DAIHO CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013 AND 2012
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KPMG AZSA LLC
September 2013

Independent Auditor's Report

To the Shareholders and Board of Directors of
DAIHO CORPORATION.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DAIHO CORPORATION and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

September 25, 2013
Tokyo, Japan

KPMG AZSA LLC

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2013**	**2012**	**2013**
Current assets:			
Cash and time deposits (Notes 14 and 18)	¥ 12,618	¥ 16,241	$ 134,163
Receivables:			
Trade notes and accounts receivable (Note 18)	55,148	51,468	586,369
Short-term loans receivable (Note 18)	70	29	744
Allowance for doubtful accounts	(331)	(297)	(3,519)
Costs on uncompleted construction contracts and other (Notes 3, 6 and 8)	2,114	2,268	22,477
Deferred tax assets (Note 12)	11	149	117
Other current assets	5,182	4,740	55,098
Total current assets	74,812	74,598	795,449
Property and equipment:			
Land (Notes 6)	7,027	7,031	74,716
Buildings and structures (Notes 6)	5,092	4,691	54,141
Machinery and equipment	8,726	8,820	92,780
Lease assets	131	25	1,393
Construction in progress	8	8	85
	20,984	20,575	223,115
Accumulated depreciation	(11,271)	(10,898)	(119,840)
Net property and equipment	9,713	9,677	103,275
Investments and other non-current assets:			
Investment securities (Notes 4, 6 ,11 and 18)	4,036	3,289	42,913
Long-term loans receivable (Note 18)	368	738	3,913
Deferred tax assets (Note 12)	20	696	213
Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 18)	40	53	425
Other non-current assets	2,031	1,669	21,595
Allowance for doubtful accounts	(1,060)	(1,058)	(11,271)
Total investments and other non-current assets	5,435	5,387	57,788
Total assets	¥ 89,960	¥ 89,662	$ 956,512

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2013 and 2012

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Bank loans (Notes 7 and 18)	¥ 5,805	¥ 6,405	$ 61,722
Trade notes and accounts payable (Notes 5 and 18)	40,733	36,939	433,099
Advances received on uncompleted contracts	6,459	8,334	68,676
Income taxes payable (Note 12)	220	42	2,339
Allowance for losses on construction contracts (Note 8)	471	578	5,008
Deposits received (Note 18)	4,914	4,483	52,249
Accrued and other current liabilities	1,265	1,020	13,451
Total current liabilities	59,867	57,801	636,544
Long-term liabilities:			
Deferred tax liabilities (Note 12)	564	323	5,997
Employees' severance and retirement benefits (Note 9)	7,311	7,266	77,735
Allowance for losses on litigation	228	60	2,424
Other long-term liabilities	2,029	2,134	21,574
Total long-term liabilities	10,132	9,783	107,730
Total liabilities	¥ 69,999	¥ 67,584	$ 744,274
Contingent liabilities (Notes 10)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock			
Authorized - 160,000,000 shares			
Issued - 67,170,143 shares	5,100	5,100	54,227
Capital surplus	3,688	3,688	39,213
Retained earnings	10,774	13,411	114,556
Less:Treasury stock, at cost	(660)	(651)	(7,017)
Accumulated other comprehensive income:			
Unrealized gains on securities, net of tax	850	372	9,038
Deferred gains or losses on hedges, net of tax	56	—	595
Foreign currency translation adjustment	(31)	—	(330)
Minority interests:	184	158	1,956
Total net assets	19,961	22,078	212,238
Total liabilities and net assets	¥ 89,960	¥ 89,662	$ 956,512

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Sales:	¥ 112,740	¥ 101,180	$ 1,198,724
Costs and expenses:			
Cost of sales	109,107	96,147	1,160,096
Selling, general and administrative expenses	4,267	4,442	45,369
	113,374	100,589	1,205,465
Operating income (loss)	(634)	591	(6,741)
Other income (expenses):			
Interest and dividend income	61	71	649
Interest expense	(167)	(187)	(1,776)
Gain and loss on sale and disposal of property and equipment	252	96	2,679
Foreign currency exchange gain (loss), net	295	(139)	3,137
Compensation for damage	—	(302)	—
Loss on litigation (Note 17)	(1,400)	(127)	(14,886)
Loss on disaster	—	(162)	—
Other, net	(32)	(100)	(340)
	(991)	(850)	(10,537)
Loss before income taxes and minority interests	(1,625)	(259)	(17,278)
Income taxes (Note 12):			
Current	167	170	1,776
Deferred	811	58	8,623
Loss before minority interests	(2,603)	(487)	(27,677)
Minority interests	26	12	276
Net Loss	¥ (2,629)	¥ (499)	$ (27,953)

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net Loss (Note 20)	¥ (41.46)	¥ (7.87)	$ (0.44)
Cash dividends applicable to the year	1.00	1.00	0.01

See accompanying notes.

