

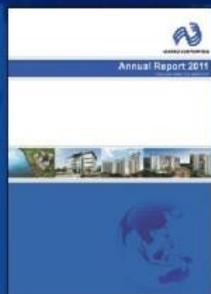
Annual Report 2014

Fiscal year ended 31st March 2014



CONTENTS

Financial Highlights	1
Report of independent Auditors	2
Consolidated Balance Sheets	3
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes In Net Assets	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Nonconsolidated Balance Sheets	28
Nonconsolidated Statements of Income	30



Annual Report 2014

For further information contact:

Nakano Corporation

International Operations Headquarters

4-2-28 Kudan-kita, Chiyoda-ku,

Tokyo 102-0073, Japan

Tel: +81-(0)3-81-3265-4685

Fax: +81-(0)3-81-3265-4698

www.wave-nakano.co.jp

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.

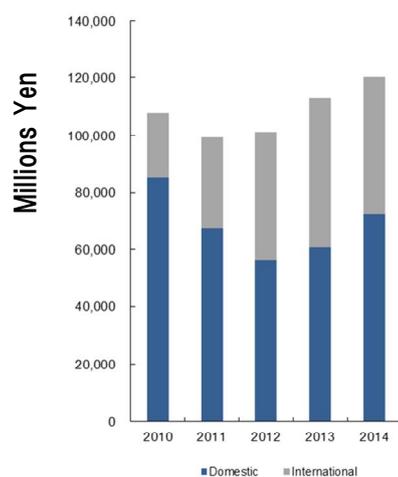
FINANCIAL HIGHLIGHTS

NAKANO CORPORATION and its subsidiaries
Years ended March 31, 2010 through 2014

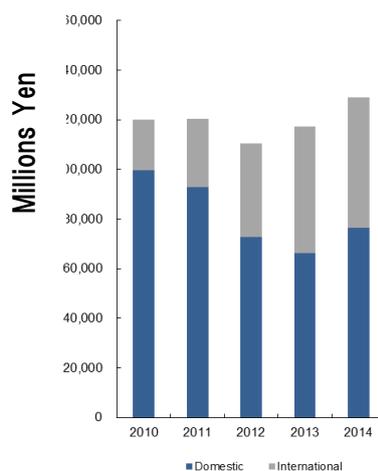
	2010	2011	2012	2013	2014	2014
	Millions of yen					Thousands of U.S. dollars
Contract awards	¥ 107,751	¥ 99,321	¥ 101,198	¥ 112,967	¥ 120,386	\$ 1,169,704
Net sales	120,186	120,283	110,344	117,254	129,177	1,255,120
Operating income	2,956	1,404	229	1,522	2,250	21,861
Ordinary income	2,740	1,362	275	1,755	2,522	24,504
Net income (loss)	1,829	639	(2,024)	653	1,543	14,992
Comprehensive income	2,007	180	(1,997)	1,958	2,267	22,026
Total net assets	11,941	11,914	9,710	11,565	12,971	126,029
Total assets	71,183	65,231	65,838	71,927	76,478	743,082
Net cash provided by (used in) operating activities	5,468	9,617	(2,462)	2,167	2,339	22,726
Net cash provided by (used in) investing activities	73	(464)	(1,371)	2,502	128	1,243
Net cash provided by (used in) financing activities	(4,058)	(1,692)	(603)	274	(258)	(2,506)
Cash and cash equivalents at end of period	12,326	19,552	15,026	22,153	25,239	245,229
					Yen	U.S. dollars
Per share of common stock (in yen and U.S. dollars)						
Net assets	¥ 336.92	¥ 337.52	¥ 271.14	¥ 319.60	¥ 354.05	\$ 3.44
Net income (loss)	53.19	18.58	(58.88)	19.01	44.89	0.43
Cash dividends applicable to the year	6.00	6.00	3.00	3.00	3.00	0.02
Number of employees	1,129	1,145	1,169	1,293	1,333	

Note: The rate of ¥102.92=US\$1.00, the foreign exchange rate on March 31, 2014, has been used for translation.

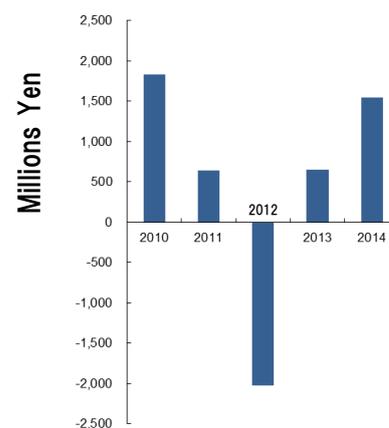
Contract Awards



Net Sales



Net Income (Loss)



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, 2014, 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, 2014, 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 29, 2014

CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries

As of March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2014	2014
Assets			
Current assets:			
Cash and deposits (Notes 4, 6 and 7)	¥ 24,203	¥ 27,205	\$ 264,331
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 7)	27,896	27,830	270,404
Securities (Notes 4, 7 and 8)	—	14	136
Costs on uncompleted construction contracts (Note 4)	1,083	1,205	11,708
Costs on real estate business	229	216	2,098
Raw materials and supplies	24	29	281
Accounts receivable-other	1,239	1,378	13,389
Other	436	1,396	13,563
Allowance for doubtful accounts	(232)	(112)	(1,088)
Total current assets	54,881	59,164	574,854
Non-current assets:			
Property, plant and equipment (Note 4)			
Buildings and structures	7,212	7,227	70,219
Machinery, vehicles, tools, furniture and fixtures	1,296	1,475	14,331
Land	10,048	10,056	97,706
Accumulated depreciation	(4,989)	(5,215)	(50,670)
Total property, plant and equipment	13,567	13,544	131,597
Intangible assets	140	330	3,206
Investments and other assets			
Investment securities (Notes 4, 7 and 8)	2,669	2,868	27,866
Long-term loans receivable	323	282	2,739
Claims provable in bankruptcy, claims provable in rehabilitation and other	32	32	310
Other	373	326	3,167
Allowance for doubtful accounts	(61)	(70)	(680)
Total investments and other assets	3,337	3,439	33,414
Total non-current assets	17,045	17,314	168,227
Total assets	¥ 71,927	¥ 76,478	\$ 743,082

