NIPPON KOEI
Challenging mind, Changing dynamics

Annual Report 2012

Year Ended March 31, 2012

Company Profile

Nippon Koei Co., Ltd. established in 1946, specializes in engineering consulting and electric power engineering. Since its foundation, the Company has adhered to a policy of contributing to society through technology.
Our engineering consulting services, provided by the Consulting Administration Group, draws on the technical expertise of specialists in diverse fields. Since our first overseas venture, a hydroelectric power project in Myanmar in 1954, we have participated in a broad variety of sophisticated development projects worldwide.
The Engineering Administration Group spearheads the Company's electric power engineering business. Here, we provide a complete engineering package, from surveys and designs to the installation of a wide range of equipment, including power stations and substations, transmission lines, and end-user equipment. We are active both in Japan and overseas.
Committed to responsible corporate citizenship, Nippon Koei Group and its employees dedicate their efforts to creating comfortable living environments for people around the world.

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Financial Highlights

Consolidated

Years Ended March 31	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars 2012
Net sales	**¥65,945**	¥65,807	**$802,348**
Net income	**1,420**	1,207	**17,277**
Net income per share (Yen/Dollars)	**18.39**	15.16	**0.22**
As of March 31			
Total assets	**79,372**	74,741	**965,714**
Equity	**43,505**	43,698	**529,322**

Non-Consolidated

Years Ended March 31	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars 2012
Net sales	**¥49,852**	¥48,426	**$606,546**
Net income	**1,203**	3,160	**14,637**
Net income per share (Yen/Dollars)	**15.58**	39.67	**0.19**
As of March 31			
Total assets	**71,601**	66,763	**871,164**
Equity	**39,921**	40,335	**485,716**

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each period.
2. The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥82.19=US$1, the rate of exchange at March 31, 2012

Consolidated Business Report for Fiscal Year Ended March 31, 2012

1. Overview of Performance and Cash Flow

(1) Performance

The Japanese economy this fiscal year (April 1, 2011 through March 31, 2012) saw consumer spending and corporate capital expenditures pick up as production rebounded after the devastating Great East Japan Earthquake. While the Japanese government granted a supplementary budget for public investment projects, the strong yen, European economic crisis and Thai floods posed major challenges for larger companies, especially exporters.

The Nippon Koei Group's domestic consulting operations remained healthy thanks to an increase in public projects fueled by the government's first and second supplementary budgets as well as the third supplementary budget designed to get post-quake reconstruction work running full steam. Our overseas consulting operations also grew steadily as the government increased its Official Development Assistance (ODA) budget to meet increasing demand for infrastructure projects in developing countries. On the other hand, we saw sales performance decline for our electric power engineering operations as electric companies cut spending on new capital investments and repairs due to declining revenue triggered by the shutdown of their nuclear power plants.

Working against this backdrop, the Group focused on aiding post-quake recovery efforts as its top priority for the fiscal year. We went to work on reconstruction immediately after the earthquake struck. Leveraging the infrastructure engineering expertise of our entire Group, we continued to help earthquake-hit areas rise from the rubble with safe, disaster-resilient communities.

Positioning our overseas projects as a key to further growth, we also focused on building logistics networks and urban infrastructures such as water supply and sewerage systems in developing countries with an aim to achieve sustainable growth.

Greater efforts to ensure regulatory compliance via effective use of our internal controls as well as meticulous risk, safety, and quality control management have enabled us to build an even stronger management foundation. We are continually moving ahead with an eye to firmly establishing our place as a leading company that is trusted by the public. On top of everything else, we have also boosted management efficiency through concentration and integration of our operations.

Consolidated orders received during the year increased 14.4% year on year to total 69,268 million yen while year-on-year sales remained virtually flat at 65,945 million yen.

Net income also rose by 17.6% on a year-on-year basis to hit 1,420 million yen.

The performance for each business segment is outlined below.

Domestic Consulting Operations

Orders were fueled by a host of projects involving everything from post-quake recovery and reconstruction to national disaster preparedness, recovery work related to the sediment disasters caused by Typhoon Talas and Typhoon Roke, extending the life of public facilities, digital public safety radio communication systems, as well competitive bidding projects from the Ministry of Land, Infrastructure, Transport and Tourism based on the best technology proposals, etc. In the final analysis, orders soared 23.0% year on year to reach 37,581 million yen while sales climbed 7.8% year on year to total 34,423 million yen. Segment profit totaled 878 million yen, a year-on-year increase of 1,705 million yen (from segment loss of 827 million yen last year).

