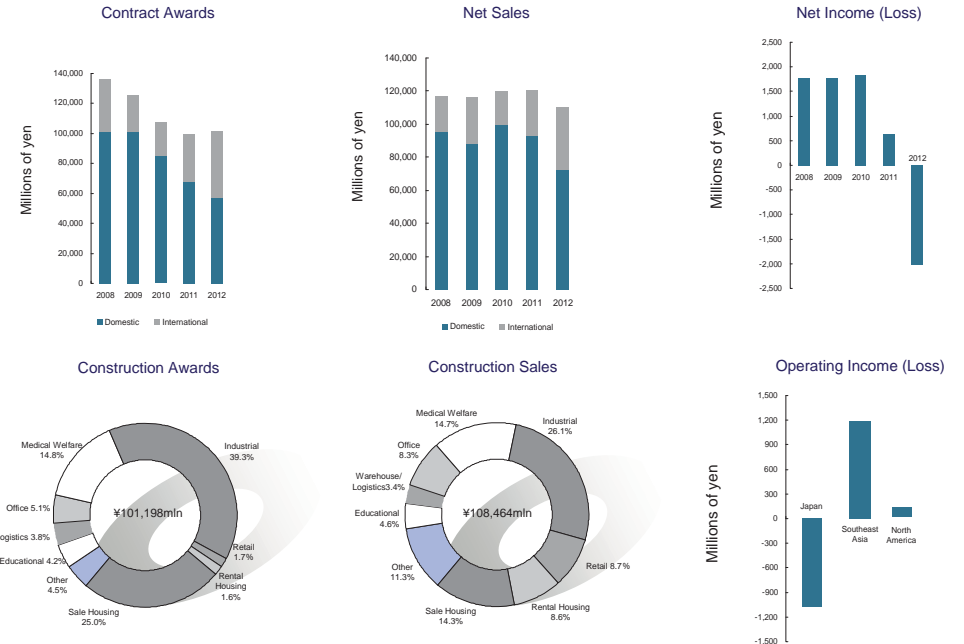
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## FINANCIAL HIGHLIGHTS

NAKANO CORPORATION and its subsidiaries  
Years ended March 31, 2008 through 2012

|  | 2008      | 2009      | 2010      | 2011     | 2012      | 2012            |                           |
|--|-----------|-----------|-----------|----------|-----------|-----------------|---------------------------|
|  |           |           |           |          |           | Millions of yen | Thousands of U.S. dollars |
| Contract awards  | ¥ 136,232 | ¥ 125,333 | ¥ 107,751 | ¥ 99,321 | ¥ 101,198 | \$ 1,231,269    |                           |
| Net sales  | 116,360   | 116,593   | 120,186   | 120,283  | 110,344   | 1,342,547       |                           |
| Operating income   | 2,687     | 2,902     | 2,956     | 1,404    | 229       | 2,786           |                           |
| Ordinary income  | 2,536     | 2,650     | 2,740     | 1,362    | 275       | 3,345           |                           |
| Net income (loss)  | 1,767     | 1,768     | 1,829     | 639      | (2,024)   | (24,625)        |                           |
| Comprehensive income                                       | -         | -         | 2,007     | 180      | (1,997)   | (24,297)        |                           |
| Total net assets   | 11,285    | 10,140    | 11,941    | 11,914   | 9,710     | 118,140         |                           |
| Total assets   | 73,542    | 80,725    | 71,183    | 65,231   | 65,838    | 801,046         |                           |
| Net cash provided by (used in) operating activities        | (2,344)   | (645)     | 5,468     | 9,617    | (2,462)   | (29,954)        |                           |
| Net cash provided by (used in) investing activities        | 5,014     | 93        | 73        | (464)    | (1,371)   | (16,680)        |                           |
| Net cash provided by (used in) financing activities        | (5,294)   | 1,568     | (4,058)   | (1,692)  | (603)     | (7,336)         |                           |
| Cash and cash equivalents at end of period                 | 10,024    | 10,702    | 12,326    | 19,552   | 15,026    | 182,820         |                           |
|  |           |           |           |          |           | Yen             | U.S. dollars              |
| <b>Per share of common stock (in yen and U.S. dollars)</b> |           |           |           |          |           |                 |                           |
| Net assets   | ¥ 259.91  | ¥ 285.30  | ¥ 336.92  | ¥ 337.52 | ¥ 271.14  | \$ 3.29         |                           |
| Net income (loss)  | 50.47     | 51.40     | 53.19     | 18.58    | (58.88)   | (0.71)          |                           |
| Cash dividends applicable to the year                      | 6.00      | 6.00      | 6.00      | 6.00     | 3.00      | 0.03            |                           |
| Number of employees  | 1,154     | 1,122     | 1,129     | 1,145    | 1,169     |                 |                           |

Note: The rate of ¥82.19 = US\$1.00, the foreign exchange rate on March 31, 2012, has been used for translation.



**Annual Report 2012**  
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### Cautionary remarks regarding forward looking statements

This Annual Report includes forward-looking statements that represent Nakano Corporation's assumptions and expectations in light of currently available information. These statements reflect industry trends, client's situations and other factors, and involve risks and uncertainties which may cause actual performance results to differ from those discussed in the forward looking statements in accordance with changes in the domestic and international business environment.

# Business Overview & Results

Since the foundation of Nakano Corporation, previously established as Nakano-gumi in 1933, we have benefited from the confidence demonstrated to us by our esteemed customers over the last seventy eight years. We are greatly thankful for the opportunity to have developed into a well established company in the construction industry. Now, in this industry it is essential to respond quickly to the changes in society and the growing diversity of customer's needs. Under these circumstances, we are committed to adapting and anticipating the changing times so that we can accommodate our customers' requirements and expectations. In order to accomplish goal, our business philosophy emphasizes three core elements, "sincerity, devotion, and creativity." We are deeply committed to meet our customer's expectations and sincerely appreciate their trust and support.

## A Message from the President



### 2012 Business Report

**We are pleased to provide details of the company and its subsidiaries for the fiscal year spanning 1st April 2011 to 31st March 2012.**

#### (1) Current Corporate Group Condition Business Course & Results

Although there has been a partial sign of the Japanese economic recovery from Great East Japan Earthquake and subsequent nuclear plant disasters during the consolidated fiscal year, the financial instability in Europe and long lasting value appreciation in the Japanese yen has created difficult business environment and caused the company's profitability to deteriorate.

While increased demands of reconstruction from the earthquake have enabled some slow recovery in the domestic construction market, it stopped short of leading to the overall recovery. On the other hand shortage of labor, material and equipment caused additional burdens in the construction business environment.

Under these difficult and compounding circumstances, we couldn't achieve our initial goal in the domestic market mainly because many of the domestic clients postponed their capital improvements. Conversely, in South East Asia due to the robust economies, we were able to take advantage of the increased construction demands both in local companies and in the Japanese companies operating there. We registered record high orders.

Our business performance for this period is as follows;

Construction awards for this consolidated fiscal year were ¥101,198mIn (¥1,876mIn annual increase). Additionally, non-consolidated construction awards were ¥57,486mIn (¥10,805mIn annual decrease).

The major domestic orders received during this period were new construction works of the F Bakery Siga Sales Center awarded from Fuji Baking Group Co., Ltd., Fukuoka Omiya Condominium by NTT Urban Development Corporation, Yamagata National Hospital's New Medical Ward, and Fukushima College Main Building.

Internationally, major orders received were the Rainforest Condominium by Camborne Development Pte Ltd., joint venture between TID Pte Ltd and City Developments Limited, Nippon Express (Malaysia) SDN BHD Warehouse Expansion Works, Kao Indonesia Chemical New Plant by Hitachi Plant Technologies, Ltd. and Ajinomoto Birdy Factory by Ajinomoto Sales (Thailand) Co., Ltd.

Sales for this consolidated fiscal year were ¥110,344mIn (¥9,938mIn annual decrease), comprised of ¥108,464mIn (¥10,228mIn annual decrease) for construction works, and ¥1,879mIn (¥289mIn annual increase) for real estate related business. Additionally, non-consolidated sales for this consolidated fiscal year were ¥72,381mIn (¥19,974mIn annual decrease), for construction works, and ¥1,530mIn (¥314mIn annual increase) for real estate related business.

Primary domestic completions included construction of Kohnodai Hospital and Hepatitis & Immunity Laboratory of National Center for Global Health and Medicine by Kohnodai Hospital, National Center for Global Health and Medicine, Somi Shokuhin's Tanba No.3 Factory, Yokogawa Densikiki Co., Ltd.'s Hadano Factory, Souka Matsubara Housing Complex by Urban Renaissance Agency.

Internationally, major completions included Optima Condominium by TID Pte Ltd., Integrated DC Builders SDN BHD's CSF CX5 Data Center, Chuhatsu Indonesia's No.2 Factory, and Saha Seiren Co., Ltd. New Factory.

From the above results, consolidated construction work to be carried forward were ¥108,212mIn (¥7,266mIn annual decrease), and non-consolidated construction work to be carried forward were ¥64,230mIn (¥14,894mIn annual decrease).

In terms of profitability for this consolidated fiscal year, operating income was ¥229mIn (¥1,175mIn annual decrease), ordinary income was ¥275mIn (¥1,086mIn annual decrease), and current net loss were ¥2,024mIn (net income ¥ 639mIn in the last fiscal year).

Moreover, in non-consolidated terms, operating loss was ¥1,376mIn (operating income ¥43mIn in the last fiscal year), ordinary loss was ¥859mIn (ordinary income ¥467mIn in the last fiscal year), and current net loss were ¥2,548mIn (net income ¥325mIn in the last fiscal year).



Akira Asai

President, NAKANO CORPORATION

# NAKANO INTERNATIONAL OPERATIONS NETWORK

## Comprehensive Nationwide and International Design and Construction Coverage

Centering on the diverse economies of Southeast Asia, Nakano Corporation's international construction operations have allowed us the opportunity to partner with some of the world's largest and most prominent international and domestic Japanese corporations to produce a wide and varied array of high quality, competitively priced works. In the future, it is our intention to exert every possible effort towards the realization of even greater international expansion and development.



■ Headquarters

■ Project Locations

Tokyo, Japan

■ International Office

USA  
Singapore  
Malaysia  
Thailand  
Indonesia  
Vietnam  
China

Algeria  
Australia  
Bahrain  
China  
England  
France  
Germany  
Guam  
Hungary  
Indonesia  
Iran  
Iraq

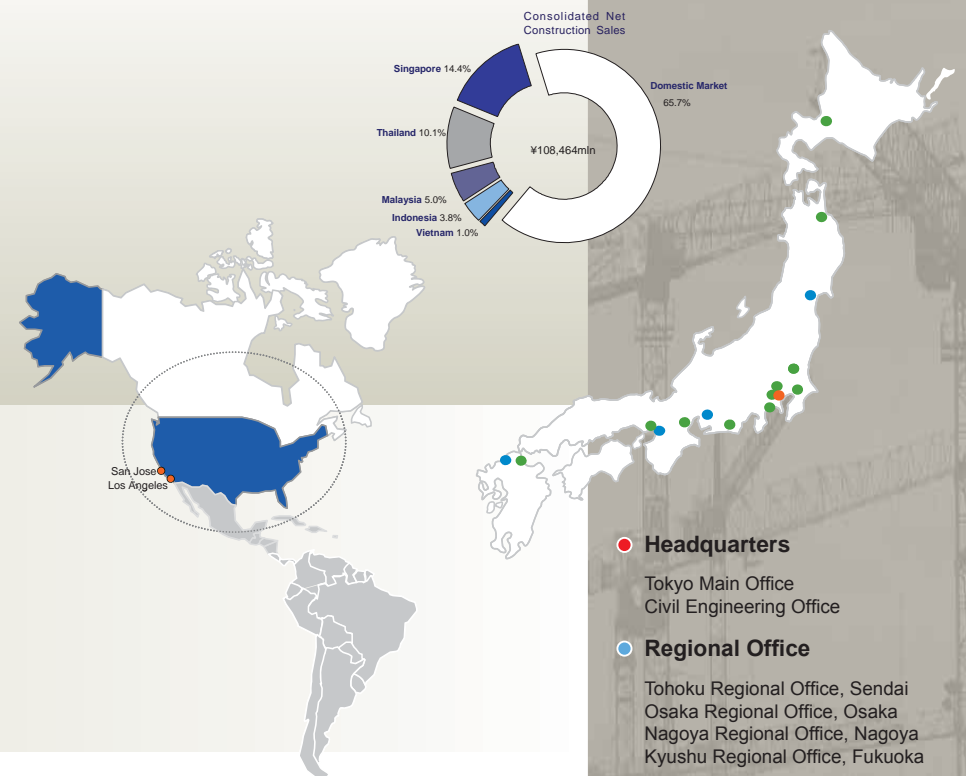
Jordan  
Libya  
Malaysia  
Myanmar  
New Zealand  
Russia  
Saudi Arabia  
Singapore  
South Korea  
Spain  
Syria  
Taiwan

Thailand  
USA  
Vanuatu  
Vietnam  
Yemen

## GLOBAL WORKS COVERAGE

### Translating globalizing client needs into reality

Since the establishment of our first international offices in the United States in 1974 and Singapore in 1975, Nakano Corporation has successfully completed upwards of 1,300 international projects in 35 nations around the world. By integrating advanced technical know-how with safety and quality based project management techniques has forged a reputation for sound, quality works completed within time and budgetary constraints.