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2014	2014
Liabilities			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 4 and 7)	¥ 43,390	¥ 43,919	\$ 426,729
Short-term loans payable (Notes 4, 7 and 15)	6,450	3,586	34,842
Current portion of bonds (Note 14)	—	80	777
Income taxes payable	772	182	1,768
Advances received on uncompleted construction contracts	4,337	6,459	62,757
Provision for warranties for completed construction	92	106	1,029
Provision for loss on construction contracts (Note 4)	266	81	787
Provision for bonuses	167	365	3,546
Other (Note 15)	1,201	1,114	10,823
Total current liabilities	56,677	55,895	543,091
Non-current liabilities:			
Bonds payable (Notes 14)	—	280	2,720
Long-term loans payable (Notes 4, 7 and 15)	1,525	3,939	38,272
Deferred tax liabilities (Note 10)	390	565	5,489
Provision for retirement benefits	1,012	—	—
Net defined benefit liability (Note 9)	—	1,876	18,227
Other (Note 15)	756	949	9,220
Total non-current liabilities	3,684	7,610	73,940
Total liabilities	60,362	63,506	617,042
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 49,174
Capital surplus	1,400	1,400	13,602
Retained earnings	5,511	6,952	67,547
Less-Treasury stock, at cost			
116,435 shares in 2013 and 119,489 shares in 2014	(28)	(29)	(281)
Total shareholders' equity	11,944	13,384	130,042
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	336	474	4,605
Foreign currency translation adjustment	(1,292)	(930)	(9,036)
Remeasurements of defined benefit plans	—	(756)	(7,345)
Total accumulated other comprehensive income	(956)	(1,212)	(11,776)
Minority interests:	576	799	7,763
Total net assets	11,565	12,971	126,029
Total liabilities and net assets	¥ 71,927	¥ 76,478	\$ 743,082

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2014	2014
Net sales:			
Net sales of completed construction contracts	¥ 115,363	¥ 128,113	\$ 1,244,782
Sales on real estate business (Note 11)	1,861	1,033	10,036
Sales on other business	29	31	301
Total net sales	117,254	129,177	1,255,120
Cost of sales:			
Cost of sales of completed construction contracts (Note 5)	110,188	121,923	1,184,638
Cost of sales on real estate business (Note 11)	1,050	417	4,051
Cost of sales on other business	23	24	233
Total cost of sales	111,262	122,365	1,188,933
Gross profit:			
Gross profit on completed construction contracts	5,175	6,189	60,134
Gross profit-real estate business	810	616	5,985
Gross profit-other business	5	6	58
Total gross profit	5,992	6,812	66,187
Selling, general and administrative expenses (Note 5)	4,470	4,561	44,315
Operating income	1,522	2,250	21,861
Non-operating income:			
Interest income	119	215	2,089
Dividends income	59	33	320
Foreign exchange gains	112	237	2,302
Amortization of negative goodwill	57	—	—
Other	69	43	417
Total non-operating income	418	529	5,139
Non-operating expenses:			
Interest expenses	172	222	2,157
Other	12	35	340
Total non-operating expenses	185	257	2,497
Ordinary income	1,755	2,522	24,504
Extraordinary income:			
Gain on sales of non-current assets (Note 5)	1,400	2	19
Gain on sales of investment securities	—	37	359
Total extraordinary income	1,400	40	388
Extraordinary losses:			
Provision of allowance for doubtful accounts	—	19	184
Loss on litigation	19	83	806
Other	891	14	136
Total extraordinary losses	911	116	1,127
Income before income taxes and minority interests	2,245	2,446	23,766
Income taxes:			
Income taxes-current	1,373	685	6,655
Refund of income taxes for prior periods	—	(78)	(757)
Income taxes-deferred (Note 10)	141	65	631
Total income taxes	1,514	672	6,529
Income before minority interests	731	1,773	17,226
Minority interests in income	77	230	2,234
Net income	¥ 653	¥ 1,543	\$ 14,992

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2014	2014
Income before minority interests	¥ 731	¥ 1,773	\$ 17,226
Other comprehensive income:			
Valuation difference on available-for-sale securities	196	138	1,340
Foreign currency translation adjustment	1,030	354	3,439
Total other comprehensive income	1,227	493	4,790
Comprehensive income	1,958	2,267	22,026
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	1,768	2,043	19,850
Comprehensive income attributable to minority interests	189	223	2,166

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, 2013 and 2014

Millions of yen

	Shareholders' Equity					Accumulated other comprehensive income					Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available -for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 31, 2012	¥ 5,061	¥ 1,400	¥ 4,961	¥ (27)	¥ 11,395	¥ 140	¥ (2,211)	-	¥ (2,071)	¥ 386	¥ 9,710	
Dividends from surplus			(103)		(103)						(103)	
Net income			653		653						653	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						196	919		1,115	189	1,304	
Total changes of items during the period	-	-	550	(0)	549	196	919	-	1,115	189	1,854	
Balance as at March 31, 2013	¥ 5,061	¥ 1,400	¥ 5,511	¥ (28)	¥ 11,944	¥ 336	¥ (1,292)	-	¥ (956)	¥ 576	¥ 11,565	
Dividends from surplus			(103)		(103)						(103)	
Net income			1,543		1,543						1,543	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						138	361	(756)	(256)	223	(33)	
Total changes of items during the period	-	-	1,440	(0)	1,439	138	361	(756)	(256)	223	1,406	
Balance as at March 31, 2014	¥ 5,061	¥ 1,400	¥ 6,952	¥ (29)	¥ 13,384	¥ 474	¥ (930)	¥ (756)	¥ (1,212)	¥ 799	¥ 12,971	

Thousands of U.S. dollars (Note 2)

	Shareholders' Equity					Accumulated other comprehensive income					Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available -for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 31, 2013	\$ 49,174	\$ 13,602	\$ 53,546	\$ (272)	\$ 116,051	\$ 3,264	\$ (12,553)	-	\$ (9,288)	\$ 5,596	\$ 112,368	
Dividends from surplus			(1,000)		(1,000)						(1,000)	
Net income			14,992		14,992						14,992	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						1,340	3,507	(7,345)	(2,487)	2,166	(320)	
Total changes of items during the period	-	-	13,991	(0)	13,981	1,340	3,507	(7,345)	(2,487)	2,166	13,661	
Balance as at March 31, 2014	\$ 49,174	\$ 13,602	\$ 67,547	\$ (281)	\$ 130,042	\$ 4,605	\$ (9,036)	\$ (7,345)	\$ (11,776)	\$ 7,763	\$ 126,029	

