

Annual Report 2013

Fiscal year ended 31st March 2013

Nakano Corporation Annual Report 2013



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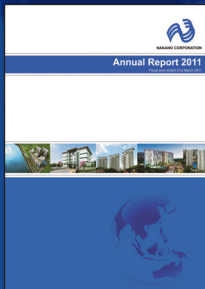
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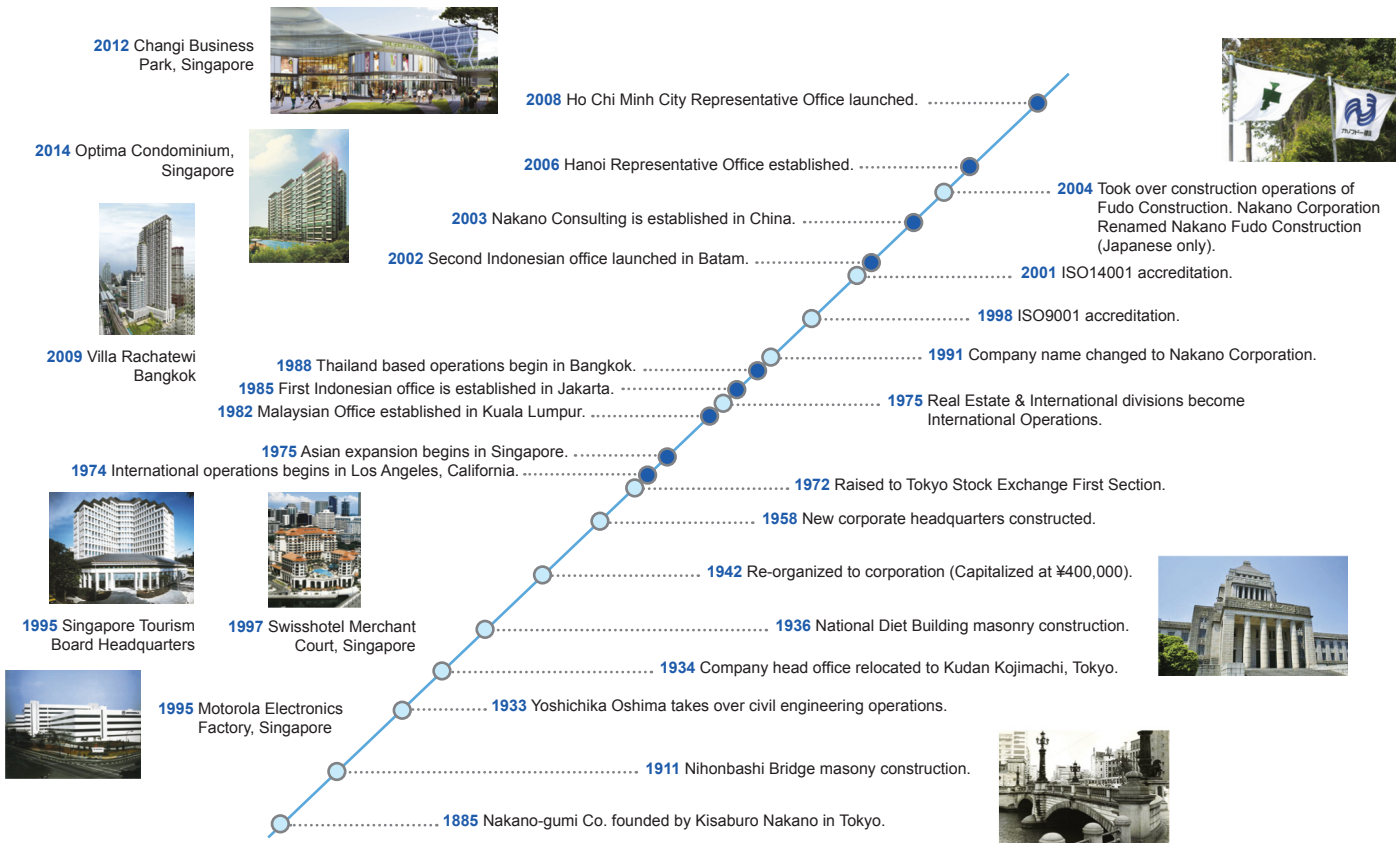
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Cautionary remarks regarding forward looking statements

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

COMPANY HISTORY

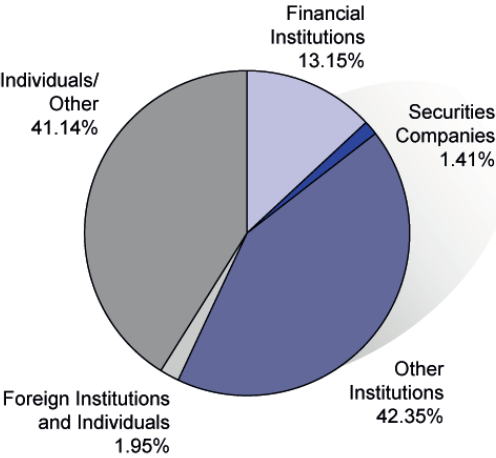


INVESTOR INFORMATION

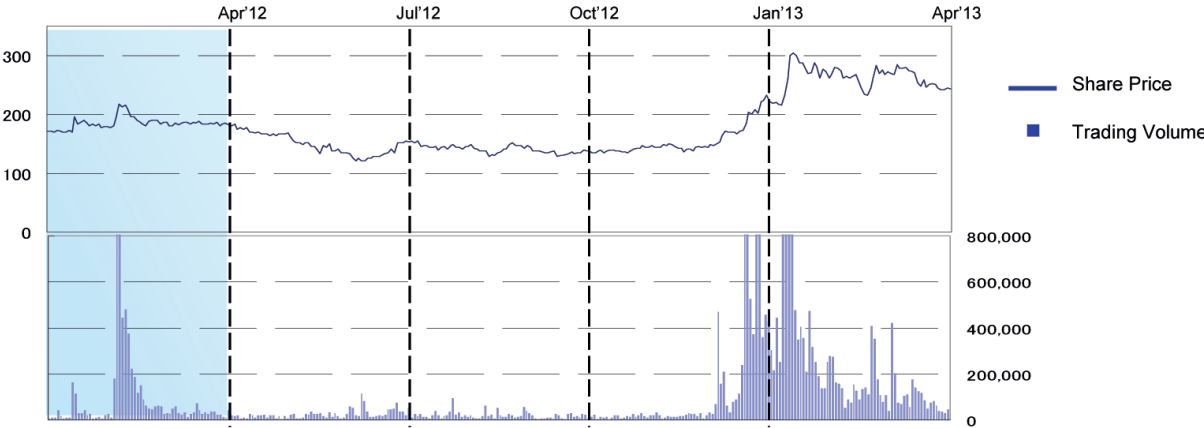
As of 31st March 2013

Stock Listing
Tokyo Stock Exchange, First Section,
Code Number 1827
Authorized Number of Shares
154,792,300
Issued Number of Shares
34,498,097
Minimum Trading Unit
500
Number of Shareholders
4,560
Stock Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

SHAREHOLDER COMPOSITION
Financial Institutions
4,536,749
Securities Companies
486,358
Other Institutions
14,609,939
Foreign Institutions and Individuals
671,209
Individuals/ Other
14,193,842