● Headquarters

Tokyo Main Office  
Civil Engineering Office

● Regional Office

Tohoku Regional Office, Sendai  
Osaka Regional Office, Osaka  
Nagoya Regional Office, Nagoya  
Kyushu Regional Office, Fukuoka

● Branch & Sales Office

Hokkaido Branch Office, Sapporo  
Higashi Kanto Branch Office, Chiba  
Kita Kanto Branch Office, Saitama  
Yokohama Branch Office, Yokohama  
Ibaraki Branch Office, Tsuchiura  
Taito Branch Office, Taito-ku  
Kita Tohoku Branch Office, Hachinohe  
Mie Sales Office, Yokkaichi  
Hyogo Sales Office, Amagasaki  
Kitakyushu Sales Office, Kitakyushu

**+409%**

Nakano's international based sales have grown from ¥9.10b in 2006 to ¥37.20b in 2012



# MAJOR INTERNATIONAL WORKS 2012



## Changi Business Park

(Commercial Complex ▪ Hotel ▪ Office Building)

[Changi South, Singapore | 2012](#)

Changi Business Park is a mixed use development project set for completion in 2012. The construction of the shopping complex and the hotel building have completed and they are now in operation. The office building is to be completed within this year.

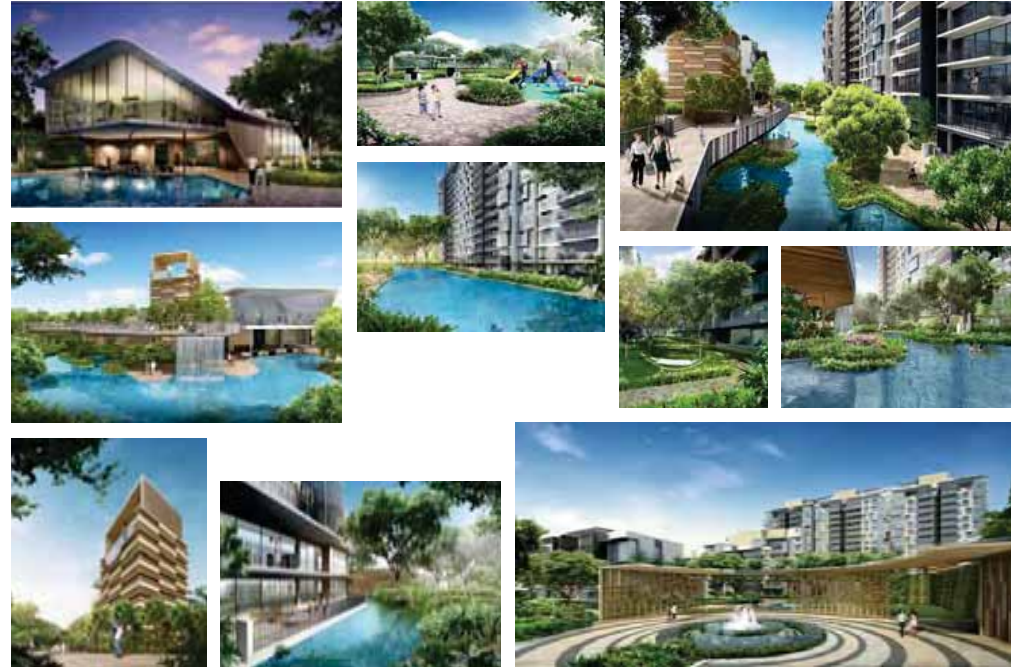




## The Rainforest

Choa Chu Kang, Singapore | 2014

The Rainforest is uniquely designed in resort-style living landscape with a nature reserve theme to embrace its name. A wide range of condo facilities for the interest of all ages from the Hideout Lagoon, Hammock Court, Club House, Garden Deck, Look Out Tower to Spa Pool. It is filled with a total of 466 residential units including Sky Suites and Penthouses. All units are situated in a north south orientation to enjoy either the facilities view or unblocked view.



## Boathouse Condominium

Upper Serangoon View, Singapore | 2015

Boathouse Residences is a 99-year leasehold condominium development located at Upper Serangoon View, expected to be completed in 2015. Inspired by its geographic location next to the rivers of Sungei Serangoon and Sungei Punggol, the condo with a total of 493 units combines the serenity of the river with the luxury of living in a houseboat to present an extraordinary riverine lifestyle.



## Palm Isles Condominium

Flora Drive, Singapore | 2015

Located in the jewel of Flora Drive, The Palm Isles is a 429-unit project set in picturesque waterscape and lush landscape mimicking a beach resort. A comfortable lifestyle with well-defined activity areas will appeal to a multitude of home seekers. The 28 exclusive luxurious "Garden Homes" units offer the charms of "landed-living" within a condominium setting.



## Award-winning projects

St Thomas Suites is a 176-unit ultra premium residential development of two 33-storey high rise towers and a beautifully landscaped green zone. Designed by Japanese architect Masaki Miyake, the project's distinctive curved forms rise at orientations, providing shelter from daytime sunrays and maximum extension of its open-plan interiors. St Thomas Suites is awarded "FIABCI Prix d'Excellence Awards 2012". Latitude Condominium, completing in 2010, is a luxury residential freehold condominium development of one 22-storey tower and two 23-storey towers in Singapore's exclusive Jalan Mutiara residential precinct. Latitude Condominium is awarded BCA Construction Excellence Award. Dozens of projects including these two, constructed by Nakano Singapore, are given the BCA's Green Mark certification, a benchmark environmental scheme designed to recognize and promote best practices for quality, design and performance in the construction industry, in respect of eco-friendly construction.



## St Thomas Suites

St Thomas Walk, Singapore | 2010

## Latitude Condominium

Jalan Mutiara, Singapore | 2010

# INTERNATIONAL INDUSTRIAL WORKS 2012



CSF CX5 Data Center | Cyberjaya, Malaysia | 2011

Projects such as Integrated DC Builders CSF CX5 Data Center (53,518 m<sup>2</sup>) in Cyberjaya, Malaysia constructed by Nakano Construction and completed in 2011, have allowed our group to exercise our production facility and warehouse based industrial construction experience in an increasingly diverse range of hi-tech fields in the markets we operate across Asia.

1,300+

## Asian Market Development

Major Project Completions Across Asia so far



Hino Motors Factory  
Bukit Indah Industrial Park, Indonesia | 2012



Chuhatsu Factory  
Suryacipta City of Industry, Indonesia | 2012



H-One Factory  
Pinthong Industrial Estate, Thailand | 2011



Auto Interior Product Factory  
Thailand | 2011



Malaysia's GBI Certification to promote green buildings



## NTT Data Centre | Cyberjaya, Malaysia | 2012

NTT Data Center in Cyberjaya, Malaysia constructed by Nakano Construction Sdn Bhd has been certified Green Building Index Silver. Green Building Index (GBI) is Malaysia's green certification for buildings created to promote sustainability in the built-environment. The GBI provides an opportunity for developers and building owners to design and construct green, sustainable buildings and reduce our impact on the environment. Solar panel, eco-friendly construction materials, roof garden, daylight system, energy-efficient lighting & cooling system, and rainwater harvesting system equipped in this project have contributed to the GBI certification.



Shinpack Factory  
Pinthong Industrial Estate, Thailand | 2012



Saha Seiren Factory  
Kabinburi Industrial Zone, Thailand | 2011



Amata Summit Rental Factory  
Amata Nakorn Industrial Estate, Thailand | 2011



Nawaloha Industry Factory  
Saraburi, Thailand | 2008



Resort Spa  
Bangkok, Thailand | 2010



Triumph Factory  
Amata Nakorn Industrial Estate, Thailand | 2012

# DOMESTIC WORKS PORTFOLIO 2012



Kohnodai Hospital and Hepatitis & Immunity Laboratory of National Center for Global Health and Medicine | Chiba | 2012



## Tokyo Office Obtains COHSMS Occupational Health and Safety Management System

In December 2010 Nakano was accredited with COHSMS certification (Occupational Health and Safety Management System) by the Japan Construction Occupational Safety and Health Association. The COHSMS system structure focuses on initiatives to realize safe, comfortable working environments, the eradication of occupational injury causes, and the betterment of onsite corporate construction health and safety standards.



Fukuoka Omiya Condominium | Fukuoka | 2013



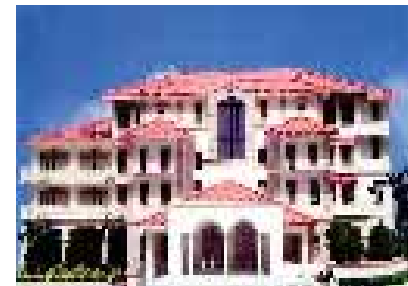
F Bakery Shiga Sales Center | Shiga | 2013



Shin-Chiba NHK Broadcast Hall | Chiba | 2011



Yamagata National Hospital | Yamagata | 2013



Fukushima College Main Building | Fukushima | 2012



K's Denki Nishi-kasai Store | Tokyo | 2011



Souka Matsubara Housing Complex | Saitama | 2012



Somi Shokuhin Tanba No.3 Factory | Kyoto | 2011



Yokogawa Denshikiki Hadano Factory | Kanagawa | 2012



Hosen Gakuen Gym Seismic Strengthening | Tokyo | 2012

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
NAKANO CORPORATION

We have audited the accompanying consolidated financial statements of NAKANO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 referred to above present fairly, in all material respects, the consolidated financial position of NAKANO CORPORATION and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

*Izumi Audit Corporation*

August 31, 2012

## CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries  
As of March 31, 2011 and 2012

|   | Millions of yen |                 | Thousands of<br>U.S. dollars<br>(Note 2) |
|---|-----------------|-----------------|--|
|   | 2011            | 2012            | 2012                                     |
| <b>Assets</b>   |                 |                 |  |
| <b>Current assets:</b>  |                 |                 |  |
| Cash and deposits (Notes 4, 6 and 7)  | ¥ 20,406        | ¥ 17,102        | \$ 208,078                               |
| Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 7) | 19,771          | 25,977          | 316,060                                  |
| Costs on uncompleted construction contracts (Note 4)  | 2,631           | 1,626           | 19,783                                   |
| Real estate for sale  | -               | 550             | 6,691                                    |
| Costs on real estate business   | 710             | 242             | 2,944                                    |
| Raw materials and supplies  | 25              | 23              | 279                                      |
| Deferred tax assets (Note 10)   | 492             | 49              | 596                                      |
| Accounts receivable-other   | 637             | 520             | 6,326                                    |
| Other   | 1,131           | 1,308           | 15,914                                   |
| Allowance for doubtful accounts   | (254)           | (255)           | (3,102)                                  |
| <b>Total current assets</b>   | <b>45,551</b>   | <b>47,146</b>   | <b>573,622</b>                           |
| <b>Noncurrent assets:</b>   |                 |                 |  |
| Property, plant and equipment (Note 4)  |                 |                 |  |
| Buildings and structures  | 8,227           | 8,309           | 101,095                                  |
| Machinery, vehicles, tools, furniture and fixtures  | 1,431           | 1,350           | 16,425                                   |
| Land  | 11,010          | 10,975          | 133,532                                  |
| Accumulated depreciation  | (5,046)         | (5,178)         | (63,000)                                 |
| <b>Total property, plant and equipment</b>  | <b>15,623</b>   | <b>15,456</b>   | <b>188,052</b>                           |
| Intangible assets   | 127             | 123             | 1,496                                    |
| Investments and other assets  |                 |                 |  |
| Investment securities (Notes 4, 7 and 8)  | 2,362           | 2,390           | 29,078                                   |
| Long-term loans receivable  | 420             | 364             | 4,428                                    |
| Claims provable in bankruptcy, claims provable in rehabilitation and other                            | 178             | 176             | 2,141                                    |
| Deferred tax assets (Note 10)   | 845             | 33              | 401                                      |
| Other   | 329             | 352             | 4,282                                    |
| Allowance for doubtful accounts   | (207)           | (206)           | (2,506)                                  |
| <b>Total investments and other assets</b>   | <b>3,929</b>    | <b>3,111</b>    | <b>37,851</b>                            |
| <b>Total noncurrent assets</b>  | <b>19,680</b>   | <b>18,691</b>   | <b>227,412</b>                           |
| <b>Total assets</b>   | <b>¥ 65,231</b> | <b>¥ 65,838</b> | <b>\$ 801,046</b>                        |