DAIHO CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Loss before minority interests	¥ (2,603)	¥ (487)	$ (27,677)
Other comprehensive income: (Note 19)			
Unrealized gains on securities, net of tax	478	123	5,082
Deferred gains or losses on hedges, net of tax	56	2	596
Foreign currency translation adjustment	8	—	85
Total other comprehensive income	542	125	5,763
Comprehensive income	¥ (2,061)	¥ (362)	$ (21,914)
Comprehensive income attribute to:			
Comprehensive income attributable to owners of the parent	¥ (2,087)	¥ (374)	$ (22,190)
Comprehensive income attributable to minority interests	26	12	276

See accompanying notes.

DAIHO CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2013 and 2012

		Millions of yen								
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Foreign currency translation adjustment	Minority interests	Total
BALANCE AT APRIL 1, 2011	67,170	¥ 5,100	¥ 3,688	¥ 13,974	¥ (651)	¥ 249	¥ (2)	¥ —	¥ 148	¥ 22,506
Cash dividends paid (¥1.0 per share)	—	—	—	(64)	—	—	—	—	—	(64)
Net loss	—	—	—	(499)	—	—	—	—	—	(499)
Sale of treasury stock	—	—	—	—	1	—	—	—	—	1
Acquisition of treasury stock	—	—	—	—	(1)	—	—	—	—	(1)
Net change of items other than shareholders' equity	—	—	—	—	—	123	2	—	10	135
BALANCE AT MARCH 31, 2012	67,170	¥ 5,100	¥ 3,688	¥ 13,411	¥ (651)	¥ 372	¥ —	¥ —	¥ 158	¥ 22,078
Change of scope of consolidation	—	—	—	56	—	—	—	(39)	—	17
Cash dividends paid (¥1.0 per share)	—	—	—	(64)	—	—	—	—	—	(64)
Net loss	—	—	—	(2,629)	—	—	—	—	—	(2,629)
Disposal of treasury stock	—	—	Δ0	—	0	—	—	—	—	0
Acquisition of treasury stock	—	—	—	—	(9)	—	—	—	—	(9)
Net change of items other than shareholders' equity	—	—	—	—	—	478	56	8	26	568
BALANCE AT MARCH 31, 2013	67,170	¥ 5,100	¥ 3,688	¥ 10,774	¥ (660)	¥ 850	¥ 56	¥ (31)	¥ 184	¥ 19,961

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Foreign currency translation adjustment	Minority interests	Total
BALANCE AT APRIL 1, 2012	$ 54,227	$ 39,213	$ 142,593	$ (6,921)	$ 3,955	$ —	$ —	$ 1,680	$ 234,747
Change of scope of consolidation	—	—	596	—	—	—	(415)	—	181
Cash dividends paid ($0.01 per share)	—	—	(680)	—	—	—	—	—	(680)
Net loss	—	—	(27,953)	—	—	—	—	—	(27,953)
Disposal of treasury stock	—	Δ0	—	0	—	—	—	—	0
Acquisition of treasury stock	—	—	—	(96)	—	—	—	—	(96)
Net change of items other than shareholders' equity	—	—	—	—	5,083	595	85	276	6,039
BALANCE AT MARCH 31, 2013	$ 54,227	$ 39,213	$ 114,556	$ (7,017)	$ 9,038	$ 595	$ (330)	$ 1,956	$ 212,238