SHARE PRICE RANGE



FINANCIAL HIGHLIGHTS

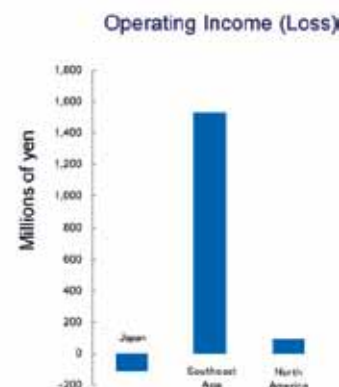
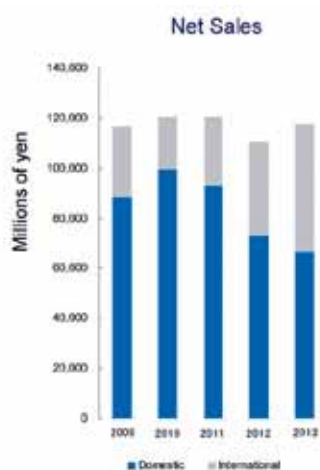
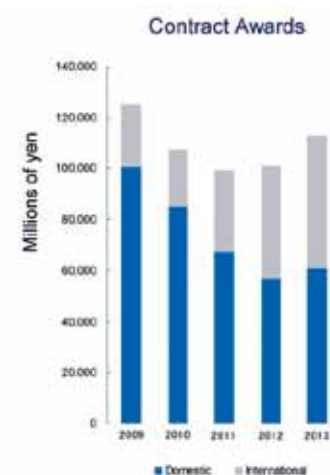
NAKANO CORPORATION and its subsidiaries

Years ended March 31, 2009 through 2013

	2009	2010	2011	2012	2013	2013
					Millions of yen	Thousands of U.S. dollars
Contract awards	¥ 125,333	¥ 107,751	¥ 99,321	¥ 101,198	¥ 112,967	\$ 1,201,137
Net sales	116,593	120,186	120,283	110,344	117,254	1,246,719
Operating income	2,902	2,956	1,404	229	1,522	16,182
Ordinary income	2,650	2,740	1,362	275	1,755	18,660
Net income (loss)	1,768	1,829	639	(2,024)	653	6,943
Comprehensive income	-	2,007	180	(1,997)	1,958	20,818
Total net assets	10,140	11,941	11,914	9,710	11,565	122,966
Total assets	80,725	71,183	65,231	65,838	71,927	764,774
Net cash provided by (used in) operating activities	(645)	5,468	9,617	(2,462)	2,167	23,040
Net cash provided by (used in) investing activities	93	73	(464)	(1,371)	2,502	26,602
Net cash provided by (used in) financing activities	1,568	(4,058)	(1,692)	(603)	274	2,913
Cash and cash equivalents at end of period	10,702	12,326	19,552	15,026	22,153	235,544

	Yen					U.S. dollars
Per share of common stock (in yen and U.S. dollars)						
Net assets	¥ 285.30	¥ 336.92	¥ 337.52	¥ 271.14	¥ 319.60	\$ 3.39
Net income (loss)	51.40	53.19	18.58	(58.88)	19.01	0.20
Cash dividends applicable to the year	6.00	6.00	6.00	3.00	3.00	0.03
Number of employees	1,122	1,129	1,145	1,169	1,293	

Note: The rate of ¥94.05 = US\$1.00, the foreign exchange rate on March 31, 2013, has been used for translation.



Business Overview & Results

Since the foundation of Nakano Corporation in 1933, then known as Nakano-gumi, we have benefited from the confidence shown to us by our esteemed customers over the last seventy five years. We greatly appreciate the opportunity to have developed into a well established company in the construction industry. Now, a new era has begun in this industry requiring new business models and new visions. We are committed to adapting ourselves to this ever-changing new environment, and to accommodating our customer's expectations and requirements. In order to accomplish this goal, our business philosophy emphasizes three core elements, "Faith, Enthusiasm, and Creativity."

A Message from the President



2013 Business Report

We are pleased to provide details of the company and its subsidiaries for the fiscal year spanning 1st April 2012 to 31st March 2013.

(1) Current Corporate Group Condition

Business Course & Results

In this consolidated financial year, the global economy had been covered with uncertainty increased by financial issue of the U.S. government, long-lasting Euro-zone crisis, and deceleration of the growth in emerging economies.

The Japanese regime change occurred at the end of the calendar year and succeeding economic policy change achieved a certain level of correction of yen appreciation and increase in stock prices. However, it was not enough to offset the influence of long-lasting yen appreciation. Overall, the Japanese economy stayed in low gear.

Although the demand for re-construction especially in civil engineering to recover from the damage caused by the Great East Japan Earthquake gained a momentum, the domestic business environment in the industry had been severe for this year because of the reasons including the soaring labor cost due to the exposure of the chronic labor shortage.

In these circumstances, Nakano Group had worked on the improvement of the sales profit in the domestic operations, our sales and construction divisions working together. Meanwhile, we had proactively invested our resources to Southeast Asia, aiming to expand its revenue base in the international operations.

As a result, our business performance for this period is as follows. Construction awards for this consolidated fiscal year were ¥112,967 million (¥11,768 million annual increase).

The major domestic orders received during this period were new constructions of the building provisionally called Century Utsunomiya (1st phase) awarded from Iida Home Max Co., Ltd. and Empire Kumamoto Castle by Shin-ei Jutaku Co., Ltd., remodeling of the Third Commercial High School of Tokyo Metropolitan Government, and the Matsugasaki student residence of Kyoto Institute of Technology by J.S.B. Co., Ltd.

Internationally, major orders received were new construction works of the Palm Isles Condominium by Frasers Centerpoint, Aeon Kulai Shopping Center by Aeon Co. (M) Bhd. A factory for PT. Iseki Indonesia, and a factory for Nissan Motor Thailand Ltd.

Sales for this consolidated fiscal year were ¥117,254 million (¥6,909 million annual increase), comprised of ¥115,363 million (¥6,898 million annual increase) for construction works, and ¥1,891 million (¥11 million annual increase) for real estate related businesses.

Primary domestic completions included new constructions of Akabane Rehabilitation Hospital by Kyoju-no-kai, Tohoku Regional Raw Material Headquarters Office of Japan Tobacco Inc., Prifoods Misawa Factory by Prifoods Co., Ltd., a residential project provisionally called Livio Momozono Park North District (1st Phase) by Nippon Steel Kowa Real Estate Co., Ltd.

Internationally, major completions included the Changi Business Park Hotel and Office buildings in Singapore by Ascendas Frasers Pte Ltd, a joint venture between Ascendas Land and Frasers Centerpoint, an engine factory for PT Hino Motors Manufacturing, a Factory of PT. Tsuzuki and Asama Manufacturing, and a factory for Ichikoh Industries (Thailand) Co., Ltd.

From the above results, consolidated construction works to be carried forward were ¥105,816 million (¥2,396 million annual decrease).

In terms of profitability for this consolidated fiscal year, operating income was ¥1,522 million (¥1,293 million annual increase), ordinary income was ¥1,755 million (¥1,479 million annual increase), and current net income were ¥653 million (¥2,678 million annual increase).