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2014	2014
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥ 2,245	¥ 2,446	\$ 23,766
Adjustments for:			
Depreciation and amortization	317	293	2,846
Amortization of negative goodwill	(57)	—	—
Increase (decrease) in allowance for doubtful accounts	8	(110)	(1,068)
Increase in provision for retirement benefits	82	—	—
Increase in net defined benefit liability	—	112	1,088
Decrease in provision for loss on construction contracts	(684)	(184)	(1,787)
Interest and dividends income	(179)	(249)	(2,419)
Interest expenses	172	222	2,157
Decrease in notes and accounts receivable-trade	23	77	748
Decrease (increase) in costs on uncompleted construction contracts	559	(131)	(1,272)
Decrease in other inventories	562	8	77
Increase (decrease) in notes and accounts payable-trade	2,207	(287)	(2,788)
Increase (decrease) in advances received on uncompleted construction contracts	(1,142)	2,143	20,821
Other, net	(1,316)	(871)	(8,462)
Subtotal	2,800	3,470	33,715
Interest and dividends income received	179	249	2,419
Interest expenses paid	(172)	(221)	(2,147)
Income taxes paid	(639)	(1,159)	(11,261)
Net cash provided by operating activities	2,167	2,339	22,726
Net cash provided by (used in) investing activities:			
Payments into time deposits	(3,503)	(3,161)	(30,713)
Proceeds from withdrawal of time deposits	3,760	3,370	32,743
Purchase of property, plant and equipment	(426)	(108)	(1,049)
Other, net	2,672	28	272
Net cash provided by investing activities	2,502	128	1,243
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	1,320	(3,000)	(29,148)
Proceeds from long-term loans payable	150	3,200	31,092
Repayment of long-term loans payable	(500)	(650)	(6,315)
Proceeds from issuance of bonds	—	391	3,799
Redemption of bonds	(560)	(40)	(388)
Cash dividends paid	(103)	(103)	(1,000)
Other, net	(32)	(57)	(553)
Net cash provided by (used in) financing activities	274	(258)	(2,506)
Effect of exchange rate change on cash and cash equivalents	2,182	876	8,511
Net increase in cash and cash equivalents	7,126	3,085	29,974
Cash and cash equivalents at beginning of period	15,026	22,153	215,244
Cash and cash equivalents at end of period (Note 6)	¥ 22,153	¥ 25,239	\$ 245,229

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 2013 financial statements to conform to the classifications used in 2014.

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 ¥102.92 to U.S.\$1, the rate of exchange prevailing at March 31, 2014, 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 12 subsidiaries as of March 31, 2014. The consolidated financial statements for the year ended March 31, 2014 include the accounts of the Company and all subsidiaries. The Company had 2 affiliates as of March 31, 2014. As of March 31, 2014, 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.

b. Securities

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, 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.

Costs on real estate business and raw materials and supplies are stated at cost determined by the specific identification method for costs on 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.

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 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. Accounting for Retirement Benefits

In computing projected benefit obligations, the estimated amounts of retirement benefit obligations are attributed to periods on a straight-line basis.

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

In determining net defined benefit liability and retirement benefit expenses, certain consolidated subsidiaries adopt a short-cut method where the amount required for voluntary termination of employees at the fiscal year end is regarded as projected benefit obligations.

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, 2014 was ¥118,300 million (\$1,149,436 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. Accounting change

(Change in accounting treatment for retirement benefits)

Effective March 31, 2014, the Company applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012), except for the provisions stated in Paragraph 35 of ASBJ Statement No. 26 and Paragraph 67 of ASBJ Guidance No. 25, and recorded projected benefit obligations, net of plan assets, as net defined benefit liability, recognizing unrecognized actuarial differences as net defined benefit liability.

Pursuant to the transitional treatments prescribed in Paragraph 37 of ASBJ Statement No. 26, the Company adjusted the effects from the changes to remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result, the Company recorded net defined benefit liability of ¥1,876 million (\$18,227 thousand). Accumulated other comprehensive income decreased by ¥756 million (\$7,345 thousand).

The effects on per share information are described in Note 13.

o. Accounting Standards Issued but not yet Adopted

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

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

1) Overview

The Standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service cost, the calculation methods for projected benefit obligations and service cost, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

2) Scheduled date of adoption

Revisions to the calculation methods for projected benefit obligations and service cost are scheduled to be adopted from the beginning of the year ending March 31, 2015.

3) Effects of adopting revised accounting standard and guidance

As a result of this adoption, net defined benefit liability are expected to decrease by ¥616 million (\$5,985 thousand) and retained earnings are expected to increase by ¥616 million (\$5,985 thousand) at the beginning of the fiscal year ending March 31, 2015. The effect on the profit and loss for the year ending March 31, 2015 is expected to be immaterial.

4. Notes to Consolidated Balance Sheets

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

As of March 31	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Cash and deposits	¥ 202	¥ 202	\$ 1,962
Notes receivable	801	950	9,230
Securities	—	14	136
Buildings	1,792	1,760	17,100
Land	8,365	8,350	81,130
Investment securities	1,070	1,506	14,632
Total	¥ 12,233	¥ 12,784	\$ 124,212
Short-term loans payable	¥ 4,750	¥ 2,220	\$ 21,570
Long-term loans payable	1,325	3,555	34,541
Total	¥ 6,075	¥ 5,775	\$ 56,111

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

As of March 31	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Securities	¥ —	¥ 14	\$ 136
Investment securities	24	9	87
Total	¥ 24	¥ 24	\$ 233

2) The Companies are contingently liable for the following:

As of March 31	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Guarantees to financial institutions, etc. to ensure the completion of construction contracts of Nakano Singapore (Pte.) Ltd. and its subsidiaries	¥ 5,411	¥ 4,547	\$ 44,179
Guarantees of deposits	—	559	5,431
Guarantee on employees' housing loan	0	0	0
Total	¥ 5,411	¥ 5,107	\$ 49,621

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.