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Loss before income taxes and minority interests	¥ (1,625)	¥ (259)	$ (17,278)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	396	488	4,211
Loss on disaster	–	162	–
Loss on litigation	1,400	127	14,886
Compensation for damage	–	302	–
Interest and dividend income	(61)	(71)	(649)
Interest expense	167	187	1,776
Increase (Decrease) in allowance for doubtful accounts	53	(53)	564
Increase (Decrease) in employees' severance and retirement benefits	34	(21)	362
Foreign currency exchange (gain) loss, net	(139)	23	(1,478)
Decrease in allowance for losses on construction contracts	(107)	(611)	(1,138)
Gain and loss on sale and disposal of property and equipment	(252)	(96)	(2,679)
Increase (Decrease) in advances received on uncompleted contracts	(1,939)	3,369	(20,617)
Increase in receivables and other current assets	(4,211)	(4,895)	(44,774)
Decrease in inventories	154	1,100	1,637
Increase (Decrease) in payables and accrued expenses	3,580	(2,050)	38,065
(Increase) Decrease in other assets	(215)	944	(2,286)
Increase in other liabilities	411	575	4,370
Other, net	(114)	(79)	(1,213)
Subtotal	(2,468)	(858)	(26,241)
Interest and dividend received	61	71	648
Interest paid	(165)	(185)	(1,754)
Income taxes paid	(135)	(268)	(1,436)
Income taxes refund	262	42	2,786
Compensation for damage paid	–	(332)	–
Payments for loss on litigation	(852)	(162)	(9,059)
Payments for loss on disaster	–	(162)	–
Net cash used in operating activities	(3,297)	(1,854)	(35,056)
Cash flows from investing activities:			
Deposit in time deposits	(62)	(64)	(659)
Withdrawal from time deposits	69	95	734
Proceeds from sale of property and equipment	475	267	5,051
Payment for purchase of property and equipment	(288)	(559)	(3,062)
Purchase of investment securities	(80)	(92)	(851)
Proceeds from sale of investment securities	39	42	415
Payment for loans receivable	(8)	(35)	(85)
Collection of loans receivable	26	28	276
Other, net	33	(20)	350
Net cash (used in) provided by investing activities	204	(338)	2,169
Cash flows from financing activities:			
Net decrease in short-term debt	(600)	(600)	(6,379)
Purchase of treasury stock	(1)	(1)	(11)
Cash dividends paid	(64)	(63)	(680)
Cash dividends paid to minority interests	(1)	(1)	(11)
Other, net	(30)	(14)	(319)
Net cash used in financing activities	(696)	(679)	(7,400)
Effect of exchange rate changes on cash and cash equivalents	139	(11)	1,478
Net decrease in cash and cash equivalents	(3,650)	(2,882)	(38,809)
Cash and cash equivalents at beginning of year	16,177	19,059	172,004
Increase in cash and cash equivalents resulting from change of scope of consolidation	28	–	298
Cash and cash equivalents at end of year (Note 14)	¥ 12,555	¥ 16,177	$ 133,493

See accompanying notes.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012

1. Basis of presenting consolidated financial statements

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which is ¥94.05 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(1) Principles of consolidation
The consolidated financial statements as of March 31, 2013 include the accounts of the Company and its significant subsidiaries (6 and 8 subsidiaries in 2012 and 2013, respectively).
Thai Daiho Co., Ltd and Thai Daiho Trading Co., Ltd have been consolidated since 2013 due to increase of materiality.
Other 2 subsidiaries are not consolidated as they have no material effect on the accompanying consolidated financial statements. All significant inter-company transactions and accounts have been eliminated.

Investments in the other subsidiaries and affiliated companies are stated at costs since the Company's equity in net income or retained earnings in such companies is not material.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated by using the fair value at the time the Company acquired control of the respective subsidiaries.

(2) Inventories
Costs on uncompleted construction contracts and costs on real estate business are stated at cost as determined on a specific basis. Costs on real estate business and raw materials and supplies are measured at the lower of cost or net realizable value.

(3) Property, equipment and depreciation
Property and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for the buildings acquired after March 31, 1998, which are depreciated using the straight-line method.

Estimated useful lives of the property and equipment are as follows:

	2013	2012
Buildings and structures	3 to 50 years	3 to 50 years
Machinery and equipment	2 to 20 years	2 to 20 years

Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates
From the year ending March 31, 2013, in accordance with the amendment in corporate tax law, the Company and its domestic consolidated subsidiaries have changed its depreciation method for property, plant and equipments. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in amended corporate tax law. The impact of this change on operating loss and loss before income taxes and minority interests is little.

(4) Accounting for certain lease transactions
Assets of finance leases that do not transfer ownership of lease property to the lessee is depreciated over the lease term using the straight-line method that residual value is zero.

The method of accounting for finance leases that do not transfer ownership of leased property to the lessee changed from treating such leases as rental transactions to treatment as sale / purchase transactions, recognizing them as lease assets.

Under the existing accounting standards, finance leases, commenced prior to April 1, 2008, which do not transfer ownership of leased property to the lessee are permitted to be accounted for in the same manner as operating leases if certain "as if capitalized" information is disclosed in a note to the Information on Certain Lease as Lessee (See Note 15).

(5) Foreign currency translation
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.
The items of financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the current rate at the end of the year for all assets and liabilities, and at the average rate during the fiscal year for revenues and expenses.

(6) Revenue recognition
The Companies recognize revenue by applying the percentage-of-completion method for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to the estimated total cost (= cost proportion method) has been applied.