Akira Asai
President, NAKANO CORPORATION

NAKANO INTERNATIONAL OPERATIONS NETWORK

Comprehensive Nationwide and International Design and Construction Coverage

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



■ Headquarters

Tokyo, Japan

■ International Office

USA
Singapore
Malaysia
Thailand
Indonesia
Vietnam
China

■ Project Locations

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

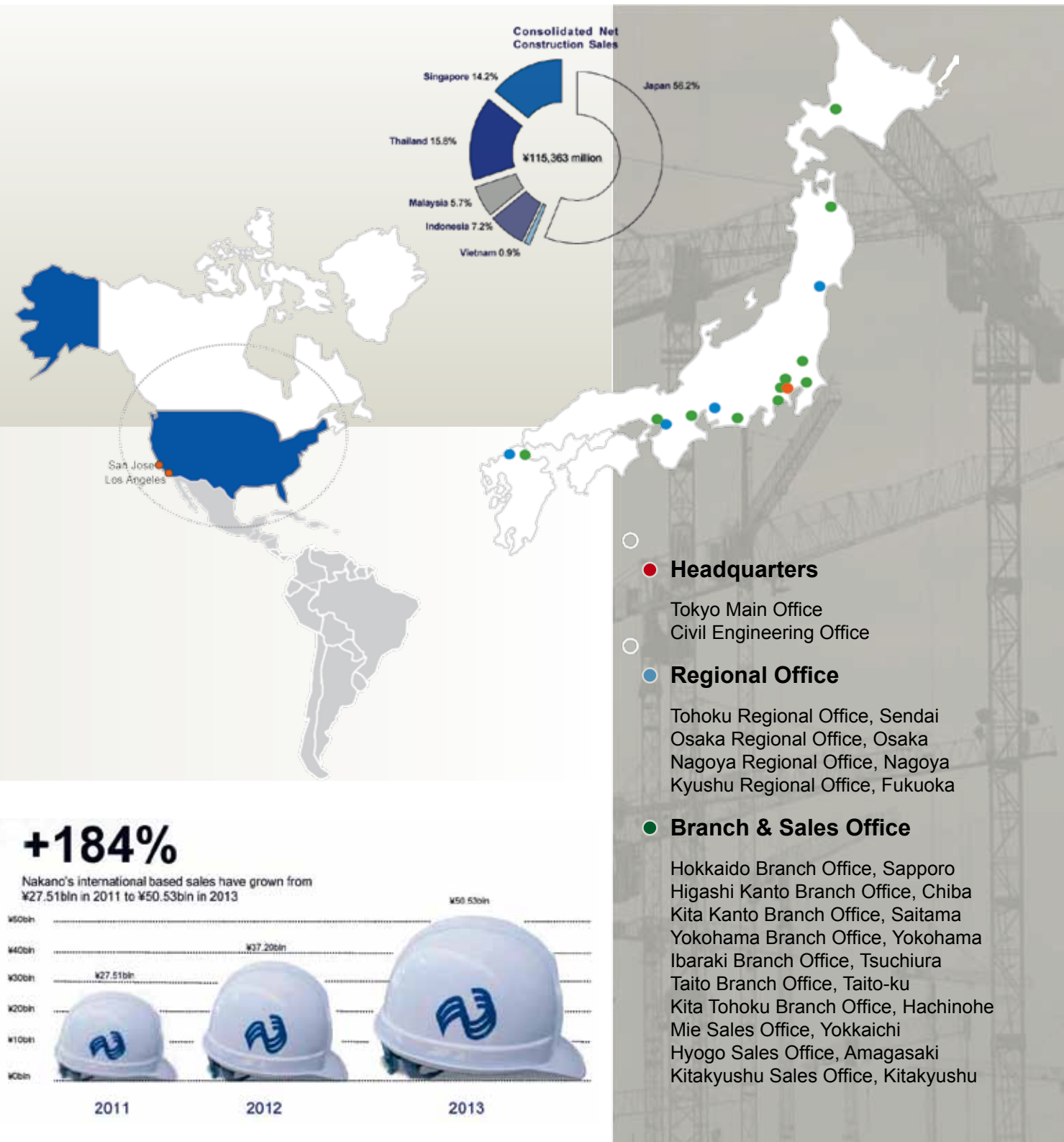
Jordan
Libya
Malaysia
Myanmar
New Zealand
Russia
Saudi Arabia
Singapore
South Korea
Spain
Syria
Taiwan

Thailand
USA
Vanuatu
Vietnam
Yemen

GLOBAL WORKS COVERAGE

Translating globalizing client needs into reality

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



MAJOR INTERNATIONAL WORKS 2013



Lush Acres Condominium

[Sengkang West Way, Singapore | 2016](#)

Located along and inspired from Sengkang West Way which has classic yet friendly touch of modern style, Lush Acres Singapore will best suit for families, having 3 to 5-bedroom units.

Nissan Motor Thailand 2nd Plant

[Samut Prakan, Thailand | 2014](#)

Nissan's second plant in Thailand with a maximum capacity of 150,000 cars, half of the production is set for export. The real proof of strengthening connection among Southeast Asian countries.





Optima Condominium

[Tanah Merah Kechil Avenue, Singapore](#) | 2013

Optima Condominium is a 297 unit project of five 14-storey residential tower blocks with 28,199m² offering full onsite luxury facilities and ease of access via the adjacent Tanah Merah MRT station link.

Aeon Mall Claijaya

[Johor, Malaysia](#) | 2013

Aeon's 22nd shopping mall in Malaysia is aimed to be a local-oriented shopping mall with 44,000² shopping areas. One of the biggest mall in the region gathers all the shoppers of various needs.





Caspian

[Lakeside Drive, Singapore | 2012](#)

Set upon a spacious parcel of lakeside land, this eleven 17-storey building development of 712 residential leasehold units by Frasers Centerpoint will transform Singapore's Jurong Lake district into a vibrant commercial district upon project completion in 2012. The pool area characterized by the uniquely shaped pavilion and a jungle-themed trees presents quite different appearances between night and day.



Palm Isles Condominium

[Flora Drive, Singapore | 2015](#)

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





Changi Business Park

(Commercial Complex ■ Hotel ■ Office Building)

[Changi South, Singapore | 2012](#)

Changi Business Park is a mixed use development project set for completion in 2012. The construction is awarded from Ascendas Frasers, a joint venture between Ascendas Land and Frasers Centerpoint. The project comprises a retail shopping complex, office building, and hotel development. Opening in 2012, the project features onsite landscaped gardens, as well as easy access through transport links, and a number of hi-tech corporations in the surrounding area.



INTERNATIONAL INDUSTRIAL WORKS 2013



NTT Data Center 2nd Phase | Cyberjaya, Malaysia | 2013

1,300+

Asian Market Development

Major Project
Completions
Across Asia so far



Teraoka Factory
Indonesia | 2013



Marimo Service Apartment
Indonesia | 2013



Parker Factory
Vietnam | 2013



Ajinomoto BR2 Factory
Thailand | 2013



Caipis Factory
Thailand | 2014



POKKA Factory
Malaysia | 2014



Iseki Factory
Indonesia | 2013



Sumino & Aapico Factory
Thailand | 2014



Tokai Rubber
Indonesia | 2014



YMPI Factory
Indonesia | 2013



Indo Steel Japan
Indonesia | 2013



HOSEI Brake Factory
Thailand | 2014

DOMESTIC WORKS PORTFOLIO 2013





Tokyo Office Obtains COHSMS Occupational Health and Safety Management System

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



Empire Kumaoto Castle II
Fukuoka | 2013



Akabane Rehabilitation Hospital
Tokyo | 2013



Long-Term Care Health Facility Asahi
Tokyo | 2013



Kasumi Fujimino Store
Saitama | 2012



Oedo Onsen Monogatari Atami Renovation
Shizuoka | 2012



Livio Momozono Park North District 1st Phase
Fukuoka | 2013

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, 2013, 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, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Izumi Audit Corporation