Overseas Consulting Operations

Orders increased steadily mainly for Japan International Cooperation Agency (JICA) projects for research surveys although projects financed by the Japanese government's yen loans decreased since the signing of some contracts were deferred until the following year. Performance was buoyed by contracts for transportation projects, including an intelligent transport system (ITS) project in Brazil and railroad projects in India and Egypt. We also received orders for non-ODA projects, including a project to build a large-scale water-power generation plant in Pakistan (an order from the World Bank). All these projects brought our orders total up 28.3% to reach 19,663 million yen. Sales remained flat at 16,326 million yen, while segment profit, dropping 25.6% year on year, came to 975 million yen.

Power Engineering Operations

Our power equipment manufacturing operations saw an increase in orders for water turbines and power generators from private-sector companies. Unfortunately, orders were down for computer control systems as power companies cut back on capital investments. Orders for installation work also dropped sharply for power companies, including expansions and upgrades to transformer substations. Overall, orders were down 18.0% year on year, reaching 11,991 million yen. Sales dropped 17.8% year on year to total 12,932 million yen. Segment profit totaled 837 million yen, down 47.9% year on year.

Real Estate Leasing Operations

Sales from our real estate leasing operations declined by 5.5% year on year to reach 1,193 million yen, while segment profit grew 5.5% to total 822 million yen.

(2) Cash Flow

Cash flow totaled 5,923 million yen for cash and cash equivalents at the end of the fiscal year under review, increasing 766 million yen over the previous year. The factors behind this increase include the following.
Net cash provided by operating activities totaled a negative 1,195 million yen (vs. a net inflow of 5,965 million yen last year). This was due primarily to an increase of 5,730 million yen in trade accounts receivable although income before income taxes and minority interests totaled 2,990 million yen, an increase of 729 million yen over the total figure for the end of the previous consolidated fiscal year.
Cash flow from investing activities totaled 1 million yen (vs. a net outflow of 2,137 million yen last year). This was due primarily to purchases, sales and redemption of investment securities.
Cash flow from financing activities amounted to 1,950 million (vs. a net outflow of 4,847 million yen last year). This was due primarily to purchase of treasury stock as well as proceeds from short-term borrowings.
The table below shows trends in cash flow-related indicators for the Group.

Reference: Trends in Cash Flow-related Indicators

	Fiscal Year Ended March 2008	Fiscal Year Ended March 2009	Fiscal Year Ended March 2010	Fiscal Year Ended March 2011	Fiscal Year Ended March 2012
Capital-to-asset ratio (%)	52.1	52.2	53.8	58.1	54.5
Capital-to-asset ratio on market value basis (%)	25.4	22.7	27.5	32.0	27.4
Interest-bearing debt-to-cash flow ratio (annual)	17.8	2.5	9.5	1.6	—
Interest coverage ratio	10.2	28.0	9.8	52.3	—

Capital-to-asset ratio: stockholders' equity / total assets
Capital-to-asset ratio on market value basis: market capitalization / total assets
Interest-bearing debt-to-cash flow ratio: interest-bearing debts / cash flow
Interest coverage ratio: cash flow / interest payment

Notes:
1. All figures are calculated on the basis of consolidated financial figures.
2. Market capitalization is computed on the basis of the number of shares issued, excluding treasury stocks.
3. Cash flow here means operating cash flow.
4. Interest-bearing debt here comprises all debts included in the balance sheet on which interest is paid.
5. The Interest-bearing debt-to-cash flow and Interest coverage ratios for the fiscal year ended March 2012 were negative as indicated by "—."

2. Production, New Orders and Sales

(1) New Orders

Business Category	**This Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year (%)**
New Orders		
Domestic consulting operations	¥37,581	23.0
Overseas consulting operations	19,663	28.3
Power engineering operations	11,991	-18.0
Other business operations	33	47.1
Total new orders	69,268	14.4
Outstanding orders		
Domestic consulting operations	12,420	10.0
Overseas consulting operations	33,948	6.4
Power engineering operations	6,766	24.4
Other business operations	21	0.0
Total orders on hand	¥53,155	9.3

Notes: 1. Figures above do not include consumption tax.
2. The above figures are related to transactions with non-Group organizations: They do not include internal transactions between Group segments or the transfer amounts involved.