Construction revenues recognized by the percentage-of-completion method amounted to ¥87,758 million ($933,099 thousand) and ¥80,071 million for the years ended March 31, 2013 and 2012, respectively.

(7) Marketable securities and investment securities
The Companies did not have trading securities nor held-to-maturity debt securities. Equity securities issued by subsidiaries, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets via the Consolidated Statements of Comprehensive Income. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market value are stated at moving-average cost.

Investment in a silent partnership is recorded under the equity method, which is based on the latest financial statements available on the reportable date under the partnership contracts.

(8) Software costs
Software for its own use is amortized over the estimated useful life (five years) using the straight-line method.

(9) Costs of research and development

All research and development costs are charged to income as incurred. Costs of research and development for the years ended March 31, 2013 and 2012 totaled ¥43 million ($457 thousand) and ¥45 million, respectively.

(10) Allowance for doubtful accounts

The Companies provide allowance for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period, plus an estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(11) Employees' severance and retirement benefits

The Company and certain consolidated subsidiaries provide two types of severance and retirement benefit plans, defined contribution pension plans and severance lump-sum payment plans based on the point. Other consolidated subsidiaries provide unfunded lump-sum payment plans.

The Company provides allowance for employees' severance and retirement benefits at year-end based on the estimated amounts of projected benefit obligation. Prior service costs are recognized as expenses using the straight-line method over 10 years, which falls within the average of the estimated remaining service lives of the employees. Actuarial difference are recognized as expenses using the straight-line method over 10 years, which falls within the average of the estimated remaining service lives of the employees commencing with the succeeding period.

(12) Allowance for losses on construction contracts

The Companies provide allowance for losses on uncompleted construction contracts at the fiscal year-end when losses are certainly anticipated for the next fiscal year and later and such losses can be reasonably estimated.

(13) Allowance for losses on litigation

In order to prepare for losses on litigation, the estimated amount of loss based on the progress of the litigation is accounted for.

(14) Income taxes

Income taxes comprise corporation, enterprise and inhabitant taxes. The Companies recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(15) Derivatives and hedging activities

Foreign exchange forward contracts are utilized by the Companies to manage their exposures to fluctuations in foreign exchange. The Companies do not enter into derivatives for trading purposes or speculative purposes.
The companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative instruments are used for hedging purposes.
When a foreign exchange forward contact meets certain conditions, the hedged item is stated by the forward exchange contract rate.
The following summarizes hedging derivative financial instruments used by the Companies and item hedged:

Hedging instruments	Item hedged
Forward foreign exchange contracts	Foreign currency payables
Foreign currency deposit	

(16) Amounts per share of common stock
Net income per share is computed using the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is not disclosed because potentially dilute securities are not issued. Cash dividends per share represent dividends declared as applicable to the respective years.

(17) Cash and cash equivalents
In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

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

(19) Reclassifications
Certain prior year amounts have been reclassified and restated to conform to the 2013 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(20) Unapplied accounting standards
-Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012)
-Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012)
(A) Summary
Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.
(B) Effective dates
Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.
(C) Effect of application of the standard
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

3. Costs on uncompleted construction contracts and other

Costs on uncompleted construction contracts and other are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Costs on uncompleted construction contracts	¥ 1,135	¥ 1,770	$ 12,068
Costs on real estate business	890	395	9,463
Raw materials and supplies	89	103	946

4. Market value information for securities

(A) The following tables summarize acquisition costs and book values of securities with available fair values as of March 31, 2013 and 2012:

Available-for-sale securities:
(1) Securities with book values exceeding acquisition costs

	Millions of yen		
	2013		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 1,414	¥ 2,818	¥ 1,404
Bonds	10	10	0
Others	33	51	18
Total	¥ 1,457	2,879	1,422

	Millions of yen		
	2012		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 1,126	¥ 1,830	¥ 704
Bonds	10	10	0
Others	–	–	–
Total	¥ 1,136	1,840	704

	Thousands of U.S. dollars		
	2013		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 15,035	$ 29,963	$ 14,928
Bonds	106	106	0
Others	351	542	191
Total	$ 15,492	30,611	15,119

(2) Securities with book values not exceeding acquisition costs

	Millions of yen		
	2013		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 411	¥ 311	¥ (100)
Bonds	–	–	–
Others	–	–	–
Total	¥ 411	311	(100)

	Millions of yen		
	2012		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 670	¥ 545	¥ (125)
Bonds	–	–	–
Others	–	–	–
Total	¥ 670	545	(125)

	Thousands of U.S. dollars		
	2013		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 4,370	$ 3,307	$ (1,063)
Bonds	–	–	–
Others	–	–	–
Total	$ 4,370	3,307	(1,063)

(B) The following tables summarize book values of securities with no available fair values as of March 31, 2013 and 2012:

Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars
	Book value		Book value
Type	2013	2012	2013
Nonmarketable securities	¥ 846	¥ 903	$ 8,995

(C) Available-for-sale securities sold, and the related gains and losses
Disclosure is omitted due to less importance.