4) The following notes receivable and payable matured on March 31, 2013 are included in the respective accounts, since March 31, 2013 fall on a bank holiday:

As of March 31	Millions of Yen		Thousands of
	2013	2014	U.S. dollars
Notes receivable	¥ 31	¥ —	\$ —
Notes payable	2,766	—	—

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:

For the year ended March 31	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Provision for loss on construction contracts	¥ 16	¥ 0	\$ 0

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

For the years ended March 31	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Depreciation	¥ 107	¥ 135	\$ 1,311
Provision for bonuses	68	147	1,428
Retirement benefit expenses	296	305	2,963
Employees' salaries and allowances	2,185	2,269	22,046

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

For the year ended March 31	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Research and development costs	¥ 23	¥ 13	\$ 126

4) "Gain on sales of non-current assets" consisted of the following:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Land	¥ 460	¥ —	\$ —
Buildings	939	—	—
Vehicles	0	2	19
Other	0	—	—
Total	¥ 1,400	¥ 2	\$ 19

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:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and deposits per consolidated balance sheets	¥ 24,203	¥ 27,205	\$ 264,331
Less: Time deposits maturing over three months	(2,049)	(1,966)	(19,102)
Cash and cash equivalents per consolidated statements of cash flows	¥ 22,153	¥ 25,239	\$ 245,229

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 securities and 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, 2013 and 2014 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, 2013	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 24,203	¥ 24,203	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	27,896	27,896	—
(3) Investment securities			
Held-to-maturity securities	24	25	0
Available-for-sale securities	1,434	1,434	—
Assets total	53,557	53,558	0
(1) Notes payable, accounts payable for construction contracts and other	43,390	43,390	—
(2) Short-term loans payable	6,450	6,450	—
(3) Long-term loans payable	1,525	1,525	—
Liabilities total	51,365	51,365	—
Derivative transactions	—	—	—

March 31, 2014	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 27,205	¥ 27,205	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	27,830	27,830	—
(3) Securities and Investment securities			
Held-to-maturity securities	24	25	0
Available-for-sale securities	1,647	1,647	—
Assets total	56,709	56,709	0
(1) Notes payable, accounts payable for construction contracts and other	43,919	43,919	—
(2) Short-term loans payable	3,586	3,586	—
(3) Long-term loans payable	3,939	3,939	—
Liabilities total	51,444	51,444	—
Derivative transactions	—	—	—

March 31, 2014	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 264,331	\$ 264,331	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	270,404	270,404	—
(3) Securities and Investment securities			
Held-to-maturity securities	233	242	9
Available-for-sale securities	16,002	16,002	—
Assets total	550,971	550,981	9
(1) Notes payable, accounts payable for construction contracts and other	426,729	426,729	—
(2) Short-term loans payable	34,842	34,842	—
(3) Long-term loans payable	38,272	38,272	—
Liabilities total	499,844	499,844	—
Derivative transactions	—	—	—

(Notes):

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

Assets:

- (1) 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.
- (3) Securities and 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 securities and investment securities classified by the management's intent of holding are described in Note 8 "Securities and Investment Securities".

Liabilities:

- (1) 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.
- (3) 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.

2. 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
	2013	2014	U.S. dollars
Unlisted equity securities	¥ 1,210	¥ 1,210	\$ 11,756

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

3. Redemption schedule for monetary assets and securities with contractual maturities after balance sheet date

As of March 31, 2013	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	¥ 24,203	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	27,896	—	—	—
Investment securities:				
Held-to-maturity securities (Japanese government bonds)	—	14	9	—
Available-for-sale securities with contractual maturities	—	2	—	—
Total	¥ 52,099	¥ 17	¥ 9	¥ —

As of March 31, 2014	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	¥ 27,205	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	27,830	—	—	—
Securities and Investment securities:				
Held-to-maturity securities (Japanese government bonds)	14	—	9	—
Available-for-sale securities with contractual maturities	—	2	—	—
Total	¥ 55,051	¥ 2	¥ 9	¥ —

	Thousands of U.S. dollars			
As of March 31, 2014	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	\$ 264,331	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	270,404	—	—	—
Securities and Investment securities:				
Held-to-maturity securities (Japanese government bonds)	136	—	87	—
Available-for-sale securities with contractual maturities	—	19	—	—
Total	\$ 534,891	\$ 19	\$ 87	\$ —

4. Repayment schedule of short-term loans payable and long-term loans payable after balance sheet date

	Millions of yen					
As of March 31, 2013	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
Short-term loans payable	¥ 6,450	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	500	1,025	—	—	—

	Millions of yen					
As of March 31, 2014	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
Short-term loans payable	¥ 3,586	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	1,311	2,628	—	—	—

	Thousands of U.S. dollars					
As of March 31, 2014	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
Short-term loans payable	\$ 34,842	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	—	12,738	25,534	—	—	—

8. Securities

Securities and Investment securities as of March 31, 2013 and 2014 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Held-to-maturity securities	¥ 24	¥ 24	\$ 233
Available-for-sale securities with market value	1,434	1,647	16,002
Total	¥ 1,458	¥ 1,672	\$ 16,245

The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2013 and 2014 are as follows:

As of March 31, 2013	Millions of yen			
	Carrying amount	Unrealized gain	Unrealized loss	Fair value
Japanese government bonds	¥ 24	¥ 0	¥ —	¥ 25

As of March 31, 2014	Millions of yen			
	Carrying amount	Unrealized gain	Unrealized loss	Fair value
Japanese government bonds	¥ 24	¥ 0	¥ —	¥ 25

As of March 31, 2014	Thousands of U.S. dollars			
	Carrying amount	Unrealized gain	Unrealized loss	Fair value
Japanese government bonds	\$ 233	\$ 9	\$ —	\$ 242

The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2013 and 2014 are as follows:

As of March 31, 2013	Millions of yen			
	Carrying amount	Unrealized gain	Unrealized loss	Acquisition cost
Equity securities	¥ 1,431	¥ 594	¥ (72)	¥ 909
Other	2	0	—	1
Total	¥ 1,434	¥ 595	¥ (72)	¥ 911

As of March 31, 2014	Millions of yen			
	Carrying amount	Unrealized gain	Unrealized loss	Acquisition cost
Equity securities	¥ 1,645	¥ 794	¥ (57)	¥ 907
Other	2	0	—	1
Total	¥ 1,647	¥ 795	¥ (57)	¥ 909

As of March 31, 2014	Thousands of U.S. dollars			
	Carrying amount	Unrealized gain	Unrealized loss	Acquisition cost
Equity securities	\$ 15,983	\$ 7,714	\$ (553)	\$ 8,812
Other	19	9	—	9
Total	\$ 16,002	\$ 7,724	\$ (553)	\$ 8,832

Available-for-sale securities which were sold during the years ended March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Sales proceeds	¥ 22	¥ 39	\$ 378
Gain on sales	—	37	359
Loss on sales	3	—	—

9. Retirement Benefits

For the year ended March 31 2013:

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.

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

2) Projected benefit obligations

As of March 31	Millions of yen
	2013
Projected benefit obligations	¥ (5,182)
Plan assets	2,988
Unfunded benefit obligations	(2,193)
Unrecognized actuarial differences	1,181
Provision for retirement benefits	¥ (1,012)

3) Retirement benefit expenses

For the year ended March 31	Millions of yen
	2013
Service cost (Note)	¥ 308
Interest cost	47
Expected return of plan assets	—
Amortization of actuarial differences	108
Subtotal	465
Contribution to Welfare Pension Fund	213
Contribution to the defined contribution pension plan	57
Total	¥ 735

Note: Retirement benefit expenses of consolidated subsidiaries which adopt a short-cut method are included in "Service cost".