(2) Sales Performance

Business Category	**This Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year (%)**
Domestic consulting operations	¥34,423	7.8
Overseas consulting operations	16,326	2.3
Power engineering operations	12,932	-17.8
Real estate leasing operations	1,193	-5.5
Other business operations	1,071	18.4
Total sales	¥65,945	0.2

Notes: 1. Production status is not stated due to difficulties in defining consolidated group production performance.
2. Transactions between business segments are offset and eliminated.
3. Amounts above do not include consumption tax.
4. Sales to major customers as a proportion of total sales are given as follows.

Customer	**This Consolidated Fiscal Year**		Previous Consolidated Fiscal Year	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Ministry of Land, Infrastructure, Transport and Tourism	**¥12,976**	**19.7**	¥10,659	16.2
Japan International Cooperation Agency	**6,701**	**10.2**	6,832	10.4
Tokyo Electric Power Co., Ltd.	**6,092**	**9.2**	8,414	12.8

3. Future Challenges

(1) Management Policy

The Nippon Koei Group keeps the management philosophy "contributing to society through technology with sincerity". With the slogan "Challenging mind, Changing dynamics", the Group is making best efforts to realize the management philosophy.

Looking ahead, under this management philosophy and slogan, we see that the direct impact of the Great East Japan Earthquake merely temporary and that the growth of emerging markets in Asia and other parts of the world will be sure to fuel demand for overseas infrastructure construction. Working against this backdrop, we will continue to make inroads into the global market with an eye to achieving sustainable growth. Therefore, the NK Group shall, while maintaining a secure technical foundation in Japan (consulting and engineering businesses), focus on the expanding infrastructure development market in developing countries to significantly expand its businesses. On the other hand, in order to attain sustainable growth in the future, the overseas office and/or group companies should take the initiative of exploring and forming new business domains. Accordingly, the basic policies of the Medium-Term Management Plan for FY2013 to FY2015, which is positioned as the first stage to realize the above-mentioned target, are the "enhancement of global operations" and "exploration and formulation of new business domains".
According to the basic policies for the target period, i.e. "enhancement of global operations" and "exploration and formulation of new business domains", the following three priority issues are addressed:

(1) Development and management of overseas offices and/or group companies (introduction of multi-domestic management)
(2) Enhancement of the existing business sectors and expansion of business domains
(3) Exploration of new business models including new initiatives in project management

In following this new Medium-Term Management Plan, we will implement these specific measures during fiscal year 2013.

1) Development and management of overseas offices and/or group companies (introduction of multi-domestic management):
Overseas offices and/or group companies under the new initiative shall be established and/or enhanced in the four major markets, i.e. Asia, Middle East and North Africa, Latin America and Sub-Saharan Africa, according to the overseas business expansion strategy required for the "enhancement of global operations" in an effort to aggressively engage the non-ODA market in addition to the current ODA market. This shall be promoted based on the principle of "introduction of multi-domestic management". While localization and multinationalization shall be pursued to promote a region-based marketing and production system which is operated by an autonomous local workforce, the cross-sectional technical functions that connect the Tokyo headquarters and the overseas offices and/or subsidiaries shall be enhanced in order to ensure a sufficient level of quality for all of the NK Group's services.

2) Enhancement of the existing business sectors and expansion of business domains:
Taking into consideration the market trend in and out of Japan, the future direction of social capital improvement, and the two basic policies, i.e. "enhancement of global operations" and "exploration and formulation of new business domains", the enhancement and expansion of the urban and regional development sector (including transportation) with the mechanical and electrical consulting sector shall be pursued as a priority issue for the entire NK Group.
Particularly in Japan , the NK Group shall concentrate its efforts on disaster recovery projects and strive to acquire advanced technologies in order to expand the business domains to upstream and downstream industries to address significant decrease and qualitative change of the budget for public projects in the next several years.

3) Exploration of new business models including new initiatives in project management:
The NK Group shall utilize its accumulated know-how in order to promote businesses corresponding to the investment trends in and out of Japan, and/or to discover potential business investment demands in an effort to explore and realize new business models.
We will also make ongoing company-wide efforts to enhance cross-departmental marketing functions; employ, train and allocate strategic personnel; maintain advanced technological standards; develop quality assurance systems; and increase productivity.

(2) Basic Policy Governing Corporate Decision-makers on Financial Affairs and Operations

Our basic policy governing corporate decision-makers on financial affairs and operations (Governance Principles) is as detailed below.