5. Derivatives

(A) Derivative transactions to which hedge accounting is not applied as of March 31, 2013 and 2012.
Not applicable.

(B) Derivative transactions to which hedge accounting is applied
Currency related transaction
As of March 31, 2013

			Millions of Yen		
Hedge accounting method	Sort	Hedged item	Contract amount	Contract over one year	Fair Value
Deferral hedge accounting	Foreign exchange forward contracts Buying:				
	U.S. Dollar	Accounts payable	¥ 278	¥ —	¥ 28
			¥ 278	¥ —	¥ 28

As of March 31, 2012
Not applicable.

The fair values are based on the quoted forward foreign exchange rates.

6. Pledged assets

As of March 31, 2013 and 2012, the following assets of the Companies are in pledged to short-term loans payable.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Costs on uncompleted construction contracts and other	¥ —	¥ 22	$ —
Buildings and structures	1,532	1,564	16,289
Land	6,304	6,208	67,028
	¥ 7,836	¥ 7,794	$ 83,317

As of March 31, 2013 and 2012, the following assets of the Companies are in pledged to guarantee money for construction.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investment securities	¥ 513	¥ 390	$ 5,455

7. Bank loans

Bank loans consisted mainly of bank overdrafts from banks. The weighted average interest rates at March 31, 2013 and 2012 are 2.5 % and 2.6% per annum, respectively.

8. Allowance for losses on construction contracts

"Costs on uncompleted construction contracts" for which a construction loss is anticipated and "Allowance for losses on construction contracts" are presented without being offset.

The amount of "Costs on uncompleted construction contracts," for which a construction loss is anticipated, matching with "Allowance for losses on construction contracts" are ¥16 million ($170 thousand) and ¥24 million for the year ended March 31, 2013 and 2012, respectively.

9. Employees' severance and retirement benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ 8,201	¥ 7,290	$ 87,198
Unrecognized actuarial differences	(803)	93	(8,538)
Unrecognized prior service costs	(87)	(117)	(925)
	¥ 7,311	¥ 7,266	$ 77,735

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service costs – benefits earned during the year	¥ 469	¥ 461	$ 4,987
Interest cost on projected benefit obligation	140	139	1,488
Amortization of actuarial differences	(62)	(65)	(659)
Amortization of prior service costs	30	30	319
Defined contribution pension plans premium	167	165	1,776
Other	1	–	10
Severance and retirement benefit expenses	¥ 745	¥ 730	$ 7,921

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. The discount rate used by the Companies at March 31, 2013 and 2012 are 0.8%-1.0% and 2.0%.

10. Contingent liabilities

As of March 31, 2013, the Companies are contingently liable as a guarantor of indebtedness of customers aggregating ¥901 million ($9,580 thousand).

11. Investment securities loaned out under marketable securities loan contracts

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investment securities loaned	¥ 1,777	¥ 1,721	$ 18,894

12. Income taxes

Main components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Deferred tax assets:	2013	2012	2013
Employees' severance and retirement benefits	¥ 2,651	¥ 2,679	$ 28,187
Write-down of inventories	413	417	4,391
Allowance for doubtful accounts	330	294	3,509
Allowance for losses on construction contracts	182	220	1,935
Impairment loss on fixed assets	69	222	734
Enterprise taxes payable	19	20	202
Non-deductible construction costs under the percentage-of-completion method	16	104	170
Tax loss carry forwards	2,295	1,520	24,402
Other	367	342	3,903
Subtotal	6,342	5,818	67,433
Valuation allowance	(6,308)	(4,933)	(67,071)
Total deferred tax assets	34	885	362
Deferred tax liabilities:			
Unrealized gains on securities	(471)	(234)	(5,008)
Deferred gains on property and equipment	(80)	(83)	(851)
Temporary differences about assets acquired through transfer of business	(35)	(36)	(372)
Other	(38)	(12)	(404)
Total deferred tax liabilities	(624)	(365)	(6,635)
Net deferred tax assets	¥ (590)	¥ 520	$ (6,273)

The details of the main differences between the statutory tax rate and the Companies' effective tax rate for the years ended March 31, 2013 and 2012 are omitted as net losses are recorded.