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



|  | Millions of yen |                 | Thousands of<br>U.S. dollars<br>(Note 2) |
|--|-----------------|-----------------|--|
|  | 2011            | 2012            | 2012                                     |
| <b>Liabilities</b>   |                 |                 |  |
| <b>Current liabilities:</b>  |                 |                 |  |
| Notes payable, accounts payable for construction contracts and other (Notes 4 and 7) | ¥ 36,270        | ¥ 38,482        | \$ 468,207                               |
| Current portion of bonds (Note 14)   | 560             | 560             | 6,813                                    |
| Short-term loans payable (Notes 4, 7 and 15)   | 3,755           | 5,030           | 61,199                                   |
| Income taxes payable   | 139             | 174             | 2,117                                    |
| Advances received on uncompleted construction contracts                              | 4,578           | 5,351           | 65,105                                   |
| Provision for warranties for completed construction                                  | 138             | 108             | 1,314                                    |
| Provision for loss on construction contracts (Note 4)                                | 1,022           | 951             | 11,570                                   |
| Provision for bonuses  | 357             | 223             | 2,713                                    |
| Other (Note 15)  | 945             | 1,359           | 16,534                                   |
| <b>Total current liabilities</b>   | <b>47,768</b>   | <b>52,241</b>   | <b>635,612</b>                           |
| <b>Noncurrent liabilities:</b>   |                 |                 |  |
| Long-term loans payable (Notes 4, 7 and 15)  | 3,031           | 1,975           | 24,029                                   |
| Deferred tax liabilities (Note 10)   | 147             | 224             | 2,725                                    |
| Provision for retirement benefits (Note 9)   | 847             | 918             | 11,169                                   |
| Negative goodwill  | 114             | 57              | 693                                      |
| Other (Notes 14 and 15)  | 1,408           | 710             | 8,638                                    |
| <b>Total noncurrent liabilities</b>  | <b>5,548</b>    | <b>3,886</b>    | <b>47,280</b>                            |
| <b>Total liabilities</b>   | <b>53,317</b>   | <b>56,127</b>   | <b>682,893</b>                           |
| <b>Net assets</b>  |                 |                 |  |
| <b>Shareholders' equity:</b>   |                 |                 |  |
| Capital stock  | ¥ 5,061         | ¥ 5,061         | \$ 61,576                                |
| Capital surplus  | 1,400           | 1,400           | 17,033                                   |
| Retained earnings  | 7,192           | 4,961           | 60,360                                   |
| Treasury stock   | (27)            | (27)            | (328)                                    |
| <b>Total shareholders' equity</b>  | <b>13,626</b>   | <b>11,395</b>   | <b>138,642</b>                           |
| <b>Accumulated other comprehensive income:</b>                                       |                 |                 |  |
| Valuation difference on available-for-sale securities                                | 96              | 140             | 1,703                                    |
| Foreign currency translation adjustment  | (2,116)         | (2,211)         | (26,901)                                 |
| <b>Total accumulated other comprehensive income</b>                                  | <b>(2,019)</b>  | <b>(2,071)</b>  | <b>(25,197)</b>                          |
| <b>Minority interests</b>  | <b>307</b>      | <b>386</b>      | <b>4,696</b>                             |
| <b>Total net assets</b>  | <b>11,914</b>   | <b>9,710</b>    | <b>118,140</b>                           |
| <b>Total liabilities and net assets</b>  | <b>¥ 65,231</b> | <b>¥ 65,838</b> | <b>\$ 801,046</b>                        |

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

## CONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION and its subsidiaries  
For the years ended March 31, 2011 and 2012

|   | Millions of yen |                  | Thousands of<br>U.S. dollars<br>(Note 2) |
|---|-----------------|------------------|--|
|   | 2011            | 2012             | 2012                                     |
| <b>Net sales:</b>   |                 |                  |  |
| Net sales of completed construction contracts                   | ¥ 118,693       | ¥ 108,464        | \$ 1,319,673                             |
| Sales on real estate business (Note 11)                         | 1,552           | 1,847            | 22,472                                   |
| Sales on other business   | 38              | 32               | 389                                      |
| <b>Total net sales</b>  | <b>120,283</b>  | <b>110,344</b>   | <b>1,342,547</b>                         |
| <b>Cost of sales:</b>   |                 |                  |  |
| Cost of sales of completed construction contracts (Note 5)      | 113,023         | 104,180          | 1,267,550                                |
| Cost of sales on real estate business (Note 11)                 | 750             | 1,066            | 12,969                                   |
| Cost of sales on other business                                 | 38              | 24               | 292                                      |
| <b>Total cost of sales</b>                                      | <b>113,811</b>  | <b>105,271</b>   | <b>1,280,824</b>                         |
| <b>Gross profit:</b>  |                 |                  |  |
| Gross profit on completed construction contracts                | 5,670           | 4,284            | 52,123                                   |
| Gross profit-real estate business                               | 801             | 780              | 9,490                                    |
| Gross profit (loss)-other business                              | (0)             | 8                | 97                                       |
| <b>Total gross profit</b>                                       | <b>6,471</b>    | <b>5,073</b>     | <b>61,722</b>                            |
| <b>Selling, general and administrative expenses (Note 5)</b>    | <b>5,066</b>    | <b>4,844</b>     | <b>58,936</b>                            |
| <b>Operating income</b>   | <b>1,404</b>    | <b>229</b>       | <b>2,786</b>                             |
| <b>Non-operating income:</b>                                    |                 |                  |  |
| Interest income   | 119             | 86               | 1,046                                    |
| Dividends income  | 34              | 26               | 316                                      |
| Foreign exchange gains  | -               | 41               | 498                                      |
| Amortization of negative goodwill                               | 57              | 57               | 693                                      |
| Other   | 47              | 14               | 170                                      |
| <b>Total non-operating income</b>                               | <b>258</b>      | <b>226</b>       | <b>2,749</b>                             |
| <b>Non-operating expenses:</b>                                  |                 |                  |  |
| Interest expenses   | 184             | 161              | 1,958                                    |
| Other   | 116             | 18               | 219                                      |
| <b>Total non-operating expenses</b>                             | <b>300</b>      | <b>179</b>       | <b>2,177</b>                             |
| <b>Ordinary income</b>  | <b>1,362</b>    | <b>275</b>       | <b>3,345</b>                             |
| <b>Extraordinary income:</b>                                    |                 |                  |  |
| Gain on sales of noncurrent assets (Note 5)                     | 11              | 11               | 133                                      |
| Other   | 508             | -                | -  |
| <b>Total extraordinary income</b>                               | <b>520</b>      | <b>11</b>        | <b>133</b>                               |
| <b>Extraordinary loss:</b>                                      |                 |                  |  |
| Loss on disaster  | 56              | 191              | 2,323                                    |
| Loss on construction  | -               | 67               | 815                                      |
| Other   | 469             | 169              | 2,056                                    |
| <b>Total extraordinary losses</b>                               | <b>525</b>      | <b>428</b>       | <b>5,207</b>                             |
| <b>Income (loss) before income taxes and minority interests</b> | <b>1,357</b>    | <b>(141)</b>     | <b>(1,715)</b>                           |
| <b>Income taxes:</b>  |                 |                  |  |
| Income taxes-current  | 376             | 432              | 5,256                                    |
| Income taxes for prior periods                                  | 212             | 47               | 571                                      |
| Income taxes-deferred (Note 10)                                 | 159             | 1,317            | 16,023                                   |
| <b>Total income taxes</b>                                       | <b>748</b>      | <b>1,797</b>     | <b>21,863</b>                            |
| <b>Income (loss) before minority interests</b>                  | <b>608</b>      | <b>(1,939)</b>   | <b>(23,591)</b>                          |
| <b>Minority interests in income (loss)</b>                      | <b>(30)</b>     | <b>85</b>        | <b>1,034</b>                             |
| <b>Net income (loss)</b>  | <b>¥ 639</b>    | <b>¥ (2,024)</b> | <b>\$ (24,625)</b>                       |

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NAKANO CORPORATION and its subsidiaries  
For the years ended March 31, 2011 and 2012

|   | Millions of yen |                | Thousands of<br>U.S. dollars |
|---|-----------------|----------------|------------------------------|
|   | 2011            | 2012           | 2012<br>(Note 2)             |
| <b>Income (loss) before minority interests</b>            | ¥ 608           | ¥ (1,939)      | \$ (23,591)                  |
| <b>Other comprehensive income:</b>                        |                 |                |                              |
| Valuation difference on available-for-sale securities     | (96)            | 43             | 523                          |
| Foreign currency translation adjustment                   | (331)           | (100)          | (1,216)                      |
| <b>Total other comprehensive income</b>                   | <b>(427)</b>    | <b>(57)</b>    | <b>(693)</b>                 |
| <b>Comprehensive income</b>                               | <b>180</b>      | <b>(1,997)</b> | <b>(24,297)</b>              |
| Comprehensive income attributable to:                     |                 |                |                              |
| Comprehensive income attributable to owners of the parent | 226             | (2,076)        | (25,258)                     |
| Comprehensive income attributable to minority interests   | (45)            | 79             | 961                          |

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

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NAKANO CORPORATION and its subsidiaries  
For the years ended March 31, 2011 and 2012

|  | Millions of yen      |                 |                   |                |                            |   |   |  |                    |                  |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|---|---|--|--------------------|------------------|
|  | Shareholders' Equity |                 |                   |                |                            | Accumulated other comprehensive income                |   |  |                    |                  |
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | Minority interests | Total net assets |
| <b>Balance as at March 31, 2010</b>                  | ¥ 5,061              | ¥ 1,400         | ¥ 6,759           | ¥ (26)         | ¥ 13,195                   | ¥ 193   | ¥ (1,800)                               | ¥ (1,606)                                    | ¥ 352              | ¥ 11,941         |
| Dividends from surplus                               | -                    | -               | (206)             | -              | (206)                      | -   | -                                       | -  | -                  | (206)            |
| Net income   | -                    | -               | 639               | -              | 639                        | -   | -                                       | -  | -                  | 639              |
| Purchase of treasury stock                           | -                    | -               | -                 | (1)            | (1)                        | -   | -                                       | -  | -                  | (1)              |
| Net changes of items other than shareholders' equity | -                    | -               | -                 | -              | -                          | (96)  | (316)                                   | (412)  | (45)               | (458)            |
| Total changes of items during the period             | -                    | -               | 432               | (1)            | 431                        | (96)  | (316)                                   | (412)  | (45)               | (26)             |
| <b>Balance as at March 31, 2011</b>                  | ¥ 5,061              | ¥ 1,400         | ¥ 7,192           | ¥ (27)         | ¥ 13,626                   | ¥ 96  | ¥ (2,116)                               | ¥ (2,019)                                    | ¥ 307              | ¥ 11,914         |
| Dividends from surplus                               | -                    | -               | (206)             | -              | (206)                      | -   | -                                       | -  | -                  | (206)            |
| Net loss   | -                    | -               | (2,024)           | -              | (2,024)                    | -   | -                                       | -  | -                  | (2,024)          |
| Purchase of treasury stock                           | -                    | -               | -                 | (0)            | (0)                        | -   | -                                       | -  | -                  | (0)              |
| Net changes of items other than shareholders' equity | -                    | -               | -                 | -              | -                          | 43  | (94)                                    | (51)   | 79                 | 27               |
| Total changes of items during the period             | -                    | -               | (2,231)           | (0)            | (2,231)                    | 43  | (94)                                    | (51)   | 79                 | (2,204)          |
| <b>Balance as at March 31, 2012</b>                  | ¥ 5,061              | ¥ 1,400         | ¥ 4,961           | ¥ (27)         | ¥ 11,395                   | ¥ 140   | ¥ (2,211)                               | ¥ (2,071)                                    | ¥ 386              | ¥ 9,710          |

|  | Thousands of U.S. dollars (Note 2) |                 |                   |                |                            |   |   |  |                    |                  |
|--|------------------------------------|-----------------|-------------------|----------------|----------------------------|---|---|--|--------------------|------------------|
|  | Shareholders' Equity               |                 |                   |                |                            | Accumulated other comprehensive income                |   |  |                    |                  |
|  | Capital stock                      | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | Minority interests | Total net assets |
| <b>Balance as at March 31, 2011</b>                  | \$ 61,576                          | \$ 17,033       | \$ 87,504         | \$ (328)       | \$ 165,786                 | \$ 1,168  | \$ (25,745)                             | \$ (24,565)                                  | \$ 3,735           | \$ 144,956       |
| Dividends from surplus                               | -                                  | -               | (2,506)           | -              | (2,506)                    | -   | -                                       | -  | -                  | (2,506)          |
| Net loss   | -                                  | -               | (24,625)          | -              | (24,625)                   | -   | -                                       | -  | -                  | (24,625)         |
| Purchase of treasury stock                           | -                                  | -               | -                 | (0)            | (0)                        | -   | -                                       | -  | -                  | (0)              |
| Net changes of items other than shareholders' equity | -                                  | -               | -                 | -              | -                          | 523   | (1,143)                                 | (620)  | 961                | 328              |
| Total changes of items during the period             | -                                  | -               | (27,144)          | (0)            | (27,144)                   | 523   | (1,143)                                 | (620)  | 961                | (26,815)         |
| <b>Balance as at March 31, 2012</b>                  | \$ 61,576                          | \$ 17,033       | \$ 60,360         | \$ (328)       | \$ 138,642                 | \$ 1,703  | \$ (26,901)                             | \$ (25,197)                                  | \$ 4,696           | \$ 118,140       |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