1) Governance Principals

We are proud of our company's track record as a good corporate citizen. Nippon Koei has been charged with fulfilling a great social mission and public works projects, including construction consulting. The power of our brand is backed by a wide range of technological expertise, years of experience, and a rock-solid performance record. It would be impossible to manage Nippon Koei, improve its corporate value, or bring profit to its shareholders without a good understanding of everything the brand stands for or without the relationship of mutual trust that has been built between Nippon Koei and its customers, employees, suppliers, and other stakeholders in Japan and abroad.

We believe that, in the event of a takeover bid, any party attempting to acquire a large number of shares (bidder) should provide shareholders with all the information necessary for them to make a sound decision.

2) Special Measures for Effective use of Corporate Assets, Building a Better Group, and Realizing Other Governance Principles

At Nippon Koei, we implement the following special measures in line with the Governance Principles described in 1) above.

(i) Medium-term Goals

Our medium-term goals and specific measures under our Medium-Term Management Plan are as described in the section entitled "(1) Management Policy."

(ii) Enhancing Corporate Governance

Working with an eye to increasing the corporate value of Nippon Koei and the Nippon Koei Group as a whole, we are continually making improvements to corporate governance by strengthening management oversight, ensuring transparency, and establishing a system that will enable us to quickly perform our operations. We also focus on compliance as well as risk management to enhance the effectiveness of internal controls and have adopted a corporate auditor system. The Board of Directors provides oversight of our operations while the Board of Corporate Auditors audits the directors' activities.

3) Preventing Undesirable Takeover

In line with the Governance Principles described in 1) above, we maintain an anti-takeover policy (hereinafter "Policy on Substantial Acquisition of Shares") which is intended to prevent undesirable control over decisions on our financial and operational policies. The Policy on Substantial Acquisition of Shares generally applies to any bidder attempting to acquire a large number of Nippon Koei shares in a bid to control 20% or more of the voting rights held by a certain group of shareholders or acquiring enough shares to change the balance of power in order to ensure that a certain group of shareholders have 20% or more of the voting rights. The Policy requires the bidder to (a) provide the Board of Directors with all relevant information including written notification declaring his/her exact intentions in advance, and (b) begin purchasing shares only after the elapse of a tender assessment period to be specified by the Nippon Koei Board of Directors.

The shareholders voted at the 66th general shareholders' meeting held on June 29, 2011 to revise part of the Policy on Substantial Acquisition of Shares. The revision, carried out in the common interest of the shareholders, makes the policy more appropriate and better suited to maintaining and enhancing corporate value. The policy was first introduced in May 2006 after which the Board voted to continue it in June 2007. It was later partially revised upon approval of shareholders at the 63rd general shareholders' meeting held on June 27, 2008.

The details of the Policy on Substantial Acquisition of Shares were made public on May 10, 2011 and have been made available on the Nippon Koei Group website (http://www.n-koei.co.jp/).

4) Board Decision Concerning the Measures Described in 2) and 3) Above

The measures described in 2) above are in line with the Governance Principles described in 1) above since they were implemented for the purpose of enhancing corporate value and carried out in the common interests of our shareholders. These measures protect the interests of our shareholders over protecting the corporate directors from being replaced.

The measures described in 3) above (Policy on Substantial Acquisition of Shares) are in line with the Governance Principles described in 1) above. It protects the interests of our shareholders over protecting the corporate directors from being replaced in the following ways:

a. The Policy on Substantial Acquisition of Shares meets the three basic requirements set forth in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests published by the Ministry of Economy, Trade and Industry (METI) and the

Ministry of Justice on May 27, 2005. It also incorporates a June 30, 2008 report entitled “Proper Role of Takeover Defense Measures in Light of Changes in Various Environments” published by METI’s Corporate Value Study Group.