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Current assets -Deferred tax assets	¥	11	¥	149	$	117
Investments and other non-current assets -Deferred tax assets		20		696		213
Current liabilities -Accrued and other current liabilities		(57)		(2)		(606)
Long-term liabilities -Deferred tax liabilities		(564)		(323)		(5,997)

13. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

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

Under the Japanese Corporate Law ("the Law"), companies are required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equal 25% of common stock.

Under the Japanese Commercial Code ("the Code"), legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or exceeded 25% of common stock, they are available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

At the annual shareholders' meeting held on June 27, 2013, the shareholders approved cash dividends amounting to ¥63 million ($ 670 thousand). Such appropriations are not reflected in the consolidated financial statements as of March 31, 2013. They are recognized in the period when they are resolved.

14. Cash and cash equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and time deposits	¥ 12,618	¥ 16,241	$ 134,163
Less: Time deposits with maturities exceeding three months	(63)	(64)	(670)
Cash and cash equivalents	¥ 12,555	¥ 16,177	$ 133,493

15. Information on certain leases as lessee

Finance leases accounted for as operating leases

(1)As discussed in Note 2 (4), finance leases commenced prior to April 1, 2008, which do not transfer ownership of leased assets to lessees, are accounted for as operating leases. Equivalent amounts of acquisition cost and accumulated depreciation at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Machinery and equipment:	2013	2012	2013
Acquisition cost equivalent	¥ 20	¥ 25	$ 213
Accumulated depreciation equivalent	(19)	(22)	(202)
Net book value	¥ 1	¥ 3	$ 11

(2)Lease commitments (including the interest portion thereon):

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 1	¥ 3	$ 11
Due after one year	–	–	–
Total	¥ 1	¥ 3	$ 11

(3)Lease expenses and depreciation equivalent

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease expenses	¥ 3	¥ 4	$ 32
Depreciation equivalent	3	4	32

(4)Calculation of depreciation equivalent

Depreciation equivalent is computed by using the straight-line method over the lease terms of each lease with no residual value.

There is no impairment loss on finance leases.

16. Segment information

(1) General information about reportable segments

The Companies' reportable segments include items in the constituent units of business, for which separately financial information is available, and which reviewed regularly by the Board of Directors to determine the distribution of management resources and evaluate business results.

Therefore, the Companies categorize its operating activities into "Civil engineering", "Building construction" and "Other" businesses as reportable segments.

(2) Methods of measurement for the amounts of sales, income (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2,"Summary of Significant Accounting Policies".

Segment income (loss) is operating income of consolidated statements of operations.

(3) Information about sales, income (loss), assets and other items is as follows:

Year ended March 31, 2013	Millions of yen					
	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	¥ 52,589	¥ 56,240	¥ 3,911	¥ 112,740	¥ –	¥ 112,740
Inter-segment	–	365	385	750	(750)	–
Total	52,589	56,605	4,296	113,490	(750)	112,740
Segment income (loss)	¥ 2	¥ (648)	¥ (1)	¥ (647)	¥ 13	¥ (634)
Identifiable assets	¥ 43,154	¥ 45,334	¥ 2,513	¥ 91,001	¥ (1,041)	¥ 89,960
Depreciation and amortization	272	122	22	416	(20)	396
Capital expenditures	163	136	23	322	(8)	314

Year ended
March 31, 2012

	Millions of yen					
	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	¥ 50,316	¥ 47,208	¥ 3,656	¥ 101,180	¥ —	¥ 101,180
Inter-segment	—	13	608	621	(621)	—
Total	50,316	47,221	4,264	101,801	(621)	101,180
Segment income (loss)	¥ 1,323	¥ (725)	¥ (1)	¥ 597	¥ (6)	¥ 591
Identifiable assets	¥ 48,783	¥ 39,230	¥ 2,509	¥ 90,522	¥ (860)	¥ 89,662
Depreciation and amortization	364	110	39	513	(25)	488
Capital expenditures	359	231	19	609	(29)	580

Year ended
March 31, 2013

	Thousands of U.S. dollars					
	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	$ 559,160	$ 597,980	$ 41,584	$ 1,198,724	$ —	$ 1,198,724
Inter-segment	—	3,881	4,094	7,975	(7,975)	—
Total	559,160	601,861	45,678	1,206,699	(7,975)	1,198,724
Segment income (loss)	$ 22	$ (6,890)	$ (11)	$ (6,879)	$ 138	$ (6,741)
Identifiable assets	$ 458,841	$ 482,020	$ 26,720	$ 967,581	$ (11,069)	$ 956,512
Depreciation and amortization	2,892	1,297	234	4,423	(212)	4,211
Capital expenditures	1,733	1,446	245	3,424	(85)	3,339

#1.Reconciliations of segment income (loss) in an amount of ¥13 million ($138 thousand) and ¥(6) million for the years ended March 31, 2013 and 2012, are eliminations of intersegment transactions.
#2.Consolidated amounts of segment income (loss) above correspond to the amounts of operating income in the consolidated statements of operations.
#3.All assets are allocated to the respective business segments without holding all-segment-covering ones.