NAKANO CORPORATION and its subsidiaries

For the years ended March 31, 2011 and 2012

|  | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 2) |
|--|-----------------|----------|--|
|  | 2011            | 2012     | 2012                                     |
| Net cash provided by (used in) operating activities:                           |                 |          |  |
| Income (loss) before income taxes and minority interests                       | ¥ 1,357         | ¥ (141)  | \$ (1,715)                               |
| Adjustments for:   |                 |          |  |
| Depreciation and amortization  | 395             | 371      | 4,513                                    |
| Impairment loss  | 10              | 27       | 328                                      |
| Amortization of negative goodwill  | (57)            | (57)     | (693)                                    |
| Increase (decrease) in allowance for doubtful accounts                         | (431)           | 11       | 133                                      |
| Increase in provision for retirement benefits                                  | 145             | 72       | 876                                      |
| Interest and dividends income  | (153)           | (113)    | (1,374)                                  |
| Interest expenses  | 184             | 161      | 1,958                                    |
| Decrease (increase) in notes and accounts receivable-trade                     | 3,484           | (6,579)  | (80,046)                                 |
| Decrease in costs on uncompleted construction contracts                        | 8,565           | 987      | 12,008                                   |
| Increase in other inventories  | (249)           | (80)     | (973)                                    |
| Increase in notes and accounts payable-trade                                   | 3,353           | 2,264    | 27,545                                   |
| Increase (decrease) in advances received on uncompleted construction contracts | (7,935)         | 759      | 9,234                                    |
| Other, net   | 1,521           | 292      | 3,552                                    |
| Subtotal   | 10,190          | (2,024)  | (24,625)                                 |
| Interest and dividends income received   | 153             | 113      | 1,374                                    |
| Interest expenses paid   | (190)           | (154)    | (1,873)                                  |
| Income taxes paid  | (536)           | (397)    | (4,830)                                  |
| Net cash provided by (used in) operating activities                            | 9,617           | (2,462)  | (29,954)                                 |
| Net cash provided by (used in) investing activities:                           |                 |          |  |
| Payments into time deposits  | (427)           | (3,233)  | (39,335)                                 |
| Proceeds from withdrawal of time deposits                                      | 7               | 2,052    | 24,966                                   |
| Purchase of property, plant and equipment                                      | (94)            | (269)    | (3,272)                                  |
| Proceeds from sales of property, plant and equipment                           | 16              | 37       | 450                                      |
| Other, net   | 33              | 42       | 511                                      |
| Net cash used in investing activities  | (464)           | (1,371)  | (16,680)                                 |
| Net cash provided by (used in) financing activities:                           |                 |          |  |
| Net increase (decrease) in short-term loans payable                            | (455)           | 1,175    | 14,296                                   |
| Proceeds from long-term loans payable  | 300             | 300      | 3,650                                    |
| Repayment of long-term loans payable   | (1,570)         | (1,256)  | (15,281)                                 |
| Redemption of bonds  | (1,080)         | (560)    | (6,813)                                  |
| Cash dividends paid  | (206)           | (206)    | (2,506)                                  |
| Other, net   | 1,318           | (56)     | (681)                                    |
| Net cash used in financing activities  | (1,692)         | (603)    | (7,336)                                  |
| Effect of exchange rate change on cash and cash equivalents                    | (233)           | (88)     | (1,070)                                  |
| Net increase (decrease) in cash and cash equivalents                           | 7,226           | (4,525)  | (55,055)                                 |
| Cash and cash equivalents at beginning of period                               | 12,326          | 19,552   | 237,887                                  |
| Cash and cash equivalents at end of period (Note 6)                            | ¥ 19,552        | ¥ 15,026 | \$ 182,820                               |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NAKANO CORPORATION and its subsidiaries

### 1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements presented herein of NAKANO CORPORATION (the "Company") and its consolidated subsidiaries (together, the "Companies") are prepared in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan, 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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classifications used in 2012.

### 2. U.S. Dollar Amounts

The accounts of consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥82.19 to U.S.\$1, the rate of exchange prevailing at March 30, 2012, and have been then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

### 3. Summary of Significant Accounting Policies

#### a. Consolidation

##### 1) Scope of Consolidation

The Company had 11 subsidiaries as of March 31, 2012. The consolidated financial statements for the year ended March 31, 2012 include the accounts of the Company and all subsidiaries. The Company had 3 affiliates as of March 31, 2012. As of March 31, 2012, the equity method was not applied to all affiliates, as these companies were not significant in terms of retained earnings or net income of the consolidated financial statements.

##### 2) Financial Statements of Subsidiaries

The financial year-end of an overseas subsidiary is December 31.

Consolidation of the subsidiary is therefore performed by using the provisional financial statements prepared as of March 31. Other subsidiaries' financial year-end is March 31.

##### 3) Difference between the Cost of Investment and Equity in the Net Assets of a Subsidiary

Excess of the cost of investment in a subsidiary over the amount of the underlying equity in the net assets of the subsidiary is principally amortized over a five-year period on a straight-line basis. Negative goodwill recognized on, or before April 1, 2010 is amortized over a five-year period on a straight-line basis as permitted as a transitional measure by the revised accounting standard.

#### b. Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets, while the cost of securities sold is computed using the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

#### c. Inventories

Costs of uncompleted construction contracts are determined by the specific identification method.

Real estate for sale, costs on real estate business and raw materials and supplies are stated at cost determined by the specific identification method for real estate for sale and costs of real estate business and by the last purchase price method for raw material and supplies, while the net book value of these inventories in the balance sheet is written down if the net realizable value declines.

#### d. Property, Plant and Equipment (excluding lease assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method, while buildings (excluding building fixtures) acquired on or after April 1, 1998 are depreciated using the straight-line method. The useful lives and residual values of the assets are determined based on the regulations of the Corporate Income Tax Law.

Foreign consolidated subsidiaries use primarily the straight-line method.

#### e. Intangible Assets (excluding lease assets)

Intangible assets are amortized by the straight-line method. Useful lives of the assets are determined based on the regulations of the Corporate Income Tax Law.

Software for internal use is amortized over a period of the internal available years (5 years) using the straight-line method.

#### f. Lease Assets

Depreciation of lease assets under finance leases that do not transfer ownership of the lease assets to the lessee is calculated by the straight-line method over the lease term of the lease assets with no residual value.

Finance leases which existed at March 31, 2008 and do not transfer ownership of the lease assets to the lessee are accounted for as operating lease transactions, as permitted by the accounting standard.

#### g. Allowance for Doubtful Accounts

The allowance for doubtful accounts provided by the Company and its domestic consolidated subsidiaries is stated in amounts considered to be appropriate based on each company's past credit loss experience and an evaluation of potential losses in the receivables and others outstanding.

Foreign consolidated subsidiaries provide for such possible losses based on the estimated uncollectible amounts of the specific accounts.

#### h. Provision for Warranties for Completed Construction

The provision for warranties for completed construction is provided by the Company and its domestic consolidated subsidiaries to cover expenses for defects claimed concerning completed work based on the estimated amount of compensation to be paid in the future for the work completed during the fiscal year.

#### i. Provision for Loss on Construction Contracts

The provision for loss on construction contracts is provided by the Company and its consolidated subsidiaries with respect to construction projects for which eventual losses are reasonably estimated.

#### j. Provision for Bonuses

The provision for bonuses provided by the Company and its domestic consolidated subsidiaries is accrued at the year end to which such bonuses are attributable.

#### k. Provision for Retirement Benefits

The provision for retirement benefits for employees provided by the Company and its some consolidated subsidiaries is calculated based on estimated amounts of retirement benefit obligations and pension assets as of the consolidated fiscal year-end.

Actuarial differences are amortized commencing in the following year after the difference is recognized primarily by the straight-line method over a period (12 years) which is shorter than the average remaining years of service of the employees.

#### (Additional Information)

The Company abolished the tax qualified pension plan and transferred to the defined benefit corporate pension plan and defined contribution corporate pension plan in May 2011. In the year ended March 31, 2011, the Company applied Accounting Standards Board of Japan ("ASBJ") Guidance No. 1 "Accounting for Transfers between Retirement Benefit Plans" and recognized loss on the revision of retirement benefit plans in an amount of ¥162 million under extraordinary loss.

#### l. Revenue and Cost of Construction Contracts

Revenue of construction contracts is recorded by the percentage-of-completion method for the completed portion of the contracts at the balance sheet date, if the outcome of the construction contract can be reliably estimated and the completed-contract method is applied to other contracts whose outcome cannot be reliably estimated. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total cost.

Construction revenue recognized based on the percentage-of-completion method for the year ended March 31, 2012 was ¥94,843 million (\$1,153,948 thousand).

#### m. Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily-available deposits and short-term highly liquid investments with maturities less than three months at the time of acquisition that are exposed to insignificant risk of changes in value.

#### n. Additional Information

The Company applied the new accounting standard "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) to accounting changes and error corrections which were made on or after April 1, 2011.

#### 4. Notes to Consolidated Balance Sheets

1) The assets pledged as collateral and collateralized liabilities are as follows:

|                          | Millions of yen |          | Thousands of |
|--------------------------|-----------------|----------|--------------|
|                          | 2011            | 2012     | U.S. dollars |
| As of March 31           |                 |          | 2012         |
| Cash and deposits        | ¥ 202           | ¥ 202    | \$ 2,457     |
| Notes receivable         | 800             | 799      | 9,721        |
| Buildings                | 2,065           | 1,864    | 22,679       |
| Land                     | 9,791           | 8,365    | 101,776      |
| Investment securities    | 904             | 853      | 10,378       |
| Total                    | ¥ 13,763        | ¥ 12,085 | \$ 147,037   |
| Short-term loans payable | ¥ 2,530         | ¥ 3,530  | \$ 42,949    |
| Long-term loans payable  | 2,881           | 1,675    | 20,379       |

The following investments securities included in the above are deposited as security for dealing:

|                       | Millions of yen |      | Thousands of |
|-----------------------|-----------------|------|--------------|
|                       | 2011            | 2012 | U.S. dollars |
| As of March 31        |                 |      | 2012         |
| Investment securities | ¥ 24            | ¥ 24 | \$ 292       |

2) The Companies are contingently liable for the following:

|  | Millions of yen |         | Thousands of |
|--|-----------------|---------|--------------|
|  | 2011            | 2012    | U.S. dollars |
| As of March 31                                     |                 |         | 2012         |
| Guarantees of completion of construction contracts | ¥ 6,159         | ¥ 5,941 | \$ 72,283    |
| Guarantee on employees' housing loan               | 2               | 0       | 0            |
| Total  | ¥ 6,162         | ¥ 5,942 | \$ 72,295    |

3) "Costs on uncompleted construction contracts" which are estimated to recognize losses and "Provision for loss on construction contracts" are recorded on a gross basis without offsetting.

|   | Millions of yen |      | Thousands of U.S. dollars |      |
|---|-----------------|------|---------------------------|------|
|   | 2011            | 2012 | 2011                      | 2012 |
| As of March 31  |                 |      |                           |      |
| Costs on uncompleted construction contracts covered by "Provision for loss on construction contracts" | ¥ 596           | ¥ 67 | \$ 815                    |      |

4) The following notes receivable and payable matured on March 31, 2012 are included in the respective accounts, since March 31, 2012 falls on a bank holiday:

|                  | Millions of yen |       | Thousands of U.S. dollars |      |
|------------------|-----------------|-------|---------------------------|------|
|                  | 2011            | 2012  | 2011                      | 2012 |
| As of March 31   |                 |       |                           |      |
| Notes receivable | –               | ¥ 28  | \$ 340                    |      |
| Notes payable    | –               | 2,813 | 34,225                    |      |

5. Notes to Consolidated Statements of Income 1) Provision for loss on construction contracts included in "Cost of sales of completed construction contracts" was as follows:

|  | Millions of yen |       | Thousands of U.S. dollars |      |
|--|-----------------|-------|---------------------------|------|
|  | 2011            | 2012  | 2011                      | 2012 |
| For the year ended March 31                  |                 |       |                           |      |
| Provision for loss on construction contracts | ¥ 595           | ¥ 896 | \$ 10,901                 |      |

2) The major components of "Selling, general and administrative expenses" were as follows:

|                                    | Millions of yen |       | Thousands of U.S. dollars |      |
|------------------------------------|-----------------|-------|---------------------------|------|
|                                    | 2011            | 2012  | 2011                      | 2012 |
| For the years ended March 31       |                 |       |                           |      |
| Depreciation                       | ¥ 126           | ¥ 130 | \$ 1,581                  |      |
| Provision for bonuses              | 148             | 92    | 1,119                     |      |
| Retirement benefit expenses        | 286             | 295   | 3,589                     |      |
| Employees' salaries and allowances | 2,463           | 2,390 | 29,078                    |      |

3) Research and development costs included in selling, general and administrative expenses were as follows:

|                                | Millions of yen |      | Thousands of U.S. dollars |      |
|--------------------------------|-----------------|------|---------------------------|------|
|                                | 2011            | 2012 | 2011                      | 2012 |
| For the year ended March 31    |                 |      |                           |      |
| Research and development costs | ¥ 28            | ¥ 27 | \$ 328                    |      |

4) "Gain on sales of noncurrent assets" consisted of the following:

|                              | Millions of yen |      | Thousands of U.S. dollars |      |
|------------------------------|-----------------|------|---------------------------|------|
|                              | 2011            | 2012 | 2011                      | 2012 |
| For the years ended March 31 |                 |      |                           |      |
| Land                         | ¥ 3             | ¥ 7  | \$ 85                     |      |
| Buildings                    | 1               | 1    | 12                        |      |
| Vehicles                     | 6               | 1    | 12                        |      |
| Other                        | 0               | 0    | 0                         |      |
| Total                        | ¥ 11            | ¥ 11 | \$ 133                    |      |

6. Notes to Consolidated Statements of Cash Flows The reconciliation between "Cash and cash equivalents" reported in the consolidated statements of cash flows and "Cash and deposits" reported in the consolidated balance sheets is as follows:

|   | Millions of yen |          | Thousands of U.S. dollars |      |
|---|-----------------|----------|---------------------------|------|
|   | 2011            | 2012     | 2011                      | 2012 |
| As of March 31  |                 |          |                           |      |
| Cash and deposits per consolidated balance sheets                   | ¥ 20,406        | ¥ 17,102 | \$ 208,078                |      |
| Less: Time deposits maturing over three months                      | (853)           | (2,076)  | (25,258)                  |      |
| Cash and cash equivalents per consolidated statements of cash flows | ¥ 19,552        | ¥ 15,026 | \$ 182,820                |      |

7. Financial Instruments

#### 1. Overview

##### 1) Policy for financial instruments

The Companies raise operating funds primarily through bank loans and bond issues. Temporary fund surpluses are managed principally through short-term deposits with little risk. Under the policy of the Companies, the Companies use derivatives only for the purpose of reducing foreign exchange fluctuation risks associated with foreign currency denominated transactions and interest rate fluctuation risks associated with loans payable, and not for speculative purposes.