4) Assumption and policies used in computing projected benefit obligations

	2013
Inter-period allocation method of projected benefit obligations	Straight-line basis
Discount rate	1.0%
Expected rate of return on plan assets	0.0%
Amortization periods for actuarial differences	12 years (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)

For the year ended March 31 2014:

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 participates in Tokyo Construction Welfare Pension Fund as a multi-employer plan. If the plan assets corresponding to the Company's contribution cannot be reasonably determined, such plan is accounted for in the same manner as the defined contribution plans.

With respect to lump-sum benefit plans adopted by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the short-cut method.

2) Defined Benefit Plans

1. The changes in projected benefit obligations for the year ended March 31, 2014 are as follows (excluding the plans to which a sort-cut method is applied):

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Beginning balance of projected benefit obligations	¥ 5,057	\$ 49,135
Service cost	257	2,497
Interest cost	50	485
Actuarial differences	(131)	(1,272)
Retirement benefits paid	(242)	(2,351)
Ending balance of projected benefit obligations	¥ 4,991	\$ 48,493

2. The changes in plan assets for the year ended March 31, 2014 are as follows (excluding the plans to which a short-cut method is applied):

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Beginning balance of plan assets	¥ 2,988	\$ 29,032
Expected return of plan assets	—	—
Actuarial differences	180	1,748
Contribution from the employer	342	3,322
Retirement benefits paid	(242)	(2,351)
Ending balance of plan assets	¥ 3,268	\$ 31,752

3. The changes in net defined benefit liability of the plans to which the short-cut method is applied for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Beginning balance of net defined benefit liability	¥ 125	\$ 1,214
Retirement benefit expenses	36	349
Retirement benefits paid	(6)	(58)
Ending balance of net defined benefit liability	¥ 154	\$ 1,496

4. Reconciliation between the ending balances of projected benefit obligations and plan assets and net defined benefit liability recorded in the consolidated balance sheet

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded projected benefit obligations	¥ 4,991	\$ 48,493
Plan assets	(3,268)	(31,752)
	¥ 1,722	\$ 16,731
Unfunded projected benefit obligations	154	1,496
Net liability recorded in the consolidated balance sheet	¥ 1,876	\$ 18,227
Net defined benefit liability	¥ 1,876	\$ 18,227
Net liability recorded in the consolidated balance sheet	¥ 1,876	\$ 18,227

(Note) Above amounts include plans to which the short-cut method is applied.

5. The components of retirement benefit expenses for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 257	\$ 2,497
Interest cost	50	485
Expected return of plan assets	—	—
Amortization of actuarial differences	112	1,088
Retirement benefit expenses computed by the short-cut method	36	349
Retirement benefit expenses on defined benefit plans	¥ 456	\$ 4,430

6. Remeasurements of defined benefit plans

The component of remeasurements of defined benefit plans (before adjusting for tax effects) is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial differences	¥ 756	\$ 7,345

7. Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2014
Bonds	61%
Equity securities	26
Insurance assets (general account)	11
Other	2
Total	100

b. Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8. Actuarial assumptions used for the year ended March 31, 2014 are set forth as follows:

	2014
Discount rate	1.0%
Long-term expected rate of return on plan assets	0.0

3) Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company is ¥55 million (\$534 thousand).

4) Multi-employer Plans

The amount of the required contribution to the Welfare Pension Fund Plans of multi-employer plans which are accounted for in the same manner as defined contribution plans is ¥216 million (\$2,098 thousand).

10. Deferred Tax Accounting

1) The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2014 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2014	2014	
Deferred tax assets:				
Provision for bonuses	¥ 63	¥ 130	\$	1,263
Provision for retirement benefits	323	—		—
Net defined benefit liability	—	631		6,130
Allowance for doubtful accounts	67	63		612
Loss on valuation of real estate for sale	310	288		2,798
Provision for loss on construction contracts	101	29		281
Impairment loss	1,648	1,658		16,109
Tax loss carryforwards	2,551	2,399		23,309
Other	228	255		2,477
Subtotal	5,294	5,457		53,021
Less: valuation allowance	(5,294)	(5,422)		(52,681)
Deferred tax assets	¥ 0	¥ 34	\$	330
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	¥ (184)	¥ (261)	\$	(2,535)
Undistributed earnings of foreign consolidated subsidiaries	(194)	(290)		(2,817)
Other	(12)	(15)		(145)
Deferred tax liabilities	¥ (390)	¥ (568)	\$	(5,518)
Net deferred tax liabilities	¥ (390)	¥ (533)	\$	(5,178)

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, 2013 and 2014 are as follows:

	2013	2014
Normal effective statutory tax rate	38.0%	38.0%
Expenses not deductible income tax purposes	3.9	2.1
Tax rate differences in foreign consolidated subsidiaries	(5.9)	(13.1)
Undistributed earnings of foreign consolidated subsidiaries	2.6	4.0
Inhabitant per capita taxes	1.6	1.5
Refund of income taxes for prior periods	—	(3.2)
Valuation allowance	17.0	(4.2)
Other	10.2	2.4
Actual effective tax rate	67.4	27.5

3) Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate:

The New Tax Reform Act proclaimed on March 31, 2014 repealed the Special Recovery Tax from the fiscal year beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from 38.0% to 35.6% for the temporary differences estimated to be settled in the fiscal year beginning on April 1, 2014. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥0 million (\$ 0 thousand) and income taxes – deferred increased by the same amount.

11. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings, commercial facilities and residual units for lease in Tokyo and other areas. Rental income from these real estate properties for lease for the years ended March 31, 2013 and 2014 were ¥695 million and ¥552 million (\$5,363 thousand), respectively. 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, 2013 and 2014.

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
	2013	2014	U.S. dollars
Carrying amounts (Note 1):			2014
Beginning balance	¥ 12,997	¥ 10,825	\$ 105,178
Increase (decrease) (Note 2)	(2,171)	(123)	(1,195)
Ending balance	¥ 10,825	¥ 10,701	\$ 103,973
Fair value (Note 3)	¥ 12,929	¥ 13,026	\$ 126,564

(Notes):

- The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.
- Increase during the year ended March 31, 2013 primarily represents the acquisition of real estate of ¥135 million and decrease is primarily due to sale of real estate of ¥1,368 million, and the change in holding purpose from investment to internal use of ¥873 million.
Increase during the year ended March 31, 2014 primarily represents the acquisition of real estate of ¥37 million (\$359 thousand) and decrease is primarily due to the change in holding purpose from investment to internal use of ¥20 million (\$194 thousand) and depreciation of ¥132 million (\$1,282 thousand).
- Fair values of properties as of March 31, 2013 and 2014 are measured as follows:
The fair values of major 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 value in accordance with “Japanese Real Estate Appraisal Standard” as well as internal appraisal.