17. Loss on litigation

Components of losses on litigation for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Compensation for damage	¥	2	¥	69	$	21
Settlement package		927		6		9,857
Provision for loss on litigation		168		52		1,786
Provision of allowance for doubtful accounts		252		–		2,679
Others		51		–		543

18. Disclosure of fair values of financial instruments

Informations on financial instruments for the years ended March 31, 2013 and 2012 pursuant to the revised accounting standards are as follows.

(A) Status of financial instruments

(1) Policy for financial instruments

The Companies limit their fund management to short-term deposits and raise funds through borrowings from financial institutions including banks.

The Companies use derivative for the purpose of avoiding risks as described below, and not for speculative transactions.

(2) Types of financial instruments, related risk and risk management

Trade notes and accounts receivable are exposed to credit risk in relation to customers. The Companies timely monitor credit standing of their main customers, and due dates and outstanding balances of individual customers.

Investment securities are exposed to risk of market price fluctuations. Those securities are composed mainly of the shares of other companies with which the Companies have business relationship. Fair values of those securities are periodically reviewed and reported to the board of directors.

Trade notes and accounts payable have payment due dates mainly within one year.

The derivative trading is forward exchange contracts business for the purpose of the hedge business for the exchange rate fluctuations which affect overseas business.

The execution and management of derivative transactions are conducted in accordance with the Company's internal regulations. Furthermore, in actual operations, derivative transactions are entered into only financial institutions in possession of high credit ratings in order to mitigate counterparties' default risks.

(B) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2013 and 2012 are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to #2 below).

	Millions of yen		
	2013		
	Book Value	Fair Value	Difference
Cash and time deposits	¥ 12,618	¥ 12,618	¥ –
Trade notes and accounts receivable	55,148	55,148	–
Short-term loans receivable	70	70	–
Investment securities	3,190	3,190	–
Long-term loans receivable	368		
Allowance for doubtful accounts	(325)		
Sub total	43	44	1
Claims provable in bankruptcy, claims provable in rehabilitation and other	40		
Allowance for doubtful accounts	(8)		
Sub total	32	31	(1)
Total assets	¥ 71,101	¥ 71,101	¥ (0)
Bank loans	¥ 5,805	¥ 5,805	¥ –
Trade notes and accounts payable	40,733	40,733	–
Deposits received	4,914	4,914	–
Total liabilities	¥ 51,452	¥ 51,452	¥ –
Derivative transactions	¥ 28	28	¥ –

	Millions of yen		
	2012		
	Book Value	Fair Value	Difference
Cash and time deposits	¥ 16,241	¥ 16,241	¥ –
Trade notes and accounts receivable	51,468	51,468	–
Short-term loans receivable	29	29	–
Investment securities	2,386	2,386	–
Long-term loans receivable	738		
Allowance for doubtful accounts	(384)		
Sub total	354	349	(5)
Claims provable in bankruptcy, claims provable in rehabilitation and other	53		
Allowance for doubtful accounts	(9)		
Sub total	44	42	(2)
Total assets	¥ 70,522	¥ 70,515	¥ (7)
Bank loans	¥ 6,405	¥ 6,405	¥ –
Trade notes and accounts payable	36,939	36,939	–
Deposits received	4,483	4,483	–
Total liabilities	¥ 47,827	¥ 47,827	¥ –

	Thousands of U.S. dollars		
	2013		
	Book Value	Fair Value	Difference
Cash and time deposits	$ 134,163	$ 134,163	$ –
Trade notes and accounts receivable	586,369	586,369	–
Short-term loans receivable	744	744	–
Investment securities	33,918	33,918	–
Long-term loans receivable	3,913		
Allowance for doubtful accounts	(3,456)		
Sub total	457	468	11
Claims provable in bankruptcy, claims provable in rehabilitation and other	425		
Allowance for doubtful accounts	(85)		
Sub total	340	329	(11)
Total assets	$ 755,991	$ 755,991	$ (0)
Bank loans	$ 61,722	$ 61,722	$ –
Trade notes and accounts payable	433,099	433,099	–
Deposits received	52,249	52,249	–
Total liabilities	$ 547,070	$ 547,070	$ –
Derivative transactions	$ 298	$ 298	$ –

#1. Fair value of financial instruments and matters pertaining to securities

Assets:

(1) Cash and time deposits, Trade notes and accounts receivable and Short-term loans receivable
Since these items are settled in a short period of time, their book values approximate fair values.