August 31, 2013

CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries

As of March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Assets			
Current assets:			
Cash and deposits (Notes 4, 6 and 7)	¥ 17,102	¥ 24,203	\$ 257,341
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 7)	25,977	27,896	296,608
Costs on uncompleted construction contracts (Note 4)	1,626	1,083	11,515
Real estate for sale	550	-	-
Costs on real estate business	242	229	2,434
Raw materials and supplies	23	24	255
Accounts receivable-other	520	1,239	13,173
Other	1,358	436	4,635
Allowance for doubtful accounts	(255)	(232)	(2,466)
Total current assets	47,146	54,881	583,530
Noncurrent assets:			
Property, plant and equipment (Note 4)			
Buildings and structures	8,309	7,212	76,682
Machinery, vehicles, tools, furniture and fixtures	1,350	1,296	13,779
Land	10,975	10,048	106,836
Accumulated depreciation	(5,178)	(4,989)	(53,046)
Total property, plant and equipment	15,456	13,567	144,253
Intangible assets	123	140	1,488
Investments and other assets			
Investment securities (Notes 4, 7 and 8)	2,390	2,669	28,378
Long-term loans receivable	364	323	3,434
Claims provable in bankruptcy, claims provable in rehabilitation and other	176	32	340
Deferred tax assets (Note 10)	33	-	-
Other	352	373	3,965
Allowance for doubtful accounts	(206)	(61)	(648)
Total investments and other assets	3,111	3,337	35,481
Total noncurrent assets	18,691	17,045	181,233
Total assets	¥ 65,838	¥ 71,927	\$ 764,774

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Liabilities			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 4 and 7)	¥ 38,482	¥ 43,390	\$ 461,350
Current portion of bonds (Note 14)	560	-	-
Short-term loans payable (Notes 4, 7 and 15)	5,030	6,450	68,580
Income taxes payable	174	772	8,208
Advances received on uncompleted construction contracts	5,351	4,337	46,113
Provision for warranties for completed construction	108	92	978
Provision for loss on construction contracts (Note 4)	951	266	2,828
Provision for bonuses	223	167	1,775
Other (Note 15)	1,359	1,201	12,769
Total current liabilities	52,241	56,677	602,626
Noncurrent liabilities:			
Long-term loans payable (Notes 4, 7 and 15)	1,975	1,525	16,214
Deferred tax liabilities (Note 10)	224	390	4,146
Provision for retirement benefits (Note 9)	918	1,012	10,760
Negative goodwill	57	-	-
Other (Note 15)	710	756	8,038
Total noncurrent liabilities	3,886	3,684	39,170
Total liabilities	56,127	60,362	641,807
Net assets			
Shareholders' equity:			
Capital stock	¥ 5,061	¥ 5,061	\$ 53,811
Capital surplus	1,400	1,400	14,885
Retained earnings	4,961	5,511	58,596
Treasury stock	(27)	(28)	(297)
Total shareholders' equity	11,395	11,944	126,996
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	140	336	3,572
Foreign currency translation adjustment	(2,211)	(1,292)	(13,737)
Total accumulated other comprehensive income	(2,071)	(956)	(10,164)
Minority interests:	386	576	6,124
Total net assets	9,710	11,565	122,966
Total liabilities and net assets	¥ 65,838	¥ 71,927	\$ 764,774

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Net sales:			
Net sales of completed construction contracts	¥ 108,464	¥ 115,363	\$ 1,226,613
Sales on real estate business (Note 11)	1,847	1,861	19,787
Sales on other business	32	29	308
Total net sales	110,344	117,254	1,246,719
Cost of sales:			
Cost of sales of completed construction contracts (Note 5)	104,180	110,188	1,171,589
Cost of sales on real estate business (Note 11)	1,066	1,050	11,164
Cost of sales on other business	24	23	244
Total cost of sales	105,271	111,262	1,183,009
Gross profit:			
Gross profit on completed construction contracts	4,284	5,175	55,023
Gross profit-real estate business	780	810	8,612
Gross profit-other business	8	5	53
Total gross profit	5,073	5,992	63,710
Selling, general and administrative expenses (Note 5)	4,844	4,470	47,527
Operating income	229	1,522	16,182
Non-operating income:			
Interest income	86	119	1,265
Dividends income	26	59	627
Foreign exchange gains	41	112	1,190
Amortization of negative goodwill	57	57	606
Other	14	69	733
Total non-operating income	226	418	4,444
Non-operating expenses:			
Interest expenses	161	172	1,828
Other	18	12	127
Total non-operating expenses	179	185	1,967
Ordinary income	275	1,755	18,660
Extraordinary income:			
Gain on sales of noncurrent assets (Note 5)	11	1,400	14,885
Total extraordinary income	11	1,400	14,885
Extraordinary loss:			
Impairment loss (Note 5)	27	877	9,324
Loss on disaster	191	-	-
Loss on construction	67	-	-
Other	142	33	350
Total extraordinary losses	428	911	9,686
Income (loss) before income taxes and minority interests	(141)	2,245	23,870
Income taxes:			
Income taxes-current	480	1,373	14,598
Income taxes-deferred (Note 10)	1,317	141	1,499
Total income taxes	1,797	1,514	16,097
Income (loss) before minority interests	(1,939)	731	7,772
Minority interests in income	85	77	818
Net income (loss)	¥ (2,024)	¥ 653	\$ 6,943

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Income (loss) before minority interests	¥ (1,939)	¥ 731	\$ 7,772
Other comprehensive income:			
Valuation difference on available-for-sale securities	43	196	2,083
Foreign currency translation adjustment	(100)	1,030	10,951
Total other comprehensive income	(57)	1,227	13,046
Comprehensive income	(1,997)	1,958	20,818
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(2,076)	1,768	18,798
Comprehensive income attributable to minority interests	79	189	2,009

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, 2012 and 2013

Millions of yen

	Shareholders' Equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available -for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests		
Balance as at March 31, 2011	¥ 5,061	¥ 1,400	¥ 7,192	¥ (27)	¥ 13,626	¥ 96	¥ (2,116)	¥ (2,019)	¥ 307	¥ 11,914	
Dividends from surplus	-	-	(206)	-	(206)	-	-	-	-	(206)	
Net loss	-	-	(2,024)	-	(2,024)	-	-	-	-	(2,024)	
Purchase of treasury stock	-	-	-	(0)	(0)	-	-	-	-	(0)	
Net changes of items other than shareholders' equity	-	-	-	-	-	43	(94)	(51)	79	27	
Total changes of items during the period	-	-	(2,231)	(0)	(2,231)	43	(94)	(51)	79	(2,204)	
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	

Thousands of U.S. dollars (Note 2)

	Shareholders' Equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available -for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as at March 31, 2012	\$ 53,811	\$ 14,885	\$ 52,748	\$ (287)	\$ 121,158	\$ 1,488	\$ (23,508)	\$ (22,020)	\$ 4,104	\$ 103,242
Dividends from surplus	-	-	(1,095)	-	(1,095)	-	-	-	-	(1,095)
Net income	-	-	6,943	-	6,943	-	-	-	-	6,943
Purchase of treasury stock	-	-	-	(0)	(0)	-	-	-	-	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-	2,083	9,771	11,855	2,009	13,864
Total changes of items during the period	-	-	5,847	(0)	5,837	2,083	9,771	11,855	2,009	19,712
Balance as at March 31, 2013	\$ 53,811	\$ 14,885	\$ 58,596	\$ (297)	\$ 126,996	\$ 3,572	\$ (13,737)	\$ (10,164)	\$ 6,124	\$ 122,966