##### 2) Types of financial instruments, risk and risk management

The Companies control risks by type of financial instruments in accordance with the risk management policy.

Regarding credit risk associated with notes receivable and accounts receivable from completed construction contracts, the Companies identify major customers' credit status by monitoring the payment terms and credit balances by each customer.

Regarding investment securities principally consisting of equity securities, the Companies regularly identify the quoted market price of the listed securities to manage the risks arising from market value fluctuations.

The Companies manage liquidity risk associated with loans payable by appropriately planning for fund raising based on monthly cash flow projections.

Regarding derivative transactions, the Companies execute and control the transactions based on the internal control rules which define the transaction authority and limits and enter into contracts with only the high credit rating financial institutions to reduce credit risk.

##### 3) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is determined based on the market price or reasonable estimated amount if there is no market price. Certain assumptions are used for calculation of such fair value, and accordingly, the result of such calculation may vary, if different assumptions are used.

## 2. Fair value of financial instruments

The carrying amount, fair value and difference of the financial instruments as of March 31, 2011 and 2012 are as follows:

Note that the financial instruments whose fair value is extremely difficult to determine are not included in the following table (See (Notes): 2):

| March 31, 2011  | Millions of yen |            |            |
|---|-----------------|------------|------------|
|   | Carrying amount | Fair value | Difference |
| (1) Cash and deposits   | ¥ 20,406        | ¥ 20,406   | ¥ -        |
| (2) Notes receivable, accounts receivable from completed construction contracts and other | 19,771          | 19,771     | -          |
| (3) Investment securities   |                 |            |            |
| Held-to-maturity securities   | 24              | 24         | 0          |
| Available-for-sale securities   | 1,099           | 1,099      | -          |
| Assets total  | 41,301          | 41,301     | 0          |
| (1) Notes payable, accounts payable for construction contracts and other                  | 36,270          | 36,270     | -          |
| (2) Short-term loans payable  | 3,755           | 3,755      | -          |
| (3) Long-term loans payable   | 3,031           | 3,031      | -          |
| Liabilities total   | 43,056          | 43,056     | -          |
| Derivative transactions   | -               | -          | -          |

| March 31, 2012  | Millions of yen |            |            |
|---|-----------------|------------|------------|
|   | Carrying amount | Fair value | Difference |
| (1) Cash and deposits   | ¥ 17,102        | ¥ 17,102   | ¥ -        |
| (2) Notes receivable, accounts receivable from completed construction contracts and other | 25,977          | 25,977     | -          |
| (3) Investment securities   |                 |            |            |
| Held-to-maturity securities   | 24              | 25         | 0          |
| Available-for-sale securities   | 1,129           | 1,129      | -          |
| Assets total  | 44,233          | 44,234     | 0          |
| (1) Notes payable, accounts payable for construction contracts and other                  | 38,482          | 38,482     | -          |
| (2) Short-term loans payable  | 5,030           | 5,030      | -          |
| (3) Long-term loans payable   | 1,975           | 1,975      | -          |
| Liabilities total   | 45,487          | 45,487     | -          |
| Derivative transactions   | -               | -          | -          |

| March 31, 2012  | Thousands of U.S. dollars |            |            |
|---|---------------------------|------------|------------|
|   | Carrying amount           | Fair value | Difference |
| (1) Cash and deposits   | \$ 208,078                | \$ 208,078 | \$ -       |
| (2) Notes receivable, accounts receivable from completed construction contracts and other | 316,060                   | 316,060    | -          |
| (3) Investment securities   |                           |            |            |
| Held-to-maturity securities   | 292                       | 304        | 0          |
| Available-for-sale securities   | 13,736                    | 13,736     | -          |
| Assets total  | 538,179                   | 538,191    | 0          |
| (1) Notes payable, accounts payable for construction contracts and other                  | 468,207                   | 468,207    | -          |
| (2) Short-term loans payable  | 61,199                    | 61,199     | -          |
| (3) Long-term loans payable   | 24,029                    | 24,029     | -          |
| Liabilities total   | 553,437                   | 553,437    | -          |
| Derivative transactions   | -                         | -          | -          |

(Notes):

- Method used for determining the fair value of the financial instruments and matters regarding securities and derivative transactions:

### Assets:

- Cash and deposits and (2) Notes receivable, accounts receivable from completed construction contracts and other

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they will be settled within a short period of their maturity.

- Investment securities

The fair value of equity securities is determined based on the quoted price of the exchanges, the fair value of investment trust is determined based on the published standard quotation price and the fair value of debt securities is determined based on the published price by the Japan Securities Dealers Association. Notes regarding investment securities classified by the management's intent of holding are described in Note 8 "Investment Securities".

### Liabilities:

- Notes payable, accounts payable for construction contracts and other and (2) Short-term loans payable

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they will be settled within a short period of their maturity.

- Long-term loans payable

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because their interest rates will be reset within a short period of their maturity.

- Carrying amounts of financial instruments for which it is extremely difficult to identify the fair value were as follows :

| As of March 31             | Millions of yen |         | Thousands of U.S. dollars |
|----------------------------|-----------------|---------|---------------------------|
|                            | 2011            | 2012    | 2012                      |
| Unlisted equity securities | ¥ 1,238         | ¥ 1,236 | \$ 15,038                 |

Above financial instruments are not included in "(3) Investment securities" in the above table, since there is no market price and their fair value is extremely difficult to identify.

- Redemption schedule for monetary assets and investment securities with contractual maturities after balance sheet date

| As of March 31, 2011  | Millions of yen         |                                       |  |                     |
|---|-------------------------|---------------------------------------|--|---------------------|
|   | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits   | ¥ 20,406                | ¥ -                                   | ¥ -                                    | ¥ -                 |
| Notes receivable, accounts receivable from completed construction contracts and other | 19,771                  | -                                     | -                                      | -                   |
| Investment securities:  |                         |                                       |  |                     |
| Held-to-maturity securities (Japanese government bonds)                               | -                       | 14                                    | 9                                      | -                   |
| Available-for-sale securities with contractual maturities                             | -                       | -                                     | 3                                      | -                   |
| Total   | ¥ 40,177                | ¥ 14                                  | ¥ 13                                   | ¥ -                 |

| As of March 31, 2012  | Millions of yen         |                                       |  |                     |
|---|-------------------------|---------------------------------------|--|---------------------|
|   | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits   | ¥ 17,102                | ¥ -                                   | ¥ -                                    | ¥ -                 |
| Notes receivable, accounts receivable from completed construction contracts and other | 25,977                  | -                                     | -                                      | -                   |
| Investment securities:  |                         |                                       |  |                     |
| Held-to-maturity securities (Japanese government bonds)                               | -                       | 14                                    | 9                                      | -                   |
| Available-for-sale securities with contractual maturities                             | -                       | 2                                     | -                                      | -                   |
| <b>Total</b>  | <b>¥ 43,080</b>         | <b>¥ 17</b>                           | <b>¥ 9</b>                             | <b>¥ -</b>          |

| As of March 31, 2012  | Thousands of U.S. dollars |                                       |  |                     |
|---|---------------------------|---------------------------------------|--|---------------------|
|   | Due in one year or less   | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits   | \$ 208,078                | \$ -                                  | \$ -                                   | \$ -                |
| Notes receivable, accounts receivable from completed construction contracts and other | 316,060                   | -                                     | -                                      | -                   |
| Investment securities:  |                           |                                       |  |                     |
| Held-to-maturity securities (Japanese government bonds)                               | -                         | 170                                   | 109                                    | -                   |
| Available-for-sale securities with contractual maturities                             | -                         | 24                                    | -                                      | -                   |
| <b>Total</b>  | <b>\$ 524,151</b>         | <b>\$ 206</b>                         | <b>\$ 109</b>                          | <b>\$ -</b>         |

4. Repayment schedule of long-term loans payable subsequent to the consolidated balance sheet date was as follows:

| As of March 31, 2011    | Millions of yen         |                                      |   |  |   |                      |
|-------------------------|-------------------------|--------------------------------------|---|--|---|----------------------|
|                         | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Long-term loans payable | ¥ -                     | ¥ 450                                | ¥ 960                                   | ¥ 910                                    | ¥ 711                                   | ¥ -                  |

| As of March 31, 2012    | Millions of yen         |                                      |   |  |   |                      |
|-------------------------|-------------------------|--------------------------------------|---|--|---|----------------------|
|                         | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Long-term loans payable | ¥ -                     | ¥ 1,110                              | ¥ 734                                   | ¥ 131                                    | ¥ -                                     | ¥ -                  |

| As of March 31, 2012    | Thousands of U.S. dollars |                                      |   |  |   |                      |
|-------------------------|---------------------------|--------------------------------------|---|--|---|----------------------|
|                         | Due in one year or less   | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Long-term loans payable | \$ -                      | \$ 13,505                            | \$ 8,930                                | \$ 1,593                                 | \$ -                                    | \$ -                 |

8. Investment Securities Investment securities as of March 31, 2011 and 2012 consisted of the following:

| As of March 31                                  | Millions of yen |                | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
|   | 2011            | 2012           | 2012                      |
| Held-to-maturity securities                     | ¥ 24            | ¥ 24           | \$ 292                    |
| Available-for-sale securities with market value | 1,099           | 1,129          | 13,736                    |
| <b>Total</b>                                    | <b>¥ 1,123</b>  | <b>¥ 1,153</b> | <b>\$ 14,028</b>          |

The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2011 and 2012 are as follows:

| As of March 31, 2011      | Millions of yen |                 |                 |            |
|---------------------------|-----------------|-----------------|-----------------|------------|
|                           | Carrying amount | Unrealized gain | Unrealized loss | Fair value |
| Japanese government bonds | ¥ 24            | ¥ 0             | ¥ -             | ¥ 24       |

| As of March 31, 2012      | Millions of yen |                 |                 |            |
|---------------------------|-----------------|-----------------|-----------------|------------|
|                           | Carrying amount | Unrealized gain | Unrealized loss | Fair value |
| Japanese government bonds | ¥ 24            | ¥ 0             | ¥ -             | ¥ 25       |

| As of March 31, 2012      | Thousands of U.S. dollars |                 |                 |            |
|---------------------------|---------------------------|-----------------|-----------------|------------|
|                           | Carrying amount           | Unrealized gain | Unrealized loss | Fair value |
| Japanese government bonds | \$ 292                    | \$ 0            | \$ -            | \$ 304     |

The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2011 and 2012 are as follows:

| As of March 31, 2011 | Millions of yen |                 |                 |                  |
|----------------------|-----------------|-----------------|-----------------|------------------|
|                      | Carrying amount | Unrealized gain | Unrealized loss | Acquisition cost |
| Equity securities    | ¥ 1,096         | ¥ 293           | ¥ (131)         | ¥ 933            |
| Other                | 3               | 1               | -               | 1                |
| <b>Total</b>         | <b>¥ 1,099</b>  | <b>¥ 294</b>    | <b>¥ (131)</b>  | <b>¥ 935</b>     |

| As of March 31, 2012 | Millions of yen |                 |                 |                  |
|----------------------|-----------------|-----------------|-----------------|------------------|
|                      | Carrying amount | Unrealized gain | Unrealized loss | Acquisition cost |
| Equity securities    | ¥ 1,126         | ¥ 339           | ¥ (121)         | ¥ 909            |
| Other                | 2               | 0               | -               | 1                |
| <b>Total</b>         | <b>¥ 1,129</b>  | <b>¥ 339</b>    | <b>¥ (121)</b>  | <b>¥ 911</b>     |

| As of March 31, 2012 | Thousands of U.S. dollars |                 |                   |                  |
|----------------------|---------------------------|-----------------|-------------------|------------------|
|                      | Carrying amount           | Unrealized gain | Unrealized loss   | Acquisition cost |
| Equity securities    | \$ 13,699                 | \$ 4,124        | \$ (1,472)        | \$ 11,059        |
| Other                | 24                        | 0               | -                 | 12               |
| <b>Total</b>         | <b>\$ 13,736</b>          | <b>\$ 4,124</b> | <b>\$ (1,472)</b> | <b>\$ 11,084</b> |

Note: Impairment loss on marketable equity securities which are categorized as available-for-sale securities was recognized in the amount of ¥32 million and ¥17 million (\$206 thousand) for the years ended March 31, 2011 and 2012, respectively.