(2) Investment securities
The fair values of equity securities are based on quoted market prices. The fair values of bonds are based on either quoted market prices or prices provided by the financial institutions.

(3) Long-term loans receivable
The fair values of long-term loans receivable are stated at the present value using future cash flows discounted by the premium-added rate on the proper index like yield on the government bonds. The fair values of employee loans are computed by discounting probable collection amounts of principals and interest by secure interest rate corresponding to the remaining period.

(4) Claims provable in bankruptcy, claims provable in rehabilitation and other
With respect to claims provable in bankruptcy, claims provable in rehabilitation and other, and allowance for bad debts are estimated based on the amount expected. Consequently, the book values of those receivables less the estimated allowance for bad debts are deemed to approximate the fair values.

Liabilities:

(1) Trade notes and accounts payable, Bank loans and Deposits received
Since these items are settled in a short period of time, their book values approximate fair values.

Derivative transactions:

The fair value of derivative transactions is valued from prices quoted by financial institutions.

#2. Since no quoted market price is available and it is extremely difficult to determine the fair values, nonmarketable securities for ended March 31, 2013 and 2012 (book value: ¥846 million ($8,995 thousand) and ¥903 million) are not included in the above table.

#3. The aggregate maturities subsequent to March 31, 2013 and 2012 for financial assets with maturity are as follows:

	Millions of yen			
	2013			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 12,618	¥ —	¥ —	¥ —
Trade notes and accounts receivable	55,148	—	—	—
Short-term loans receivable	70	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	10	—	—	—
Long-term loans receivable	—	25	18	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	12	11	—	—
Lease obligations	48	68	—	—
Total	¥ 67,906	¥ 104	¥ 18	¥ —

	Millions of yen			
	2012			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 16,241	¥ —	¥ —	¥ —
Trade notes and accounts receivable	51,468	—	—	—
Short-term loans receivable	29	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	10	—	—
Long-term loans receivable	—	41	20	1
Claims provable in bankruptcy, claims provable in rehabilitation and other	12	24	—	—
Lease obligations	15	22	—	—
Total	¥ 67,765	¥ 97	¥ 20	¥ 1

	Thousands of U.S. dollars			
	2013			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 134,163	$ –	$ –	$ –
Trade notes and accounts receivable	586,369	–	–	–
Short-term loans receivable	744	–	–	–
Investment securities				
Available-for-sale securities with contractual maturities	106	–	–	–
Long-term loans receivable	–	266	191	–
Claims provable in bankruptcy, claims provable in rehabilitation and other	128	117	–	–
Lease obligations	510	723	–	–
Total	$ 722,020	$ 1,106	$ 191	$ –

19. Accounting Standards for Presentation of Comprehensive Income

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

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2013	2012	2013
Unrealized gains on securities			
Increase(decrease) during the year	743	162	7,900
Reclassification adjustments	–	0	–
Sub-total, before tax	743	162	7,900
Tax (expense) or benefit	(265)	(39)	(2,818)
Sub-total, net of tax	478	123	5,082
Deferred gains or losses on hedges			
Increase(decrease) during the year	91	–	968
Reclassification adjustments	–	2	–
Sub-total, before tax	91	2	968
Tax (expense) or benefit	(35)	–	(372)
Sub-total, net of tax	56	2	596
Foreign currency translation adjustment			
Increase(decrease) during the year	8	–	85
Reclassification adjustments	–	–	–
Sub-total, before tax	8	–	85
Tax (expense) or benefit	–	–	–
Sub-total, net of tax	8	–	85
Total other comprehensive income	542	125	5,763

20. Per Share Information

	Yen		U.S. dollars
	2013	2012	2013
Net income (loss) per share	¥ (41.46)	¥ (7.87)	$ (0.44)
Net assets per share	312.00	345.28	3.32

The Companies have no dilutive common stock outstanding and posted a net loss as of March 31, 2013 and 2012. Therefore, the information of diluted net income (loss) per share is not presented.

The basis for calculation of net income (loss) per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net income (loss)	¥ (2,629)	¥ (499)	$ (27,953)
Amount not belonging to ordinary shareholders	–	–	–
Net income (loss) attributable to common stock	¥ (2,629)	¥ (499)	$ (27,953)
Weighted average number of ordinary shares (thousands of shares)	63,428	63,489	