b. The Policy enables our shareholders to make an informed decision on whether a takeover would be beneficial, prevents any apparent infringement on Nippon Koei’s corporate value and is in the best interest of Nippon Koei and its shareholders.
c. The Rules on Substantial Acquisition of Shares and the necessary conditions for taking countermeasures are reasonable in light of our aim to maintain and enhance Nippon Koei’s corporate value and protect the interests of its shareholders.
d. The Rules on Substantial Acquisition of Shares and the necessary conditions for taking countermeasures are concrete and clear enough to make it possible for the shareholders, investors and potential bidders to make fair predictions about the future.
e. The policy was enacted by a vote of the shareholders at a shareholders’ meeting. Nippon Koei’s Board of Directors can convene a shareholders’ meeting in order to verify the shareholders’ intentions to implement a countermeasure or not. Decisions about whether to maintain, rescind or alter the policy, made in the form of a resolution to be voted on at a general meeting of shareholders, will ensure that the wishes of the shareholders are reflected in company policy.
f. The policy establishes objective and clear conditions for taking countermeasures. It also establishes prior conditions needed to implement countermeasures, requiring that the Nippon Koei Board consult its independently established ad hoc committee in advance concerning the initiation of countermeasures. Only after carefully considering the recommendations of the committee will the board make its final decision on implementing counter-takeover measures. The Policy on Substantial Acquisition of Shares ensures that all decisions of the Board regarding countermeasures are objective and reasonable.
g. The policy empowers the ad hoc committee to seek the advice of independent experts at Nippon Koei’s expense. The policy goes to such great lengths that it leaves no room for doubt about the fairness and objectivity of the ad hoc committee’s recommendations.
h. The Policy on Substantial Acquisition of Shares is not intended to be a dead-hand takeover defense and may be abolished subject to a vote at the company’s general meeting of shareholders or at a Board meeting comprised of directors elected at a general meeting of shareholders. It is not a slow-hand takeover defense either since the term of the Nippon Koei Board members is one year.

4. Business Risks

The following are deemed to be risks that could affect Nippon Koei’s future financial status or corporate performance as of the date this report was submitted. These risks listed here are not intended to be all-encompassing or exhaustive.

Uneven Annual Distribution of Performance Results

The primary operations of Nippon Koei include domestic and overseas construction consultancy and power engineering and equipment manufacturing. The domestic construction consultancy operations entail mainly government and public agency projects whose orders come in as a cluster towards the end of the fiscal year (March). As a result, 70-80% of Group sales tend to occur in the second half of the year.

Dependence on Major Customers

Our domestic and overseas construction consultancy operations rely on foreign and national government contracts for some 90% of its sales. Sales performance on the domestic front tends to be affected by trends in government spending while our international orders are a reflection of the Japanese ODA budget.
Since about 50-70% of our power engineering operations are for the Tokyo Electric Power Company (TEPCO), our sales performance is largely dictated by capital investments by TEPCO.

5. Operationally Significant Contracts

The Group reports no operationally significant contracts.

6. Research and Development

You can see the Nippon Koei Group’s management philosophy “contributing to society through technology with sincerity” behind everything it does. Nippon Koei is putting technology to work with an eye to creating a better world for everyone.

Overall Group research and development costs for the consolidated fiscal year under review amounted to 413 million yen.

Domestic and Overseas Consulting and Other Operations

Research and development over a wide range of construction consulting services is conducted at Research & Development Center. We monitor research by means of adjusted return map, which we customized the Hewlett-Packard Return Map, in order to accelerate the research process and evaluate the results with an eye to practical application. The following R&D projects were conducted during the consolidated fiscal year under review:

(1) Research and development of advanced numerical analysis techniques and general-purpose software applications

R&D work was conducted on the development of automated design software for canal/dock management, geographical information and NK-GIAS hydrology application software, as well as research relating to practical applications of two- and three-dimensional hydraulic analysis.

(2) Research and development relating to national disaster prevention

R&D work also focused on ground surface uplift due to the recovery of groundwater levels, development of a risk assessment technique for tsunamis and storm surges, development of a method for assessing the impact of landslides on tunnels, research to enhance systems designed to detect slope failure, development of a comprehensive river basin sediment control model as well as the study of earthquake fault and seismic load design.

(3) Research and development for climate change measures

Research efforts involved developing multi layer flow analysis techniques for CO_2 aquifer storage, localized weather prediction aimed at reducing water damage risk caused by seasonal fluctuations, simulations designed to help prevent groundwater salinization and groundwater resource management technology, real-time disaster information IT, development of an ecosystem and water environment management simulator, as well as techniques for monitoring and preserving biodiversity in the context of global warming.

(4) Research and development in performance verification and management support systems

Research was carried out on a dynamic crack propagation analytical model for concrete structures, as well as a project assessment model for social infrastructure improvements.

(5) Technical exchanges with overseas research institutes

Technical exchange activities were conducted with the Asian Institute of Technology, the United Nations University, the Korean Electrical Power Research Authority, and National Cheng Kung University in Taiwan.

Research and development costs to support these activities totaled 269 million yen.