Available-for-sale securities which were sold during the years ended March 31, 2011 and 2012 are as follows:

|                | Millions of yen |      | Thousands of U.S. dollars |
|----------------|-----------------|------|---------------------------|
|                | 2011            | 2012 | 2012                      |
| Sales proceeds | ¥ 1             | ¥ 6  | \$ 73                     |
| Gain on sales  | -               | -    | -                         |
| Loss on sales  | 0               | 2    | 24                        |

## 9. Retirement Benefits

### 1) Outline of the Company's retirement benefit plans

The Company has defined benefit plans that consist of a defined benefit corporate pension plan and a lump-sum retirement benefit plan and also defined contribution pension plans. Certain consolidated subsidiaries have lump-sum benefit plans. Furthermore, the Company may pay additional retirement benefits upon the retirement of certain employees. The Company abolished the tax qualified pension plan and transferred to a defined benefit corporate pension plan and a defined contribution corporate pension plan in May 2011.

In addition, the Company participates in Tokyo Construction Welfare Pension Fund.

## 2) Projected benefit obligations

| As of March 31                     | Millions of yen |           | Thousands of U.S. dollars |
|------------------------------------|-----------------|-----------|---------------------------|
|                                    | 2011            | 2012      | 2012                      |
| Projected benefit obligations      | ¥ (4,383)       | ¥ (4,882) | \$ (59,398)               |
| Plan assets                        | 2,752           | 2,723     | 33,130                    |
| Unfunded benefit obligations       | (1,630)         | (2,159)   | (26,268)                  |
| Unrecognized actuarial differences | 783             | 1,240     | 15,086                    |
| Provision for retirement benefits  | ¥ (847)         | ¥ (918)   | \$ (11,169)               |

## 3) Retirement benefit expenses

| For the years ended March 31                 | Millions of yen |              | Thousands of U.S. dollars |
|--|-----------------|--------------|---------------------------|
|  | 2011            | 2012         | 2012                      |
| Service cost                                 | ¥ 292           | ¥ 279        | \$ 3,394                  |
| Interest cost                                | 100             | 85           | 1,034                     |
| Expected return of plan assets               | (70)            | -            | -                         |
| Amortization of actuarial differences        | 113             | 65           | 790                       |
| Subtotal                                     | 435             | 430          | 5,231                     |
| Contribution to Welfare Pension Fund         | 240             | 226          | 2,749                     |
| Loss on revision of retirement benefit plans | 162             | -            | -                         |
| <b>Total</b>                                 | <b>¥ 838</b>    | <b>¥ 657</b> | <b>\$ 7,993</b>           |

## 4) Assumption and policies used in computing projected benefit obligations

|   | 2011   | 2012  |
|---|--|---|
| Inter-period allocation method of projected benefit obligations | Straight-line basis  | <b>Straight-line basis</b>  |
| Discount rate   | 2.0%   | <b>1.0%</b>   |
| Expected rate of return on plan assets                          | 2.0%   | <b>0.0%</b>   |
| Amortization periods for actuarial differences                  | 12 years   | <b>12 years</b>   |
|   | (amortized by the straight-line method over a defined period within the range of average remaining service years of employees at the time of occurrence from the following year of occurrence) | <b>(amortized by the straight-line method over a defined period within the range of average remaining service years of employees at the time of occurrence from the following year of occurrence)</b> |



10. Deferred Tax Accounting

1) The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2012 are as follows:

| As of March 31  | Millions of yen |         | Thousands of<br>U.S. dollars |
|---|-----------------|---------|------------------------------|
|   | 2011            | 2012    | 2012                         |
| <b>Deferred tax assets:</b>                                 |                 |         |                              |
| Provision for bonuses                                       | ¥ 145           | ¥ 89    | \$ 1,082                     |
| Provision for retirement benefits                           | 331             | 323     | 3,929                        |
| Allowance for doubtful accounts                             | 131             | 122     | 1,484                        |
| Loss on valuation of real estate for sale                   | 323             | 305     | 3,710                        |
| Provision for loss on construction contracts                | 416             | 361     | 4,392                        |
| Impairment loss   | 1,535           | 1,434   | 17,447                       |
| Tax loss carryforwards                                      | 1,817           | 2,395   | 29,139                       |
| Other   | 296             | 267     | 3,248                        |
| Subtotal  | 4,998           | 5,295   | 64,423                       |
| Less: valuation allowance                                   | (3,604)         | (5,211) | (63,401)                     |
| Deferred tax assets   | ¥ 1,394         | ¥ 83    | \$ 1,009                     |
| <b>Deferred tax liabilities:</b>                            |                 |         |                              |
| Valuation difference on available-for-sale securities       | ¥ (64)          | ¥ (75)  | \$ (912)                     |
| Undistributed earnings of foreign consolidated subsidiaries | (128)           | (136)   | (1,654)                      |
| Other   | (10)            | (12)    | (146)                        |
| Deferred tax liabilities                                    | ¥ (203)         | ¥ (224) | \$ (2,725)                   |
| Net deferred tax assets (liabilities)                       | ¥ 1,190         | ¥ (140) | \$ (1,703)                   |

2) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income for the year ended March 31, 2011 is as follows:

|   | 2011   |
|---|--------|
| Normal effective statutory tax rate                         | 40.7%  |
| Expenses not deductible income tax purposes                 | 3.7    |
| Tax rate differences in foreign consolidated subsidiaries   | (13.7) |
| Undistributed earnings of foreign consolidated subsidiaries | (0.2)  |
| Inhabitant per capita taxes                                 | 2.9    |
| Income taxes for prior periods                              | 15.8   |
| Valuation allowance   | 9.4    |
| Other   | (3.5)  |
| Actual effective tax rate                                   | 55.1   |

Information for the year ended March 31, 2012 was omitted, since net loss was recorded.

3) On December 2, 2011, the "Act for Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.7% to 38.0% for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.6% for temporary differences to be eliminated on or after April 1, 2015. As a result, deferred tax assets (the amount after deducting deferred tax liabilities), deferred tax liabilities (the amount deducting deferred tax assets) and income taxes – deferred decreased by ¥0 million (\$0 thousand), ¥18 million (\$219 thousand) and ¥7 million (\$85 thousand), respectively and valuation difference on available-for-sale securities increased by ¥10 million (\$121 thousand).

11. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings, commercial facilities and residual units for lease in Tokyo, other domestic areas and overseas countries. Rental income from these real estate properties for lease for the years ended March 31, 2011 and 2012 was ¥678 million and ¥685 million (\$8,334 thousand). Rental income and related costs are included in "Sales on real estate business" and "Cost of sales on real estate business", respectively, in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2012.

The carrying amounts, changes in such balances during the year and fair values of such properties are as follows:

| As of March 31          | Millions of yen              |          | Thousands of<br>U.S. dollars |            |
|-------------------------|------------------------------|----------|------------------------------|------------|
|                         | 2011                         | 2012     | 2012                         |            |
| <b>Carrying amounts</b> |                              |          |                              |            |
| (Note 1):               | Beginning balance            | ¥ 14,209 | ¥ 13,889                     | \$ 168,986 |
|                         | Increase (decrease) (Note 2) | (320)    | (892)                        | (10,852)   |
|                         | Ending balance               | ¥ 13,889 | ¥ 12,997                     | \$ 158,133 |
| Fair value (Note 3)     |                              | ¥ 17,063 | ¥ 16,311                     | \$ 198,454 |

(Notes): 1. The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.  
2. Increase during the year ended March 31, 2011 primarily represents the acquisition of real estate of ¥73 million and decrease primarily represents depreciation of ¥230 million. Increase during the year ended March 31, 2012 primarily represents the acquisition of real estate of ¥131 million (\$1,593 thousand) and decrease is primarily due to the change in holding purpose from investment to internal use of ¥759 million (\$9,234 thousand) and depreciation of ¥196 million (\$2,384 thousand).  
3. Fair values of properties as of March 31, 2011 and 2012 are measured as follows:  
(1) The fair values of major domestic properties are determined based on the real estate appraisal value by independent real estate appraisers and the fair values of other properties are determined based on the internal appraisal in accordance with "Japanese Real Estate Appraisal Standard".  
(2) The fair values of overseas properties are determined based on the real estate appraisal by local independent real estate appraisers.

12. Segment Information

a. Description of reportable segments

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Companies. The Companies are active in the construction business and the real estate business in Japan and foreign countries. Therefore, the Companies consist of regional segments which are based on each business. Reportable segments of the construction business are "Japan" and "Southeast Asia", and those of the real estate business are "Japan" and "North America".

b. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment.

The accounting policies of each reportable segment are consistent to those disclosed in Note 3, "Summary of Significant Accounting Policies".

c. Information about sales, profit (loss), assets and other items is as follows:

| For the year ended<br>March 31, 2011                                   | Millions of yen     |          |           |             |         |         |                   |                         |                          |           |
|--|---------------------|----------|-----------|-------------|---------|---------|-------------------|-------------------------|--------------------------|-----------|
|  | Reportable segments |          |           |             |         |         | Other<br>(Note 1) | Adjustments<br>(Note 2) | Consolidated<br>(Note 3) |           |
|  | Construction        |          |           | Real estate |         |         |                   |                         |                          |           |
|  | Southeast           |          | Total     | North       |         | Total   |                   | Total                   |                          |           |
|  | Japan               | Asia     |           | Japan       | America |         |                   |                         |                          |           |
| Net sales:   |                     |          |           |             |         |         |                   |                         |                          |           |
| Customers  | ¥ 91,660            | ¥ 27,032 | ¥ 118,693 | ¥ 1,280     | ¥ 271   | ¥ 1,552 | ¥ 38              | ¥ 120,283               | ¥ -                      | ¥ 120,283 |
| Inter-segment  | -                   | 18       | 18        | 16          | -       | 16      | -                 | 34                      | (34)                     | -         |
| Total  | 91,660              | 27,051   | 118,712   | 1,296       | 271     | 1,568   | 38                | 120,318                 | (34)                     | 120,283   |
| Segment income (loss)  | (137)               | 901      | 764       | 520         | 133     | 653     | (12)              | 1,404                   | -                        | 1,404     |
| Segment assets   | 17,985              | 14,565   | 32,550    | 13,905      | 1,515   | 15,421  | 55                | 48,027                  | 17,204                   | 65,231    |
| Other items:   |                     |          |           |             |         |         |                   |                         |                          |           |
| Depreciation   | ¥ 99                | ¥ 74     | ¥ 173     | ¥ 193       | ¥ 27    | ¥ 221   | ¥ 0               | ¥ 395                   | ¥ -                      | ¥ 395     |
| Impairment loss  | -                   | -        | -         | 10          | -       | 10      | -                 | 10                      | -                        | 10        |
| Increase in property,<br>plant, and equipment<br>and intangible assets | 14                  | 39       | 54        | 79          | 0       | 79      | 0                 | 133                     | -                        | 133       |

(Notes): 1. "Other" is a business segment not included in the reportable segments and it is insurance agent business.

2. An adjustment of "Segment assets" in an amount of ¥17,204 million is corporate assets which are not allocated to each reportable segment and consists of surplus fund (cash and deposits), long-term investment fund (investment securities and insurance funds) and deferred tax assets of the Company.

3. Segment income (loss) is reconciled with operating income in the accompanying consolidated statements of income.

| For the year ended<br>March 31, 2012                                   | Millions of yen     |          |           |             |         |         |                   |                         |                          |           |
|--|---------------------|----------|-----------|-------------|---------|---------|-------------------|-------------------------|--------------------------|-----------|
|  | Reportable segments |          |           |             |         |         | Other<br>(Note 1) | Adjustments<br>(Note 2) | Consolidated<br>(Note 3) |           |
|  | Construction        |          |           | Real estate |         |         |                   |                         |                          |           |
|  | Southeast           |          | Total     | North       |         | Total   |                   | Total                   |                          |           |
|  | Japan               | Asia     |           | Japan       | America |         |                   |                         |                          |           |
| Net sales:   |                     |          |           |             |         |         |                   |                         |                          |           |
| Customers  | ¥ 71,256            | ¥ 37,208 | ¥ 108,464 | ¥ 1,588     | ¥ 258   | ¥ 1,847 | ¥ 32              | ¥ 110,344               | ¥ -                      | ¥ 110,344 |
| Inter-segment  | -                   | 17       | 17        | 17          | -       | 17      | -                 | 34                      | (34)                     | -         |
| Total  | 71,256              | 37,226   | 108,482   | 1,605       | 258     | 1,864   | 32                | 110,379                 | (34)                     | 110,344   |
| Segment income (loss)  | (1,645)             | 1,242    | (403)     | 513         | 122     | 635     | (2)               | 229                     | -                        | 229       |
| Segment assets   | 21,135              | 18,929   | 40,064    | 13,851      | 1,580   | 15,432  | 53                | 55,551                  | 10,286                   | 65,838    |
| Other items:   |                     |          |           |             |         |         |                   |                         |                          |           |
| Depreciation   | ¥ 102               | ¥ 71     | ¥ 174     | ¥ 170       | ¥ 25    | ¥ 196   | ¥ 0               | ¥ 371                   | ¥ -                      | ¥ 371     |
| Impairment loss  | -                   | -        | -         | 27          | -       | 27      | -                 | 27                      | -                        | 27        |
| Increase in property,<br>plant, and equipment<br>and intangible assets | 62                  | 86       | 149       | 118         | 12      | 130     | 0                 | 280                     | -                        | 280       |