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Net cash provided by (used in) operating activities:			
Income (loss) before income taxes and minority interests	¥ (141)	¥ 2,245	\$ 23,870
Adjustments for:			
Depreciation and amortization	371	317	3,370
Impairment loss	27	877	9,324
Amortization of negative goodwill	(57)	(57)	(606)
Increase in allowance for doubtful accounts	11	8	85
Increase in provision for retirement benefits	72	82	871
Decrease in provision for loss on construction contracts	(71)	(684)	(7,272)
Interest and dividends income	(113)	(179)	(1,903)
Interest expenses	161	172	1,828
Gain on sales of noncurrent assets	(11)	(1,400)	(14,885)
Decrease (increase) in notes and accounts receivable-trade	(6,579)	23	244
Decrease in costs on uncompleted construction contracts	987	559	5,943
Decrease (increase) in other inventories	(80)	562	5,975
Increase in notes and accounts payable-trade	2,264	2,207	23,466
Increase (decrease) in advances received on uncompleted construction contracts	759	(1,142)	(12,142)
Other, net	375	(792)	(8,421)
Subtotal	(2,024)	2,800	29,771
Interest and dividends income received	113	179	1,903
Interest expenses paid	(154)	(172)	(1,828)
Income taxes paid	(397)	(639)	(6,794)
Net cash provided by (used in) operating activities	(2,462)	2,167	23,040
Net cash provided by (used in) investing activities:			
Payments into time deposits	(3,233)	(3,503)	(37,426)
Proceeds from withdrawal of time deposits	2,052	3,760	39,978
Purchase of property, plant and equipment	(269)	(426)	(4,529)
Proceeds from sales of property, plant and equipment	37	2,613	27,783
Other, net	42	58	616
Net cash provided by (used in) investing activities	(1,371)	2,502	26,602
Net cash provided by (used in) financing activities:			
Net increase in short-term loans payable	1,175	1,320	14,035
Proceeds from long-term loans payable	300	150	1,594
Repayment of long-term loans payable	(1,256)	(500)	(5,316)
Redemption of bonds	(560)	(560)	(5,954)
Cash dividends paid	(206)	(103)	(1,095)
Other, net	(56)	(32)	(340)
Net cash provided by (used in) financing activities	(603)	274	2,913
Effect of exchange rate change on cash and cash equivalents	(88)	2,182	23,200
Net increase (decrease) in cash and cash equivalents	(4,525)	7,126	75,768
Cash and cash equivalents at beginning of period	19,552	15,026	159,766
Cash and cash equivalents at end of period (Note 6)	¥ 15,026	¥ 22,153	\$ 235,544

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 | <p>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.</p> <p>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 2012 financial statements to conform to the classifications used in 2013.</p> |
| 2. U.S. Dollar Amounts | <p>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 ¥94.05 to U.S.\$1, the rate of exchange prevailing at March 29, 2013, 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.</p> |
| 3. Summary of Significant Accounting Policies | <p>a. Consolidation</p> <p>1) Scope of Consolidation</p> <p>The Company had 12 subsidiaries as of March 31, 2013. The consolidated financial statements for the year ended March 31, 2013 include the accounts of the Company and all subsidiaries. NAKANO VIETNAM CO., LTD. was newly consolidated since the company was newly incorporated during the year ended March 31, 2013. The Company had 2 affiliates as of March 31, 2013. As of March 31, 2013, 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.</p> <p>2) Financial Statements of Subsidiaries</p> <p>The financial year-end of an overseas subsidiary is December 31.</p> <p>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.</p> <p>3) Difference between the Cost of Investment and Equity in the Net Assets of a Subsidiary</p> <p>Excess of the cost of investment in a subsidiary over the amount of the underlying equity in the net assets of the subsidiary is principally amortized over a five-year period on a straight-line basis. Negative goodwill recognized on, or before April 1, 2010 is amortized over a five-year period on a straight-line basis as permitted as a transitional measure by the revised accounting standard.</p> <p>b. Investment Securities</p> <p>Investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets, while the cost of securities sold is computed using the moving-average method.</p> <p>Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.</p> <p>c. Inventories</p> <p>Costs of uncompleted construction contracts are determined by the specific identification method.</p> <p>Real estate for sale, costs on real estate business and raw materials and supplies are stated at cost determined by the specific identification method for real estate for sale and costs of real estate business and by the last purchase price method for raw material and supplies, while the net book value of these inventories in the balance sheet is written down if the net realizable value declines.</p> |

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.

Additional Information:

Pursuant to the tax reform, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the depreciation method provided by the amended Corporate Income Tax Law. The effect of this change on the net income for the year ended March 31, 2013 is not material.

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 and its domestic consolidated subsidiaries to cover expenses for defects claimed concerning completed work based on the estimated amount of compensation to be paid in the future for the work completed during the fiscal year.

i. Provision for Loss on Construction Contracts

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

j. Provision for Bonuses

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

k. Provision for Retirement Benefits

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

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

I. 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, 2013 was ¥105,221 million (\$1,118,777 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.

4. Notes to Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars	
	2012	2013	2013	
As of March 31				
Cash and deposits	¥ 202	¥ 202	\$ 2,147	
Notes receivable	799	801	8,516	
Buildings	1,864	1,792	19,053	
Land	8,365	8,365	88,942	
Investment securities	853	1,070	11,376	
Total	¥ 12,085	¥ 12,233	\$ 130,069	
Short-term loans payable	¥ 3,530	¥ 4,750	\$ 50,505	
Long-term loans payable	1,675	1,325	14,088	

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

	Millions of yen		Thousands of U.S. dollars	
	2012	2013	2013	
As of March 31				
Investment securities	¥ 24	¥ 25	\$ 265	

2) The Companies are contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2013	2013	
As of March 31				
Guarantees of completion of construction contracts	¥ 5,941	¥ 5,411	\$ 57,533	
Guarantee on employees' housing loan	0	0	0	
Total	¥ 5,941	¥ 5,411	\$ 57,533	

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

	Millions of yen		Thousands of U.S. dollars	
As of March 31	2012	2013	2013	
Costs on uncompleted construction contracts covered by "Provision for loss on construction contracts"	¥ 67	¥ -	\$ -	-

4) The following notes receivable and payable matured on March 31, 2012 and 2013 are included in the respective accounts, since March 31, 2012 and 2013 fall on a bank holiday:

	Millions of yen		Thousands of U.S. dollars	
As of March 31	2012	2013	2013	
Notes receivable	¥ 28	¥ 31	\$ 329	
Notes payable	2,813	2,766	29,409	

5. Notes to Consolidated Statements of Income

1) Provision for loss on construction contracts included in "Cost of sales of completed construction contracts" was as follows:

	Millions of yen		Thousands of U.S. dollars	
For the year ended March 31	2012	2013	2013	
Provision for loss on construction contracts	¥ 896	¥ 16	\$ 170	

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	2012	2013	2013	
Depreciation	¥ 130	¥ 107	\$ 1,137	
Provision for bonuses	92	68	723	
Retirement benefit expenses	295	296	3,147	
Employees' salaries and allowances	2,390	2,185	23,232	

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	2012	2013	2013	
Research and development costs	¥ 27	¥ 23	\$ 244	

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

	Millions of yen		Thousands of U.S. dollars	
	2012	2013	2013	
For the years ended March 31				
Land	¥ 7	¥ 460	\$ 4,891	
Buildings	1	939	9,984	
Other	1	0	0	
Total	¥ 11	¥ 1,400	\$ 14,885	

5) The Companies recognized impairment loss on the following assets:

Use	Location	Type	Millions of yen		Thousands of U.S. dollars	
			2012	2013	2013	
Operating assets	Tokyo (and 2 others)	Land	¥ -	¥ 760	\$ 8,080	
		Buildings	-	87	925	
		Other	-	7	74	
		Total	-	855	9,090	
Rental properties	Hyogo Pref.	Land	14	9	95	
		Buildings	13	12	127	
		Total	¥ 27	¥ 21	\$ 223	
Total			¥ 27	¥ 877	\$ 9,324	

The Companies review long-lived assets for impairment by grouping the construction business assets based on each profitability management unit and rental properties and other business assets by an individual asset.