Power Engineering Operations

R&D work in this area was mainly carried out at the Fukushima operations site. Main R&D efforts for this consolidated fiscal year included:

(1) Phase II research on improving water turbine performance

We conducted computational fluid dynamics (CFD) and model tests for a Francis turbine with a specific speed of 200 m/kW. Better turbine performance will enable us to capitalize on the rising demand predicted for the small to medium hydropower plant market.
We designed a model turbine and complete a prototype runner during this fiscal year.

(2) Development of water-lubricated bearings for commercialization

An increasing number of water-power generation plants are looking to use products with environmental features and are expected to employ water-lubricated bearings. In light of this trend, we are working to develop water-lubricated bearings to boost our competitiveness in the hydro power market.
We conducted analysis of water-lubricated bearing characteristics as well as examine and designed a test plant during this fiscal year.

(3) Development of a transfer-trip relay system for 275/154-kv substations

A transfer-trip relay system is designed to remotely trip a circuit breaker in the event of a substation failure. We developed a highly reliable digital transfer-trip relay designed for 275/154-kv substations. The system also functions as a system control that transmits trip signals to a remote location.

(4) Development of software for enhancing PC-based control system functions

The market for PC-based control systems is expanding as better-performing and more reliable PCs become available. In order to respond to growing market needs and increase the productivity of PC-based control systems, we conducted a research project to develop new PC middleware designed to enhance the functions of PC-based control systems.
Research and development costs to support these activities totaled 144 million yen.

7. Analysis of Financial Status, Management Performance

Here is an analysis of the Nippon Koei Group's financial status, management performance as well as cash flow status for the current consolidated fiscal year.

(1) Analysis of Financial Status

Group consolidated assets at the end of the fiscal year under review amounted to 79,372 million yen, up 4,631 million yen over the previous year.
The main causes for this increase were a 5,906 million yen increase in current assets as well as a 328 million yen decrease in property, plant and equipment, a 947 million yen decrease in investments and other assets.
The increase in current assets was due primarily to a 766 million yen increase in cash and cash equivalents, a 5,730 million yen increase in trade notes and trade accounts receivable.
The decrease in property, plant and equipment was due primarily to a 612 million yen decrease in accumulated depreciation as well as a 284 increase in property, plant and equipment. The decrease in investments and other assets was due primarily to a 401 million yen decrease in investment securities, a 310 million yen decrease in goodwill, and a 297 million yen decrease in differed tax assets.
Consolidated liabilities at the end of the fiscal year under review were up 4,824 million yen compared to the previous year to reach a figure of 35,867 million yen.
This increase was mainly due to a 5,182 million yen increase in current liabilities and a 358 million yen decrease in long-term liabilities.
The increase in current liabilities was due primarily to a 747 million yen increase in trade notes and trade accounts payable, a 4,000 million yen increase in short-term borrowings, and a 517 million yen increase in income taxes payable.
The decline in long-term liabilities was due primarily to a 147 million yen decrease in long-term debt, a 103 million yen increase in liability for retirement benefits, and a 274 million yen decrease in deposits received.
Equity (net assets) at the end of this fiscal year fell 193 million yen below last year's total to hit 43,505 million yen.
The main cause behind this drop was an increase of 625 million yen in retained earnings, an increase of 1,083 million yen in expenditures from acquisition of treasury stock, and an increase of 295 million yen in unrealized loss on available-for-sale securities.

(2) Performance Analysis

Net sales for the current fiscal year increased 138 million yen (0.2%) over the previous year to reach a total of 65,945 million yen.
Operating income for the current year increased by 326 million yen (12.1%) over the previous year to reach 3,030 million yen. The cost of sales to net sales ratio was 73.6%, down 0.8 points from the previous year, while the ratio of SG&A expenses to net sales was 21.8%, an increase of 0.4 points over the previous year. These results brought the ratio of operating income to net sales up 0.5 points year on year to 4.6%.
All this added up to income before taxes and minority interests totaling 2,990 million yen, in addition to net income totaling 1,420 million yen, up 213 million yen (17.6%) from the previous year.
The net income per share came to 18.39 yen, up 3.23 yen year on year from 15.16 yen.

(3) Analysis of Cash Flow Status

An analysis of cash flow status for the current consolidated fiscal year is provided in the section entitled " (2) Cash flow" under "1. Overview of Performance and Cash Flow" in the Consolidated Business Report.