Thousands of U.S. dollars

| For the year ended<br>March 31, 2012                                   | Thousands of U.S. dollars |            |              |             |          |           |                   |                         |                          |              |
|--|---------------------------|------------|--------------|-------------|----------|-----------|-------------------|-------------------------|--------------------------|--------------|
|  | Reportable segments       |            |              |             |          |           | Other<br>(Note 1) | Adjustments<br>(Note 2) | Consolidated<br>(Note 3) |              |
|  | Construction              |            |              | Real estate |          |           |                   |                         |                          |              |
|  | Southeast                 |            | Total        | North       |          | Total     |                   | Total                   |                          |              |
|  | Japan                     | Asia       |              | Japan       | America  |           |                   |                         |                          |              |
| Net sales:   |                           |            |              |             |          |           |                   |                         |                          |              |
| Customers  | \$ 866,966                | \$ 452,707 | \$ 1,319,673 | \$ 19,321   | \$ 3,139 | \$ 22,472 | \$ 389            | \$ 1,342,547            | \$ -                     | \$ 1,342,547 |
| Inter-segment  | -                         | 206        | 206          | 206         | -        | 206       | -                 | 413                     | (413)                    | -            |
| Total  | 866,966                   | 452,926    | 1,319,892    | 19,527      | 3,139    | 22,679    | 389               | 1,342,973               | (413)                    | 1,342,547    |
| Segment income (loss)  | (20,014)                  | 15,111     | (4,903)      | 6,241       | 1,484    | 7,726     | (24)              | 2,786                   | -                        | 2,786        |
| Segment assets   | 257,148                   | 230,307    | 487,455      | 168,524     | 19,223   | 187,760   | 644               | 675,885                 | 125,149                  | 801,046      |
| Other items:   |                           |            |              |             |          |           |                   |                         |                          |              |
| Depreciation   | \$ 1,241                  | \$ 863     | \$ 2,117     | \$ 2,068    | \$ 304   | \$ 2,384  | \$ 0              | \$ 4,513                | \$ -                     | \$ 4,513     |
| Impairment loss  | -                         | -          | -            | 328         | -        | 328       | -                 | 328                     | -                        | 328          |
| Increase in property,<br>plant, and equipment<br>and intangible assets | 754                       | 1,046      | 1,812        | 1,435       | 146      | 1,581     | 0                 | 3,406                   | -                        | 3,406        |

(Notes): 1. "Other" is a business segment not included in the reportable segments and it is insurance agent business.

2. An adjustment of "Segment assets" in an amount of ¥10,286 million (\$125,149 thousand) is corporate assets which are not allocated to each reportable segment and consists of surplus fund (cash and deposits) and long-term investment fund (investment securities and insurance funds) of the Company.

3. Segment income (loss) is reconciled with operating income in the accompanying consolidated statements of income.

13. Per Share Information

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income (loss) per share is not presented for the years ended March 31, 2011 and 2012 since the Company had no potentially dilutive shares outstanding as of the balance sheet dates.

Net assets per share is computed based on the number of shares of common stock outstanding as of the balance sheet dates.

Net assets and net income (loss) per share for the years ended March 31, 2011 and 2012 were as follows:

|                                   | Yen      |          | U.S. dollars |      |
|-----------------------------------|----------|----------|--------------|------|
|                                   | 2011     | 2012     | 2011         | 2012 |
| For the years ended March 31      |          |          |              |      |
| Net assets per share              | ¥ 337.52 | ¥ 271.14 | \$ 3.29      |      |
| Basic net income (loss) per share | 18.58    | (58.88)  | (0.71)       |      |

(Notes): 1. Net assets per share is calculated based on the following information:

|  | Millions of yen |         | Thousands of U.S. dollars |      |
|--|-----------------|---------|---------------------------|------|
|  | 2011            | 2012    | 2011                      | 2012 |
| As of March 31   |                 |         |                           |      |
| Total net assets   | ¥ 11,914        | ¥ 9,710 | \$ 118,140                |      |
| Deductions from total net assets:  |                 |         |                           |      |
| Minority interests   | (307)           | (386)   | (4,696)                   |      |
| Net assets attributable to common stock  | 11,607          | 9,323   | 113,432                   |      |
| Number of shares of common stock used in computing net assets per share (in thousand shares) | 34,389          | 34,386  |                           |      |

2. Net income (loss) per share is calculated based on the following information:

|   | Millions of yen |           | Thousands of U.S. dollars |      |
|---|-----------------|-----------|---------------------------|------|
|   | 2011            | 2012      | 2011                      | 2012 |
| For the years ended March 31  |                 |           |                           |      |
| Net income (loss)   | ¥ 639           | ¥ (2,024) | \$ (24,625)               |      |
| Amount not attributable to common stock shareholders                          | -               | -         | -                         |      |
| Net income (loss) attributable to common stock                                | 639             | (2,024)   | (24,625)                  |      |
| Average number of shares of common stock during the year (in thousand shares) | 34,391          | 34,387    |                           |      |

14. Bonds Payable

Short-term and long-term bonds payable as of March 31, 2011 and 2012 consisted of the following:

| Issuer and Issue type          | Issue date    | Millions of yen |       | Thousands of U.S. dollars | Interest rate (%) | Collateral | Maturity      |
|--------------------------------|---------------|-----------------|-------|---------------------------|-------------------|------------|---------------|
|                                |               | 2011            | 2012  | 2012                      |                   |            |               |
| (Nakano Corporation)           |               |                 |       |                           |                   |            |               |
| 4 <sup>th</sup> unsecured bond | Sep. 30, 2010 | ¥ 400           | ¥ 200 | \$ 2,433                  | (Note) 2          | None       | Mar. 29, 2013 |
| with early redemption clause   |               | (200)           | (200) | (2,433)                   |                   |            |               |
| 5 <sup>th</sup> unsecured bond | Sep. 30, 2010 | 400             | 200   | 2,433                     | (Note) 2          | None       | Mar. 29, 2013 |
| with early redemption clause   |               | (200)           | (200) | (2,433)                   |                   |            |               |
| 6 <sup>th</sup> unsecured bond | Sep. 30, 2010 | 320             | 160   | 1,946                     | (Note) 2          | None       | Mar. 29, 2013 |
| with early redemption clause   |               | (160)           | (160) | (1,946)                   |                   |            |               |
| Total                          |               | ¥ 1,120         | ¥ 560 | \$ 6,813                  |                   |            |               |
|                                |               | (560)           | (560) | (6,813)                   |                   |            |               |

(Notes): 1. ( ) denotes the amount expected to be redeemed within one year.

2. The interest rate of bonds from 4<sup>th</sup> to 6<sup>th</sup> unsecured bonds is 0.55% p.a. for the period from October 1, 2010 through March 31, 2011 and the interest rate for the subsequent interest period is set to be a rate computed by deducting 1.00% p.a. from the short-term prime rate on the second preceding banking day ("Interest rate base date") from the starting date of the interest calculation period. However, if such interest rate is less than the interest rate which is added by 0.10% p.a. to 6 month TIBOR (p.a.) of Japanese yen ("Minimum interest rate") at the interest rate base date, the minimum interest rate will be applied.

3. The following is a summary of maturities of bonds subsequent to March 31, 2012:

| Year ending March 31 | Millions of yen |     | Thousands of U.S. dollars |       |
|----------------------|-----------------|-----|---------------------------|-------|
| 2013                 | ¥               | 560 | \$                        | 6,813 |
| 2014 and thereafter  |                 | -   |                           | -     |
| Total                | ¥               | 560 | \$                        | 6,813 |

15. Loans Payable and Other Debts

Short-term loans payable, long-term loans payable and other debts as of March 31, 2011 and 2012 are as follows:

| As of March 31                                    | Millions of yen |                | Thousands of U.S. dollars |      | Average interest rate (%) | Maturity                      |
|---|-----------------|----------------|---------------------------|------|---------------------------|-------------------------------|
|   | 2011            | 2012           | 2011                      | 2012 |                           |                               |
| Short-term loans payable                          | ¥ 3,305         | ¥ 4,480        | \$ 54,507                 |      | 2.28                      |                               |
| Current portion of long-term loans payable        | 450             | 550            | 6,691                     |      | 1.85                      |                               |
| Current portion of lease obligations              | 54              | 28             | 340                       |      | -                         |                               |
| Long-term loans payable excluding current portion | 3,031           | 1,975          | 24,029                    |      | 2.12                      | Sep. 30, 2013 - Mar. 31, 2016 |
| Lease obligations excluding current portion       | 28              | 7              | 85                        |      | -                         | Apr. 30, 2013 - Oct. 31, 2016 |
| <b>Total</b>                                      | <b>¥ 6,869</b>  | <b>¥ 7,041</b> | <b>\$ 85,667</b>          |      |                           |                               |

(Notes): 1. "Average interest rate" represents the weighted average interest rate on loans payable outstanding as of the balance sheet date. "Average interest rate" of lease obligations is not shown since interest equivalent amounts included in the aggregated lease premiums are allocated to each fiscal year using the straight-line method.

2. The following is a summary of annual maturities of loans payable and lease obligations subsequent to March 31, 2012:

| Years ending March 31 | Millions of yen         |                   | Thousands of U.S. dollars |                   |
|-----------------------|-------------------------|-------------------|---------------------------|-------------------|
|                       | Long-term loans payable | Lease obligations | Long-term loans payable   | Lease obligations |
| 2013                  | ¥ 550                   | ¥ 28              | \$ 6,691                  | \$ 340            |
| 2014                  | 1,110                   | 2                 | 13,505                    | 24                |
| 2015                  | 734                     | 2                 | 8,930                     | 24                |
| 2016                  | 131                     | 2                 | 1,593                     | 24                |
| 2017                  | -                       | 0                 | -                         | 0                 |
| 2018 and thereafter   | -                       | -                 | -                         | -                 |
| <b>Total</b>          | <b>¥ 2,525</b>          | <b>¥ 36</b>       | <b>\$ 30,721</b>          | <b>\$ 438</b>     |

16. Subsequent Events

At the Annual General Meeting of Shareholders held on June 28, 2012, it was resolved to distribute the year-end cash dividends of ¥3 (\$0.03) per share of common stock of the Company.

The aggregate amount of such cash dividends is ¥103 million (\$1,253 thousand).

SUPPLEMENTAL INFORMATION  
**NONCONSOLIDATED BALANCE SHEETS**

NAKANO CORPORATION  
As of March 31, 2011 and 2012

|  | Millions of yen |                 | Thousands of U.S. dollars |      |
|--|-----------------|-----------------|---------------------------|------|
|  | 2011            | 2012            | 2011                      | 2012 |
| <b>Assets</b>  |                 |                 |                           |      |
| <b>Current assets:</b>   |                 |                 |                           |      |
| Cash and deposits  | ¥ 13,323        | ¥ 7,777         | \$ 94,622                 |      |
| Notes receivable-trade   | 949             | 859             | 10,451                    |      |
| Accounts receivable from completed construction contracts                  | 12,543          | 16,431          | 199,914                   |      |
| Costs on uncompleted construction contracts                                | 2,280           | 1,535           | 18,676                    |      |
| Real estate for sale   | -               | 550             | 6,691                     |      |
| Costs on real estate business  | 668             | 201             | 2,445                     |      |
| Raw materials and supplies   | 25              | 23              | 279                       |      |
| Short-term loans receivable to subsidiaries and affiliates                 | 15              | 10              | 121                       |      |
| Accounts receivable-other  | 659             | 524             | 6,375                     |      |
| Other  | 1,257           | 953             | 11,595                    |      |
| Allowance for doubtful accounts  | (255)           | (256)           | (3,114)                   |      |
| <b>Total current assets</b>  | <b>31,465</b>   | <b>28,610</b>   | <b>348,095</b>            |      |
| <b>Noncurrent assets:</b>  |                 |                 |                           |      |
| Property, plant and equipment  |                 |                 |                           |      |
| Buildings  | 6,613           | 6,692           | 81,421                    |      |
| Accumulated depreciation   | (3,228)         | (3,358)         | (40,856)                  |      |
| Buildings, net   | 3,384           | 3,333           | 40,552                    |      |
| Structures   | 228             | 236             | 2,871                     |      |
| Accumulated depreciation   | (175)           | (184)           | (2,238)                   |      |
| Structures, net  | 53              | 51              | 620                       |      |
| Machinery and equipment  | 179             | 179             | 2,177                     |      |
| Accumulated depreciation   | (172)           | (175)           | (2,129)                   |      |
| Machinery and equipment, net   | 7               | 4               | 48                        |      |
| Vehicles   | 23              | 23              | 279                       |      |
| Accumulated depreciation   | (19)            | (21)            | (255)                     |      |
| Vehicles, net  | 3               | 1               | 12                        |      |
| Tools, furniture and fixtures  | 424             | 430             | 5,231                     |      |
| Accumulated depreciation   | (388)           | (396)           | (4,818)                   |      |
| Tools, furniture and fixtures, net   | 35              | 33              | 401                       |      |
| Land   | 10,275          | 10,259          | 124,820                   |      |
| Lease assets   | 209             | 217             | 2,640                     |      |
| Accumulated depreciation   | (129)           | (182)           | (2,214)                   |      |
| Lease assets, net  | 79              | 34              | 413                       |      |
| <b>Total property, plant and equipment</b>                                 | <b>13,840</b>   | <b>13,719</b>   | <b>166,918</b>            |      |
| <b>Intangible assets</b>   |                 |                 |                           |      |
| <b>Total intangible assets</b>   | <b>119</b>      | <b>116</b>      | <b>1,411</b>              |      |
| <b>Investments and other assets</b>  |                 |                 |                           |      |
| Investment securities  | 2,292           | 2,324           | 28,275                    |      |
| Stocks of subsidiaries and affiliates                                      | 2,274           | 2,670           | 32,485                    |      |
| Long-term loans receivable from subsidiaries and affiliates                | 675             | 664             | 8,078                     |      |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 178             | 176             | 2,141                     |      |
| Insurance funds  | 144             | 148             | 1,800                     |      |
| Other  | 1,307           | 482             | 5,864                     |      |
| Allowance for doubtful accounts  | (452)           | (467)           | (5,681)                   |      |
| <b>Total investments and other assets</b>                                  | <b>6,419</b>    | <b>5,999</b>    | <b>72,989</b>             |      |
| <b>Total noncurrent assets</b>   | <b>20,379</b>   | <b>19,835</b>   | <b>241,331</b>            |      |
| <b>Total assets</b>  | <b>¥ 51,845</b> | <b>¥ 48,445</b> | <b>589,426</b>            |      |