With respect to the above operating assets of construction business and rental properties of real estate business, since there is an indication that the above operating assets of domestic construction business may be impaired and there is a decline of profitability of above rental properties owned by a certain consolidated subsidiary, the Companies reduced those carrying amounts to recoverable amounts and such reduced amounts were recorded as impairment loss under extraordinary loss in the accompanying consolidated statements of income.

The recoverable amounts of these assets are measured at the net selling value, which is determined based on the real estate appraisal value.

6. Notes to Consolidated Statements of Cash Flows

The reconciliation between "Cash and cash equivalents" reported in the consolidated statements of cash flows and "Cash and deposits" reported in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2013	2013	
As of March 31				
Cash and deposits per consolidated balance sheets	¥ 17,102	¥ 24,203	\$ 257,341	
Less: Time deposits maturing over three months	(2,076)	(2,049)	(21,786)	
Cash and cash equivalents per consolidated statements of cash flows	¥ 15,026	¥ 22,153	\$ 235,544	

7. Financial Instruments

1. Overview

1) Policy for financial instruments

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

2) Types of financial instruments, risk and risk management

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

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

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

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

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

3) Supplementary explanation on fair value of financial instruments

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

2. Fair value of financial instruments

The carrying amount, fair value and difference of the financial instruments as of March 31, 2012 and 2013 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, 2012	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 17,102	¥ 17,102	¥ -
(2) Notes receivable, accounts receivable from completed construction contracts and other	25,977	25,977	-
(3) Investment securities			
Held-to-maturity securities	24	25	0
Available-for-sale securities	1,129	1,129	-
Assets total	44,233	44,234	0
(1) Notes payable, accounts payable for construction contracts and other	38,482	38,482	-
(2) Short-term loans payable	5,030	5,030	-
(3) Long-term loans payable	1,975	1,975	-
Liabilities total	45,487	45,487	-
Derivative transactions	-	-	-

March 31, 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, 2013	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 257,341	\$ 257,341	\$ -
(2) Notes receivable, accounts receivable from completed construction contracts and other	296,608	296,608	-
(3) Investment securities			
Held-to-maturity securities	255	265	0
Available-for-sale securities	15,247	15,247	-
Assets total	569,452	569,463	0
(1) Notes payable, accounts payable for construction contracts and other	461,350	461,350	-
(2) Short-term loans payable	68,580	68,580	-
(3) Long-term loans payable	16,214	16,214	-
Liabilities total	546,145	546,145	-
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) Investment securities.

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

Liabilities:

(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:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2012	2013	2013
Unlisted equity securities	¥ 1,236	¥ 1,210	\$ 12,865

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

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

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

	Millions of yen			
As of March 31, 2013	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	¥ -

Thousands of U.S. dollars				
As of March 31, 2013	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	\$ 257,341	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other	296,608	-	-	-
Investment securities:				
Held-to-maturity securities (Japanese government bonds)	-	148	95	-
Available-for-sale securities with contractual maturities	-	21	-	-
Total	\$ 553,950	\$ 180	\$ 95	\$ -

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

Millions of yen						
As of March 31, 2012	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	¥ 5,030	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	1,110	734	131	-	-

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	-	-	-

Thousands of U.S. dollars						
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	\$ 68,580	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term loans payable	-	5,316	10,898	-	-	-

8. Investment Securities

Investment securities as of March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2012	2013	2013
Held-to-maturity securities	¥ 24	¥ 24	\$ 255
Available-for-sale securities with market value	1,129	1,434	15,247
Total	¥ 1,153	¥ 1,458	\$ 15,502

The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2012 and 2013 are as follows:

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

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

	Thousands of U.S. dollars			
As of March 31, 2013	Carrying amount	Unrealized gain	Unrealized loss	Fair value
Japanese government bonds	\$ 255	\$ 0	\$ -	\$ 265

The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2012 and 2013 are as follows:

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

	Millions of yen			
As of March 31, 2013	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

	Thousands of U.S. dollars			
As of March 31, 2013	Carrying amount	Unrealized gain	Unrealized loss	Acquisition cost
Equity securities	\$ 15,215	\$ 6,315	\$ (765)	\$ 9,665
Other	21	0	-	10
Total	\$ 15,247	\$ 6,326	\$ (765)	\$ 9,686

Available-for-sale securities which were sold during the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Sales proceeds	¥ 6	¥ 22	\$ 233
Gain on sales	-	-	-
Loss on sales	2	3	31

9. Retirement Benefits

1) Outline of the Company's retirement benefit plans

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

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

2) Projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
As of March 31	2012	2013	2013
Projected benefit obligations	¥ (4,882)	¥ (5,182)	\$ (55,098)
Plan assets	2,723	2,988	31,770
Unfunded benefit obligations	(2,159)	(2,193)	(23,317)
Unrecognized actuarial differences	1,240	1,181	12,557
Provision for retirement benefits	¥ (918)	¥ (1,012)	\$ (10,760)

3) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2012	2013	2013
Service cost (Note)	¥ 279	¥ 308	\$ 3,274
Interest cost	85	47	499
Expected return of plan assets	-	-	-
Amortization of actuarial differences	65	108	1,148
Subtotal	430	465	4,944
Contribution to Welfare Pension Fund	226	213	2,264
Contribution to the defined contribution pension plan	54	57	606
Total	¥ 711	¥ 735	\$ 7,814

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

	2012	2013
Inter-period allocation method of projected benefit obligations	Straight-line basis	Straight-line basis
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	0.0%	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)	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)

10. Deferred Tax Accounting

1) The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2012	2013	2013
Deferred tax assets:			
Provision for bonuses	¥ 89	¥ 63	\$ 669
Provision for retirement benefits	323	323	3,434
Allowance for doubtful accounts	122	67	712
Loss on valuation of real estate for sale	305	310	3,296
Provision for loss on construction contracts	361	101	1,073
Impairment loss	1,434	1,648	17,522
Tax loss carryforwards	2,395	2,551	27,123
Other	267	228	2,424
Subtotal	5,295	5,294	56,289
Less: valuation allowance	(5,211)	(5,294)	(56,289)
Deferred tax assets	¥ 83	¥ 0	\$ 0
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (75)	¥ (184)	\$ (1,956)
Undistributed earnings of foreign consolidated subsidiaries	(136)	(194)	(2,062)
Other	(12)	(12)	(127)
Deferred tax liabilities	¥ (224)	¥ (390)	\$ (4,146)
Net deferred tax liabilities	¥ (140)	¥ (390)	\$ (4,146)

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 is as follows:

	2013
Normal effective statutory tax rate	38.0%
Expenses not deductible income tax purposes	3.9
Tax rate differences in foreign consolidated subsidiaries	(5.9)
Undistributed earnings of foreign consolidated subsidiaries	2.6
Inhabitant per capita taxes	1.6
Valuation allowance	17.0
Other	10.2
Actual effective tax rate	67.4

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

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, 2012 and 2013 were ¥685 million and ¥695 million (\$7,389 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, 2012 and 2013.