Noriaki Hirose
President:

Consolidated Balance Sheet

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
March 31, 2012

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
ASSETS	**2012**	2011	**2012**
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥ 5,923**	¥ 5,157	**$ 72,065**
Receivables (Note 14):			
Trade notes	**51**	189	**621**
Trade accounts	**30,034**	24,166	**365,422**
Allowance for doubtful accounts	**(42)**	(44)	**(511)**
Inventories (Note 4)	**6,571**	6,863	**79,949**
Deferred tax assets (Note 10)	**1,248**	1,309	**15,184**
Prepaid expenses and other current assets	**1,302**	1,541	**15,840**
Total current assets	**45,087**	39,181	**548,570**
PROPERTY, PLANT AND EQUIPMENT (Notes 5, 6 and 8)**:**			
Land	**13,962**	13,986	**169,875**
Buildings and structures	**20,033**	20,012	**243,740**
Machinery and equipment	**2,511**	2,375	**30,551**
Furniture and fixtures	**2,692**	2,679	**32,753**
Lease assets	**252**	286	**3,066**
Construction in progress	**178**	6	**2,166**
Total	**39,628**	39,344	**482,151**
Accumulated depreciation	**(16,297)**	(15,685)	**(198,284)**
Net property, plant and equipment	**23,331**	23,659	**283,867**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	**7,122**	7,523	**86,653**
Investments in unconsolidated subsidiaries and associated companies (Note 14)	**623**	530	**7,580**
Long-term loans receivable	**26**	26	**316**
Goodwill	**928**	1,238	**11,291**
Receivables in bankruptcy	**123**	121	**1,497**
Deferred tax assets (Note 10)	**324**	621	**3,942**
Other assets	**1,990**	2,038	**24,212**
Allowance for doubtful accounts	**(182)**	(196)	**(2,214)**
Total investments and other assets	**10,954**	11,901	**133,277**
TOTAL	**¥79,372**	¥74,741	**$965,714**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S.Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 14)	**¥12,000**	¥ 8,000	**$146,003**
Current portion of long-term debt (Notes 6)	**157**	168	**1,910**
Payables (Note 14):			
Trade notes	**391**	401	**4,757**
Trade accounts	**5,461**	4,704	**66,444**
Income taxes payable	**1,034**	517	**12,581**
Advances received	**5,530**	5,816	**67,283**
Accrued bonuses	**1,733**	1,717	**21,085**
Allowance for anticipated project loss	**91**	92	**1,107**
Allowance for loss from a disaster	**12**	63	**146**
Other current liabilities	**3,744**	3,493	**45,553**
Total current liabilities	**30,153**	24,971	**366,869**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**139**	286	**1,691**
Liability for retirement benefits (Note 7)	**3,472**	3,369	**42,244**
Allowance for environmental measures	**57**	83	**694**
Asset retirement obligations	**52**	53	**633**
Deposits received (Note 8)	**1,911**	2,185	**23,251**
Deferred tax liabilities (Note 10)	**68**	68	**827**
Negative goodwill	**15**	28	**182**
Total long-term liabilities	**5,714**	6,072	**69,522**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 16)			
EQUITY (Notes 9 and 17)**:**			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares in 2012 and 2011	**7,393**	7,393	**89,950**
Capital surplus	**6,132**	6,132	**74,608**
Retained earnings	**33,630**	33,005	**409,174**
Treasury stock—at cost 11,170,244 shares in 2012 and 7,170,987 shares in 2011	**(3,387)**	(2,304)	**(41,209)**
Accumulated other comprehensive loss:			
Unrealized loss on available-for-sale securities	**(517)**	(812)	**(6,290)**
Deferred loss on derivatives under hedge accounting	**(1)**	26	**(12)**
Foreign currency translation adjustments	**(1)**	(3)	**(13)**
Total	**43,249**	43,437	**526,208**
Minority interests	**256**	261	**3,115**
Total equity	**43,505**	43,698	**529,323**
TOTAL	**¥79,372**	¥74,741	**$965,714**