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 (Singapore, Malaysia, Indonesia, Thailand and Vietnam etc.)", and those of the real estate business are "Japan" and "North America (USA)".

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 March 31, 2013	Millions of yen									
	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate						
Japan	Southeast Asia	Total	Japan	North America	Total					
Net sales:										
Customers	¥ 64,752	¥ 50,611	¥ 115,363	¥ 1,613	¥ 248	¥ 1,861	¥ 29	¥ 117,254	¥ -	¥ 117,254
Inter-segment	-	18	18	16	-	16	-	35	(35)	-
Total	64,752	50,629	115,382	1,629	248	1,878	29	117,290	(35)	117,254
Segment income (loss)	(669)	1,532	862	563	97	661	(1)	1,522	-	1,522
Segment assets	20,706	27,967	48,674	11,515	2,246	13,762	53	62,489	9,437	71,927
Other items:										
Depreciation	¥ 79	¥ 50	¥ 130	¥ 150	¥ 36	¥ 187	¥ 0	¥ 317	¥ -	¥ 317
Impairment loss	855	-	855	21	-	21	-	877	-	877
Increase in property, plant, and equipment and intangible assets	281	82	364	36	95	131	0	496	-	496

(Notes):

- "Other" is a business segment not included in the reportable segments and it is insurance agent business.
- An adjustment of "Segment assets" in an amount of ¥9,437 million 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.
- Segment income (loss) is reconciled with operating income in the accompanying consolidated statements of income.

Millions of yen

For the year ended March 31, 2014	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate						
	Japan	Southeast Asia	Total	Japan	North America	Total				
Net sales:										
Customers	¥ 75,443	¥ 52,670	¥ 128,113	¥ 1,033	¥ -	¥ 1,033	¥ 31	¥ 129,177	¥ -	¥ 129,177
Inter-segment	-	18	18	21	-	21	-	39	(39)	-
Total	75,443	52,688	128,131	1,054	-	1,054	31	129,217	(39)	129,177
Segment income (loss)	193	1,606	1,800	527	(77)	449	0	2,250	-	2,250
Segment assets	23,123	28,377	51,500	11,364	1,654	13,019	50	64,570	11,907	76,478
Other items:										
Depreciation	¥ 91	¥ 64	¥ 156	¥ 136	¥ 0	¥ 137	¥ 0	¥ 293	¥ -	¥ 293
Impairment loss	-	-	-	8	-	8	-	8	-	8
Increase in property, plant, and equipment and intangible assets	352	81	434	39	0	39	1	475	-	475

Thousands of U.S. dollars

For the year ended March 31, 2014	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate						
	Japan	Southeast Asia	Total	Japan	North America	Total				
Net sales:										
Customers	\$ 733,025	\$ 511,756	\$ 1,244,782	\$ 10,036	\$ -	\$ 10,036	\$ 301	\$ 1,255,120	\$ -	\$ 1,255,120
Inter-segment	-	174	174	204	-	204	-	378	(378)	-
Total	733,025	511,931	1,244,957	10,240	-	10,240	301	1,255,509	(378)	1,255,120
Segment income (loss)	1,875	15,604	17,489	5,120	(748)	4,362	0	21,861	-	21,861
Segment assets	224,669	275,719	500,388	110,415	16,070	126,496	485	627,380	115,691	743,082
Other items:										
Depreciation	\$ 884	\$ 621	\$ 1,515	\$ 1,321	\$ 0	\$ 1,331	\$ 0	\$ 2,846	\$ -	\$ 2,846
Impairment loss	-	-	-	77	-	77	-	77	-	77
Increase in property, plant, and equipment and intangible assets	3,420	787	4,216	378	0	378	9	4,615	-	4,615

(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 ¥11,907 million (\$115,691 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 per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is not presented for the years ended March 31, 2013 and 2014 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 per share for the years ended March 31, 2013 and 2014 were as follows:

For the years ended March 31	Yen		U.S. dollars
	2013	2014	2014
Net assets per share	¥ 319.60	¥ 354.05	\$ 3.44
Basic net income per share	19.01	44.89	0.43

(Notes):

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Total net assets	¥ 11,565	¥ 12,971	\$ 126,029
Deductions from total net assets:			
Minority interests	(576)	(799)	(7,763)
Net assets attributable to common stock	¥ 10,988	¥ 12,171	\$ 118,256
Number of shares of common stock used in computing net assets per share (in thousand shares)	34,381	34,378	34,378

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net income	¥ 653	¥ 1,543	\$ 14,992
Amount not attributable to common stock shareholders	—	—	—
Net income attributable to common stock	¥ 653	¥ 1,543	\$ 14,992
Average number of shares of common stock during the year (in thousand shares)	34,383	34,380	34,380

3. As noted in "Accounting change", in Note 3 "Summary of Significant Accounting Policies" the Company applied the revised accounting standard for retirement benefits and its guidance and follows the transitional treatments prescribed in Paragraph 37 of ASBJ Statement No. 26.

As a result, net assets per share decreased by ¥22.01 (\$0.21) at March 31, 2014.

14. Bonds Payable

Short-term and long-term bonds payable as of March 31, 2013 and 2014 consisted of the following:

Issuer and Issue type	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
		2013	2014	2014			
(Nakano Corporation) 7 th unsecured bond	Sep.30, 2013	—	360	3,497	0.64	None	Sep. 28, 2018
		(—)	(80)	(777)			
Total		¥ —	¥ 360	\$ 3,497			
		(—)	(80)	(777)			

(Notes):

- () denotes the amount expected to be redeemed within one year.
- The following is a summary of maturities of bonds subsequent to March 31, 2014:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥ 80	\$ 777
2016	80	777
2017	80	777
2018	80	777
2019	40	388
2020 and thereafter	—	—
Total	¥ 360	\$ 3,497

15. Loans Payable and Other Debts

Short-term loans payable, long-term loans payable and other debts as of March 31, 2013 and 2014 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2013	2014	2014	2014		
Short-term loans payable	¥ 5,800	¥ 2,800	\$ 27,205		1.89	—
Current portion of long-term loans payable	650	786	7,636		1.82	—
Current portion of lease obligations	15	85	825		—	—
Long-term loans payable excluding current portion	1,525	3,939	38,272		2.00	Apr. 30, 2015 - Dec. 27, 2016
Lease obligations excluding current portion	54	253	2,458		—	Oct. 31, 2015 - Feb. 26, 2021
Total	¥ 8,044	¥ 7,864	\$ 76,408		—	—

(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, 2014:

Years ending March 31	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease obligations	Long-term loans payable	Lease obligations
2015	¥ 786	¥ 85	\$ 7,636	\$ 825
2016	1,311	85	12,738	825
2017	2,628	83	25,534	806
2018	—	64	—	621
2019	—	18	—	174
2020 and thereafter	—	1	—	9
Total	¥ 4,725	¥ 339	\$ 45,909	\$ 3,293

16. Subsequent Events

At the Annual General Meeting of Shareholders held on June 27, 2014, it was resolved to distribute the year-end cash dividends of ¥3 (\$0.02) per share of common stock of the Company.