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

		Millions of yen		Thousands of U.S. dollars
As of March 31		2012	2013	2013
Carrying amounts				
(Note 1):	Beginning balance	¥ 13,889	¥ 12,997	\$ 138,192
	Increase (decrease) (Note 2)	(892)	(2,171)	(23,083)
	Ending balance	¥ 12,997	¥ 10,825	\$ 115,098
Fair value (Note 3)		¥ 16,311	¥ 12,929	\$ 137,469

(Notes): 1. The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.

2. Increase during the year ended March 31, 2012 primarily represents the acquisition of real estate of ¥131 million and decrease is primarily due to the change in holding purpose from investment to internal use of ¥759 million and depreciation of ¥196 million.

Increase during the year ended March 31, 2013 primarily represents the acquisition of real estate of ¥135 million (\$1,435 thousand) and decrease is primarily due to sale of real estate of ¥1,368 million (\$14,545 thousand), and the change in holding purpose from investment to internal use of ¥873 million (\$9,282 thousand).

3. Fair values of properties as of March 31, 2012 and 2013 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", and those of the real estate business are "Japan" and "North America".

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

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

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

Millions of yen

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

- (Notes): 1. "Other" is a business segment not included in the reportable segments and it is insurance agent business.
2. An adjustment of "Segment assets" in an amount of ¥10,286 million 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.

Millions of yen

For the year ended March 31, 2013	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)	
	Construction			Real estate							
	Southeast		Total	North		Total					
Japan	Asia	Japan		America							
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	

Thousands of U.S. dollars

For the year ended March 31, 2013	Reportable segments						Other (Note 1)	Total	Adjustments Consolidated	
	Construction			Real estate					(Note 2)	(Note 3)
	Japan	Southeast Asia	Total	Japan	North America	Total				
Net sales:										
Customers	\$ 688,484	\$ 538,128	\$1,226,613	\$ 17,150	\$ 2,636	\$ 19,787	\$ 308	\$1,246,719	\$ -	\$1,246,719
Inter-segment	-	191	191	170	-	170	-	372	(372)	-
Total	688,484	538,320	1,226,815	17,320	2,636	19,968	308	1,247,102	(372)	1,246,719
Segment income (loss)	(7,113)	16,289	9,165	5,986	1,031	7,028	(10)	16,182	-	16,182
Segment assets	220,159	297,363	517,533	122,434	23,880	146,326	563	664,423	100,340	764,774
Other items:										
Depreciation	\$ 839	\$ 531	\$ 1,382	\$ 1,594	\$ 382	\$ 1,988	\$ 0	\$ 3,370	\$ -	\$ 3,370
Impairment loss	9,090	-	9,090	223	-	223	-	9,324	-	9,324
Increase in property, plant, and equipment and intangible assets	2,987	871	3,870	382	1,010	1,392	0	5,273	-	5,273

- (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 ¥9,437 million (\$100,340 thousand) is corporate assets which are not allocated to each reportable segment and consists of surplus fund (cash and deposits) and long-term investment fund (investment securities and insurance funds) of the Company.
 3. Segment income (loss) is reconciled with operating income in the accompanying consolidated statements of income.

13. Per Share Information

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income (loss) per share is not presented for the years ended March 31, 2012 and 2013 since the Company had no potentially dilutive shares outstanding as of the balance sheet dates.

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

Net assets and net income (loss) per share for the years ended March 31, 2012 and 2013 were as follows:

	Yen				U.S. dollars
For the years ended March 31	2012		2013		2013
Net assets per share	¥	271.14	¥	319.60	\$ 3.39
Basic net income per share		(58.88)		19.01	0.20

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

	Millions of yen				Thousands of U.S. dollars	
As of March 31	2012		2013		2013	
Total net assets	¥	9,710	¥	11,565	\$	122,966
Deductions from total net assets:						
Minority interests		(386)		(576)		(6,124)
Net assets attributable to common stock	¥	9,323	¥	10,988	\$	116,831
Number of shares of common stock used in computing net assets per share (in thousand shares)		34,386		34,381		

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

	Millions of yen				Thousands of U.S. dollars	
For the years ended March 31	2012		2013		2013	
Net income (loss)	¥	(2,024)	¥	653	\$	6,943
Amount not attributable to common stock shareholders		-		-		-
Net income (loss) attributable to common stock	¥	(2,024)	¥	653	\$	6,943
Average number of shares of common stock during the year (in thousand shares)		34,387		34,383		

14. Bonds Payable

Short-term and long-term bonds payable as of March 31, 2012 and 2013 consisted of the following:

				Thousands of		Interest				
				U.S. dollars						
Issuer and Issue type		Issue date		Millions of yen		2013	rate (%)	Collateral	Maturity	
(Nakano Corporation)										
4 th unsecured bond with early redemption clause	Sep. 30, 2010	¥	200	¥	-	\$	-	(Note) 2	None	Mar. 29, 2013
			(200)		(-)		(-)			
5 th unsecured bond with early redemption clause	Sep. 30, 2010		200		-		-	(Note) 2	None	Mar. 29, 2013
			(200)		(-)		(-)			
6 th unsecured bond with early redemption clause	Sep. 30, 2010		160		-		-	(Note) 2	None	Mar. 29, 2013
			(160)		(-)		(-)			
Total		¥	560	¥	-	\$	-			
			(560)		(-)		(-)			

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

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

15. Loans Payable and Other Debts

Short-term loans payable, long-term loans payable and other debts as of March 31, 2012 and 2013 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	Average interest	Maturity
	2012	2013	2013	rate (%)	
Short-term loans payable	¥ 4,480	¥ 5,800	\$ 61,669	2.24	
Current portion of long-term loans payable	550	650	6,911	1.93	
Current portion of lease obligations	28	15	159	-	
Long-term loans payable excluding current portion	1,975	1,525	16,214	2.05	Jun. 30, 2014 - Mar. 31, 2016
Lease obligations excluding current portion	7	54	574	-	Apr. 30, 2014 - Aug. 31, 2017
Total	¥ 7,041	¥ 8,044	\$ 85,528		

(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, 2013:

Years ending March 31	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease obligations	Long-term loans payable	Lease obligations
2014	¥ 650	¥ 15	\$ 6,911	\$ 159
2015	500	15	5,316	159
2016	1,025	15	10,898	159
2017	-	12	-	127
2018	-	10	-	106
2019 and thereafter	-	0	-	0
Total	¥ 2,175	¥ 69	\$ 23,125	\$ 733

16. Subsequent Events

1) At the Annual General Meeting of Shareholders held on June 27, 2013, it was resolved to distribute the year-end cash dividends of ¥3 (\$0.03) per share of common stock of the Company.

The aggregate amount of such cash dividends is ¥103 million (\$1,095 thousand).