|   | Millions of yen |          | Thousands of<br>U.S. dollars |
|---|-----------------|----------|------------------------------|
|   | 2011            | 2012     | 2012                         |
| <b>Liabilities</b>                                      |                 |          |                              |
| <b>Current liabilities:</b>                             |                 |          |                              |
| Notes payable-trade                                     | ¥ 13,792        | ¥ 15,854 | \$ 192,894                   |
| Accounts payable for construction contracts             | 12,604          | 10,068   | 122,496                      |
| Current portion of bonds                                | 560             | 560      | 6,813                        |
| Short-term loans payable                                | 3,755           | 5,030    | 61,199                       |
| Income taxes payable                                    | 40              | 45       | 547                          |
| Advances received on uncompleted construction contracts | 3,978           | 3,971    | 48,314                       |
| Provision for warranties for completed construction     | 138             | 108      | 1,314                        |
| Provision for loss on construction contracts            | 1,022           | 951      | 11,570                       |
| Provision for bonuses                                   | 353             | 221      | 2,688                        |
| Other   | 716             | 1,107    | 13,468                       |
| Total current liabilities                               | 36,961          | 37,918   | 461,345                      |
| <b>Noncurrent liabilities:</b>                          |                 |          |                              |
| Long-term loans payable                                 | 3,031           | 1,975    | 24,029                       |
| Deferred tax liabilities                                | -               | 69       | 839                          |
| Provision for retirement benefits                       | 814             | 849      | 10,329                       |
| Long-term deposits received                             | 599             | 489      | 5,949                        |
| Other   | 767             | 185      | 2,250                        |
| Total noncurrent liabilities                            | 5,212           | 3,568    | 43,411                       |
| Total liabilities                                       | 42,173          | 41,486   | 504,757                      |
| <b>Net assets</b>                                       |                 |          |                              |
| <b>Shareholders' equity:</b>                            |                 |          |                              |
| Capital stock   | ¥ 5,061         | ¥ 5,061  | \$ 61,576                    |
| Capital surplus   |                 |          |                              |
| Legal capital surplus                                   | 1,400           | 1,400    | 17,033                       |
| Total capital surpluses                                 | 1,400           | 1,400    | 17,033                       |
| Retained earnings                                       |                 |          |                              |
| Other retained earnings                                 |                 |          |                              |
| Retained earnings brought forward                       | 3,159           | 405      | 4,927                        |
| Total retained earnings                                 | 3,159           | 405      | 4,927                        |
| Treasury stock  | (27)            | (27)     | (328)                        |
| Total shareholders' equity                              | 9,593           | 6,838    | 83,197                       |
| <b>Valuation and translation adjustments:</b>           |                 |          |                              |
| Valuation difference on available-for-sale securities   | 77              | 120      | 1,460                        |
| Total valuation and translation adjustments             | 77              | 120      | 1,460                        |
| Total net assets  | 9,671           | 6,958    | 84,657                       |
| Total liabilities and net assets                        | ¥ 51,845        | ¥ 48,445 | \$ 589,426                   |

## NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2011 and 2012

|   | Millions of yen |           | Thousands of<br>U.S. dollars |
|---|-----------------|-----------|------------------------------|
|   | 2011            | 2012      | 2012                         |
| <b>Net sales:</b>                                   |                 |           |                              |
| Net sales of completed construction contracts       | ¥ 92,355        | ¥ 72,381  | \$ 880,654                   |
| Sales on real estate business                       | 1,215           | 1,530     | 18,615                       |
| Total net sales                                     | 93,571          | 73,911    | 899,269                      |
| <b>Cost of sales:</b>                               |                 |           |                              |
| Cost of sales of completed construction contracts   | 88,438          | 70,134    | 853,315                      |
| Cost of sales on real estate business               | 682             | 1,003     | 12,203                       |
| Total cost of sales                                 | 89,121          | 71,137    | 865,518                      |
| <b>Gross profit:</b>                                |                 |           |                              |
| Gross profit on completed construction contracts    | 3,916           | 2,247     | 27,339                       |
| Gross profit-real estate business                   | 532             | 527       | 6,411                        |
| Total gross profit                                  | 4,449           | 2,774     | 33,751                       |
| <b>Selling, general and administrative expenses</b> |                 |           |                              |
|   | 4,406           | 4,150     | 50,492                       |
| Operating income (loss)                             | 43              | (1,376)   | (16,741)                     |
| <b>Non-operating income:</b>                        |                 |           |                              |
| Interest income                                     | 58              | 22        | 267                          |
| Dividends income                                    | 575             | 644       | 7,835                        |
| Other   | 39              | 27        | 328                          |
| Total non-operating income                          | 674             | 695       | 8,456                        |
| <b>Non-operating expenses:</b>                      |                 |           |                              |
| Interest expenses                                   | 184             | 161       | 1,958                        |
| Other   | 64              | 16        | 194                          |
| Total non-operating expenses                        | 249             | 178       | 2,165                        |
| Ordinary income (loss)                              | 467             | (859)     | (10,451)                     |
| <b>Extraordinary income:</b>                        |                 |           |                              |
| Gain on sales of noncurrent assets                  | 5               | 9         | 109                          |
| Other   | 508             | -         | -                            |
| Total extraordinary income                          | 514             | 9         | 109                          |
| <b>Extraordinary loss:</b>                          |                 |           |                              |
| Compensation for damages                            | -               | 39        | 474                          |
| Loss on disaster                                    | 56              | 191       | 2,323                        |
| Loss on construction                                | -               | 67        | 815                          |
| Other   | 448             | 93        | 1,131                        |
| Total extraordinary losses                          | 504             | 391       | 4,757                        |
| Income (loss) before income taxes                   | 477             | (1,242)   | (15,111)                     |
| <b>Income taxes:</b>                                |                 |           |                              |
| Income taxes-current                                | 42              | 31        | 377                          |
| Income taxes-deferred                               | 109             | 1,274     | 15,500                       |
| Total income taxes                                  | 151             | 1,305     | 15,877                       |
| <b>Net income (loss)</b>                            | ¥ 325           | ¥ (2,548) | \$ (31,001)                  |

## CORPORATE PROFILE

As of March 31, 2012

### Company Outline

|                  |   |
|------------------|---|
| Company Name     | NAKANO CORPORATION  |
| Headquarters     | 4-2-28 Kudan-kita, Chiyoda-ku, Tokyo 102-0073, Japan                  |
| Foundation       | 8th February 1933   |
| Established      | 19th December 1942  |
| Paid-in Capital  | ¥5,061,678,686  |
| Employees        | 1,169   |
| Stock Listing    | Tokyo Stock Exchange, First Section                                   |
| Primary Business | Domestic Construction Projects<br>International Construction Projects |

### Board of Directors

|                             |                  |                    |
|-----------------------------|------------------|--------------------|
| Honorary Chairman           | Yoshikazu Oshima |                    |
| President                   | Akira Asai       |                    |
| Directors                   | Makoto Yasuhiro  | Toshihide Kurokawa |
|                             | Koichiro Nakano  | Yorinobu Kato      |
| Standing Corporate Auditors | Masaru Kono      | Tadayoshi Watanabe |
| Corporate Auditors          | Shunichi Sato    | Kohei Yamaya       |

### Main Affiliated Financial Institutions

|  |  |
|--|--|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | Mitsubishi UFJ Trust and Banking Corporation |
| Mizuho Corporate Bank, Ltd.            | The Bank of Yokohama, Ltd.                   |
| The Shoko Chukin Bank, Ltd.            | The 77 Bank, Ltd.                            |

### Major Shareholders

|  |   |
|--|---|
| Oshima Scholarship Foundation            | Kanto Kogyo Co., Ltd.                   |
| Yoshikazu Oshima                         | Marine Dream Co., Ltd.                  |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.   | Nakano Employee Shareholder Association |
| Nakano Investment Fraternity Association | Japan Trustee Services Bank, Ltd.       |

### Domestic Offices

|                          |  |
|--------------------------|--|
| Headquarters             | Higashi Kanto Branch Office            |
| Tokyo Main Office        | Kita Kanto Branch Office               |
| Civil Engineering Office | Yokohama Branch Office                 |
| Tohoku Regional Office   | Ibaraki Branch Office                  |
| Nagoya Regional Office   | Taito Branch Office                    |
| Osaka Regional Office    | Kita Tohoku Branch Office              |
| Kyushu Regional Office   | Sales Offices (Mie, Hyogo, Kitakyushu) |
| Hokkaido Branch Office   |  |

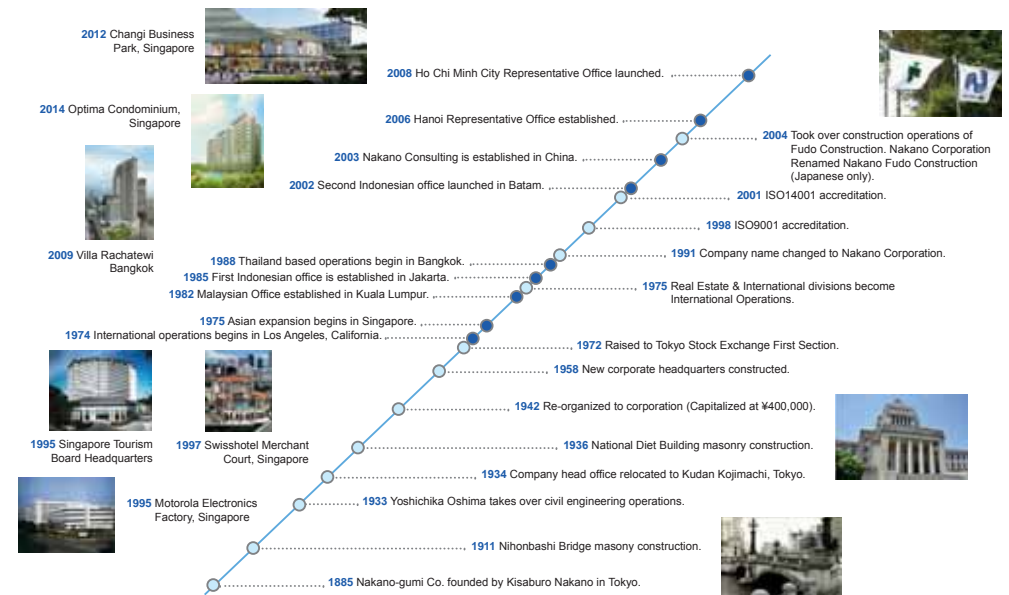
### International Offices

|  |   |
|--|---|
| Nakano International Corporation (USA)   | PT. Indonakano (Indonesia)                          |
| Nakano Singapore (Pte.) Ltd. (Singapore) | PT. Nakano S Batam (Indonesia)                      |
| Nakano Construction Sdn. Bhd. (Malaysia) | Nakano Consulting Shanghai Co., Ltd. (China)        |
| Thai Nakano Co., Ltd. (Thailand)         | Representative Office in Ho Chi Minh City (Vietnam) |
|  | Hanoi Representative Office (Vietnam)               |

### Industry Affiliations

|  |  |
|--|--|
| Japan Federation of Construction Contractors | National General Contractors Association of Japan      |
| The Associated General Contractors of Tokyo  | Japan Associated of Representative General Contractors |
| The Associated General Contractors of Osaka  |  |

## COMPANY HISTORY



## INVESTOR INFORMATION

As of March 31, 2012

**Stock Listing**  
Tokyo Stock Exchange, First Section,  
Code Number 1827

**Authorized Number of Shares**  
154,792,300

**Issued Number of Shares**  
34,498,097

**Minimum Trading Unit**  
500

**Number of Shareholders**  
4,449

**Stock Transfer Agent**  
Mitsubishi UFJ Trust and Banking Corporation

### SHAREHOLDER COMPOSITION

**Financial Institutions**

4,526,749

**Securities Companies**

313,044

**Other Institutions**

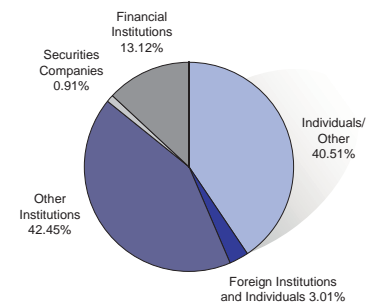
14,644,789

**Foreign Institutions and Individuals**

1,039,632

**Individuals/ Other**

13,973,883



## SHARE PRICE RANGE