The aggregate amount of such cash dividends is ¥103 million (\$1,000 thousand).

17. Other Information

The Company has been sued from a Japanese company for the existence of defects in the buildings for which the Company has warranty for defects in Japan. A Japanese company has requested the Company to pay approximately ¥1.7 billion (\$16,517 thousand) as claim for liability for damages which replaces the repair for damages, and the case is now under dispute.

The Company believes that such defects do not exist as a Japanese company insists and intends to proceed with the lawsuit appropriately.

SUPPLEMENTAL INFORMATION
NONCONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION

As of March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Assets			
Current assets:			
Cash and deposits	¥ 6,595	¥ 8,999	\$ 87,436
Notes receivable-trade	1,401	2,018	19,607
Accounts receivable from completed construction contracts	15,713	15,792	153,439
Securities	—	14	136
Costs on uncompleted construction contracts	906	1,203	11,688
Costs on real estate business	191	182	1,768
Raw materials and supplies	24	29	281
Short-term loans receivable from subsidiaries and affiliates	10	10	97
Accounts receivable-other	530	597	5,800
Other	439	1,116	10,843
Allowance for doubtful accounts	(232)	(112)	(1,088)
Total current assets	25,581	29,850	290,031
Non-current assets:			
Property, plant and equipment			
Buildings	6,665	6,670	64,807
Accumulated depreciation	(3,532)	(3,686)	(35,814)
Buildings, net	3,133	2,984	28,993
Structures	230	231	2,244
Accumulated depreciation	(189)	(196)	(1,904)
Structures, net	41	35	340
Machinery and equipment	175	175	1,700
Accumulated depreciation	(171)	(172)	(1,671)
Machinery and equipment, net	3	2	19
Vehicles	23	23	223
Accumulated depreciation	(22)	(23)	(223)
Vehicles, net	0	0	0
Tools, furniture and fixtures	433	451	4,382
Accumulated depreciation	(406)	(407)	(3,954)
Tools, furniture and fixtures, net	27	43	417
Land	9,707	9,707	94,315
Lease assets	52	202	1,962
Accumulated depreciation	(6)	(37)	(359)
Lease assets, net	46	164	1,593
Total property, plant and equipment	12,961	12,937	125,699
Intangible assets			
Total intangible assets	130	318	3,089
Investments and other assets			
Investment securities	2,597	2,767	26,884
Stocks of subsidiaries and affiliates	2,670	2,670	25,942
Long-term loans receivable from subsidiaries and affiliates	653	642	6,237
Claims provable in bankruptcy, claims provable in rehabilitation and other	32	32	310
Insurance funds	152	104	1,010
Other	437	398	3,867
Allowance for doubtful accounts	(343)	(352)	(3,420)
Total investments and other assets	6,199	6,263	60,853
Total non-current assets	19,291	19,519	189,652
Total assets	¥ 44,872	¥ 49,370	\$ 479,692

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Liabilities			
Current liabilities:			
Notes payable-trade	¥ 14,027	¥ 13,013	\$ 126,438
Accounts payable for construction contracts	8,970	11,178	108,608
Short-term loans payable	6,450	3,586	34,842
Current portion of bonds	—	80	777
Income taxes payable	50	96	932
Advances received on uncompleted construction contracts	3,449	5,814	56,490
Provision for warranties for completed construction	92	106	1,029
Provision for loss on construction contracts	266	81	787
Provision for bonuses	166	362	3,517
Other	892	909	8,832
Total current liabilities	34,363	35,228	342,285
Non-current liabilities:			
Bonds payable	—	280	2,720
Long-term loans payable	1,525	3,939	38,272
Deferred tax liabilities	175	242	2,351
Provision for retirement benefits	907	991	9,628
Long-term deposits received	495	505	4,906
Other	223	406	3,944
Total non-current liabilities	3,328	6,364	61,834
Total liabilities	37,691	41,593	404,129
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 49,174
Capital surplus			
Legal capital surplus	1,400	1,400	13,602
Total capital surpluses	1,400	1,400	13,602
Retained earnings			
Other retained earnings			
Retained earnings brought forward	435	912	8,861
Total retained earnings	435	912	8,861
Less-Treasury stock, at cost			
116,435 shares in 2013 and 119,489 shares in 2014	(28)	(29)	(281)
Total shareholders' equity	6,868	7,345	71,366
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	312	432	4,197
Total valuation and translation adjustments	312	432	4,197
Total net assets	7,180	7,777	75,563
Total liabilities and net assets	¥ 44,872	¥ 49,370	\$ 479,692