2) The Company received the service of complaint from a Japanese company regarding a lawsuit in Japan for the payment of ¥1,723 million (\$18,320 thousand) in total as compensation for damages and other for the defect repair on August 23, 2013.

The Company strongly believes that the defect which the adverse party insists on does not exist and copes appropriately so that the Company's claim will be accepted.

SUPPLEMENTAL INFORMATION

NONCONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION

As at March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Assets			
Current assets:			
Cash and deposits	¥ 7,777	¥ 6,595	\$ 70,122
Notes receivable-trade	859	1,401	14,896
Accounts receivable from completed construction contracts	16,431	15,713	167,070
Costs on uncompleted construction contracts	1,535	906	9,633
Real estate for sale	550	-	-
Costs on real estate business	201	191	2,030
Raw materials and supplies	23	24	255
Short-term loans receivable from subsidiaries and affiliates	10	10	106
Accounts receivable-other	524	530	5,635
Other	953	439	4,667
Allowance for doubtful accounts	(256)	(232)	(2,466)
Total current assets	28,610	25,581	271,993
Noncurrent assets:			
Property, plant and equipment			
Buildings	6,692	6,665	70,866
Accumulated depreciation	(3,358)	(3,532)	(37,554)
Buildings, net	3,333	3,133	33,312
Structures	236	230	2,445
Accumulated depreciation	(184)	(189)	(2,009)
Structures, net	51	41	435
Machinery and equipment	179	175	1,860
Accumulated depreciation	(175)	(171)	(1,818)
Machinery and equipment, net	4	3	31
Vehicles	23	23	244
Accumulated depreciation	(21)	(22)	(233)
Vehicles, net	1	0	0
Tools, furniture and fixtures	430	433	4,603
Accumulated depreciation	(396)	(406)	(4,316)
Tools, furniture and fixtures, net	33	27	287
Land	10,259	9,707	103,211
Lease assets	217	52	552
Accumulated depreciation	(182)	(6)	(63)
Lease assets, net	34	46	489
Total property, plant and equipment	13,719	12,961	137,809
Intangible assets			
Total intangible assets	116	130	1,382
Investments and other assets			
Investment securities	2,324	2,597	27,612
Stocks of subsidiaries and affiliates	2,670	2,670	28,389
Long-term loans receivable from subsidiaries and affiliates	664	653	6,943
Claims provable in bankruptcy, claims provable in rehabilitation and other	176	32	340
Insurance funds	148	152	1,616
Other	482	437	4,646
Allowance for doubtful accounts	(467)	(343)	(3,646)
Total investments and other assets	5,999	6,199	65,911
Total noncurrent assets	19,835	19,291	205,114
Total assets	¥ 48,445	¥ 44,872	\$ 477,107

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Liabilities			
Current liabilities:			
Notes payable-trade	¥ 15,854	¥ 14,027	\$ 149,144
Accounts payable for construction contracts	10,068	8,970	95,374
Current portion of bonds	560	-	-
Short-term loans payable	5,030	6,450	68,580
Income taxes payable	45	50	531
Advances received on uncompleted construction contracts	3,971	3,449	36,671
Provision for warranties for completed construction	108	92	978
Provision for loss on construction contracts	951	266	2,828
Provision for bonuses	221	166	1,765
Other	1,107	892	9,484
Total current liabilities	37,918	34,363	365,369
Noncurrent liabilities:			
Long-term loans payable	1,975	1,525	16,214
Deferred tax liabilities	69	175	1,860
Provision for retirement benefits	849	907	9,643
Long-term deposits received	489	495	5,263
Other	185	223	2,371
Total noncurrent liabilities	3,568	3,328	35,385
Total liabilities	41,486	37,691	400,754
Net assets			
Shareholders' equity:			
Capital stock	¥ 5,061	¥ 5,061	\$ 53,811
Capital surplus			
Legal capital surplus	1,400	1,400	14,885
Total capital surpluses	1,400	1,400	14,885
Retained earnings			
Other retained earnings			
Retained earnings brought forward	405	435	4,625
Total retained earnings	405	435	4,625
Treasury stock	(27)	(28)	(297)
Total shareholders' equity	6,838	6,868	73,024
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	120	312	3,317
Total valuation and translation adjustments	120	312	3,317
Total net assets	6,958	7,180	76,342
Total liabilities and net assets	¥ 48,445	¥ 44,872	\$ 477,107

NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Net sales:			
Net sales of completed construction contracts	¥ 72,381	¥ 65,807	\$ 699,702
Sales on real estate business	1,530	1,577	16,767
Total net sales	73,911	67,385	716,480
Cost of sales:			
Cost of sales of completed construction contracts	70,134	63,000	669,856
Cost of sales on real estate business	1,003	989	10,515
Total cost of sales	71,137	63,990	680,382
Gross profit:			
Gross profit on completed construction contracts	2,247	2,807	29,845
Gross profit-real estate business	527	588	6,251
Total gross profit	2,774	3,395	36,097
Selling, general and administrative expenses	4,150	3,802	40,425
Operating loss	(1,376)	(407)	(4,327)
Non-operating income:			
Interest income	22	21	223
Dividends income	644	1,505	16,002
Other	27	140	1,488
Total non-operating income	695	1,667	17,724
Non-operating expenses:			
Interest expenses	161	172	1,828
Other	16	7	74
Total non-operating expenses	178	179	1,903
Ordinary income (loss)	(859)	1,080	11,483
Extraordinary income:			
Gain on sales of noncurrent assets	9	-	-
Total extraordinary income	9	-	-
Extraordinary loss:			
Impairment loss	-	855	9,090
Loss on disaster	191	-	-
Loss on construction	67	-	-
Other	132	54	574
Total extraordinary losses	391	909	9,665
Income (loss) before income taxes	(1,242)	171	1,818
Income taxes:			
Income taxes-current	31	37	393
Income taxes-deferred	1,274	0	0
Total income taxes	1,305	37	393
Net income (loss)	¥ (2,548)	¥ 133	\$ 1,414

CORPORATE PROFILE

As of March 31, 2013

Company Outline

Company Name	NAKANO CORPORATION
Headquarters	4-2-28 Kudan-kita, Chiyoda-ku, Tokyo 102-0073, Japan
Foundation	8th February 1933
Established	19th December 1942
Paid-in Capital	¥5,061,678,686
Employees	1,293
Stock Listing	Tokyo Stock Exchange, First Section
Primary Business	Domestic Construction Projects International Construction Projects

Board of Directors

Honorary Chairman	Yoshikazu Oshima	
President	Akira Asai	
Directors	Makoto Yasuhiro	Koichiro Nakano
	Yorinobu Kato	Toshiyuki Taketani
Standing Corporate Auditors	Toshihide Kurokawa	Akihiro Sugaya
Corporate Auditors	Shunichi Sato	Kohei Yamaya

Main Affiliated Financial Institutions

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

Major Shareholders

Oshima Scholarship Foundation	Yoshikazu Oshima
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Nakano Investment Fraternity Association
Kanto Kogyo Co., Ltd.	Nakano Employee Shareholder Association

Domestic Offices

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

International Offices

Nakano International Corporation (USA)	PT. Indonakano (Indonesia)
Nakano Singapore (Pte.) Ltd. (Singapore)	PT. Nakano S Batam (Indonesia)
Nakano Construction Sdn. Bhd. (Malaysia)	Nakano Consulting Shanghai Co., Ltd. (China)
Thai Nakano Co., Ltd. (Thailand)	Nakano Vietnam Co., Ltd.

Industry Affiliations

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