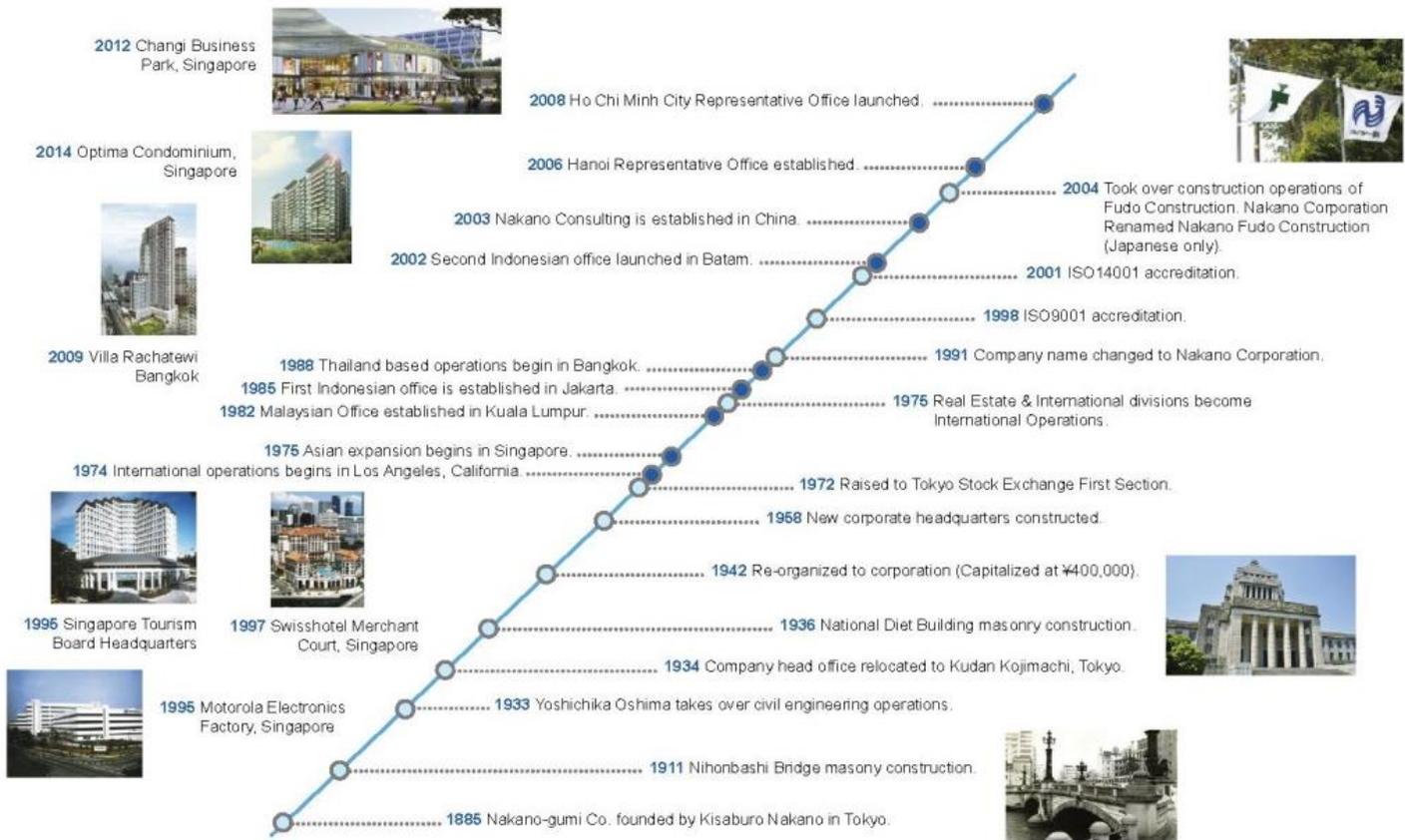
NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Net sales:			2014
Net sales of completed construction contracts	¥ 65,807	¥ 75,991	\$ 738,350
Sales on real estate business	1,577	985	9,570
Total net sales	67,385	76,977	747,930
Cost of sales:			
Cost of sales of completed construction contracts	63,000	72,394	703,400
Cost of sales on real estate business	989	442	4,294
Total cost of sales	63,990	72,837	707,705
Gross profit:			
Gross profit on completed construction contracts	2,807	3,596	34,939
Gross profit-real estate business	588	542	5,266
Total gross profit	3,395	4,139	40,215
Selling, general and administrative expenses	3,802	3,739	36,329
Operating income (loss)	(407)	399	3,876
Non-operating income:			
Interest income	21	21	204
Dividends income	1,505	339	3,293
Foreign exchange gains	89	172	1,671
Other	50	33	320
Total non-operating income	1,667	567	5,509
Non-operating expenses:			
Interest expenses	172	222	2,157
Other	7	20	194
Total non-operating expenses	179	242	2,351
Ordinary income	1,080	724	7,034
Extraordinary income:			
Gain on sales of investment securities	—	37	359
Total extraordinary income	—	37	359
Extraordinary losses:			
Impairment loss	855	—	—
Provision of allowance for doubtful accounts	21	19	184
Loss on litigation	19	83	806
Other	13	0	0
Total extraordinary losses	909	103	1,000
Income before income taxes	171	658	6,393
Income taxes:			
Income taxes-current	37	78	757
Income taxes-deferred	0	(0)	(0)
Total income taxes	37	78	757
Net income	¥ 133	¥ 580	\$ 5,635

COMPANY HISTORY





4-2-28 Kudan-kita, Chiyoda-ku, Tokyo 〒102-0073, Japan
Tel: +81-(0)3-3265-4685 Fax: +81-(0)3-3265-4698
www.wave-nakano.co.jp

USA

111 W Saint John St., #514 San Jose, CA 95113, USA
Tel: +1-408-286-9702 Fax: +1-408-286-9701
3020 Old Ranch Road, Suite 300, Seal Beach, CA 90740, USA
Tel: +1-562-799-5726 Fax: +60-3-9059-6277

SINGAPORE

1 Coleman St., #06-02 The Adelphi, 179803, Singapore
Tel: +65-6333-4933 Fax: +65-6338-8568

MALAYSIA

Block B, 15-4-2, Megan Salak Park Jalan 1/125E, Taman Desa Petaling, Kuala Lumpur 57100, Malaysia
Tel: +60-3-9059-6977 Fax: +60-3-9059-6277

THAILAND

17-03, 2170 Bangkok Tower, New Petchburi Road, Bangkok, Huaykwang, Bangkok 10310, Thailand
Tel: +66-2-308-0500 Fax: +66-2-308-0497

INDONESIA

1401 Wisma Tamara 14th Floor Jl. Jend. Sudirman KAV. 24, Jakarta 12920, Indonesia
Tel: +62-21-5203674 Fax: +62-21-5203670
Jalan Laksamana Bintan Komp. Tanah Mas Blok G3A Sei Panas-Batam, Indonesia
Tel: +62-0788-463004 Fax: +62-0788-463006

VIETNAM

2nd Floor New Agency Service Center's Office Building 19 Vo Van Tan Street Ward 6 District 3, Ho Chi Minh City, Vietnam
Tel: +84-8-3-930-6501 Fax: +84-8-3-930-6499
1411-1412, 14th Floor, Daeha Business Center, 360 Kim Ma Street, Ngoc Khanh Commune, Ba Dinh District, Hanoi, Vietnam
Tel: +84-4-3-724-7552/58 Fax: +84-4-3-724-7553

CHINA

Room 10A3, First World Plaza, Hongli Road West, Shenzhen 518034, China
Tel: +86-755-8296-8491 Fax: +86-755-8296-8493