Consolidated Statement of Income and Comprehensive Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2012	2011	**2012**
NET SALES	**¥65,945**	¥65,807	**$802,348**
COST OF SALES	**48,560**	49,016	**590,826**
Gross profit	**17,385**	16,791	**211,522**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**14,355**	14,088	**174,656**
Operating income	**3,030**	2,703	**36,866**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**319**	285	**3,881**
Interest expense	**(56)**	(95)	**(681)**
Foreign currency exchange loss	**(68)**	(152)	**(827)**
Loss on disposal of property, plant and equipment		(9)	
Gain on sales of investment securities	**33**	19	**401**
Loss on sales of investment securities	**(372)**	(577)	**(4,526)**
Loss on valuation of investment securities			
Loss from a natural disaster (Note 12)	**(20)**	(69)	**(243)**
Other-net	**124**	156	**1,508**
Other (expenses) income-net	**(40)**	(442)	**(487)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,990**	2,261	**36,379**
INCOME TAXES (Note 10):			
Current	**1,457**	1,183	**17,727**
Deferred	**115**	(150)	**1,399**
Total income taxes	**1,572**	1,033	**19,126**
NET INCOME BEFORE MINORITY INTERESTS	**1,418**	1,228	**17,253**
MINORITY INTERESTS IN NET (LOSS) INCOME	**(2)**	21	**(24)**
NET INCOME	**1,420**	1,207	**17,277**
MINORITY INTERESTS IN NET (LOSS) INCOME	**(2)**	21	**(24)**
NET INCOME BEFORE MINORITY INTERESTS	**1,418**	1,228	**17,253**
OTHER COMPREHENSIVE INCOME:			
Unrealized gain (loss) on available-for-sale securities	**296**	(212)	**3,601**
Deferred (loss) gain on derivatives under hedge accounting	**(27)**	33	**(329)**
Foreign currency translation adjustment	**2**	(4)	**25**
Total other comprehensive income (loss)	**271**	(183)	**3,297**
COMPREHENSIVE INCOME	**¥ 1,689**	¥ 1,045	**$ 20,550**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 1,690**	¥ 1,025	**$ 20,562**
Minority interests	**¥ (1)**	¥ 20	**$ (12)**

	Yen		U.S.Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note2. t.):			
Basic net income	**¥ 18.39**	¥ 15.16	**$ 0.22**
Cash dividends applicable to the year	**7.50**	7.50	**0.09**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	**79,733**	**¥7,393**	**¥6,132**	**¥32,400**	**¥(2,245)**	**¥(600)**	**¥(7)**		**¥43,073**	**¥288**	**¥43,361**
Net income				1,207					1,207		1,207
Cash dividends, ¥7.50 per share				(598)					(598)		(598)
Other retained earnings				(4)					(4)		(4)
Purchase of treasury stock	(247)				(59)			(3)	(62)		(62)
Net change in the year						(212)	33		(179)	(27)	(206)
BALANCE, MARCH 31, 2011	**79,486**	**7,393**	**6,132**	**33,005**	**(2,304)**	**(812)**	**26**	**(3)**	**43,437**	**261**	**43,698**
Net income				1,420					1,420		1,420
Cash dividends, ¥7.50 per share				(795)					(795)		(795)
Purchase of treasury stock	(4,000)				(1,083)				(1,083)		(1,083)
Net change in the year						295	(27)	2	270	(5)	265
BALANCE, MARCH 31, 2012	**75,486**	**¥7,393**	**¥6,132**	**¥33,630**	**¥(3,387)**	**¥(517)**	**¥(1)**	**¥(1)**	**¥43,249**	**¥256**	**¥43,505**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	**$89,950**	**$74,608**	**$401,570**	**$(28,033)**	**$(9,880)**	**$316**	**$(36)**	**$528,495**	**$3,176**	**$531,671**
Net income			17,277					17,277		17,277
Cash dividends, $0.09 per share			(9,673)					(9,673)		(9,673)
Purchase of treasury stock				(13,176)				(13,176)		(13,176)
Net change in the year					3,590	(328)	23	3,285	(61)	3,224
BALANCE, MARCH 31, 2012	**$89,950**	**$74,608**	**$409,174**	**$(41,209)**	**$(6,290)**	**$(12)**	**$(13)**	**$526,208**	**$3,115**	**$529,323**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
OPERATING ACTIVITIES:	**2012**	2011	**2012**
Income before income taxes and minority interests	**¥2,990**	¥ 2,261	**$36,379**
Adjustments for:			
Income taxes – paid	**(894)**	(1,550)	**(10,877)**
Depreciation and amortization	**946**	1,010	**11,510**
Loss on disposal of property, plant and equipment	**37**	7	**450**
Loss on adjustment for changes of accounting standard for asset retirement obligations		36	
Loss on sales of investment securities	**339**	558	**4,125**
Changes in assets and liabilities, net of effects from a newly consolidated subsidiary:			
(Increase) decrease in trade accounts receivable	**(5,730)**	3,927	**(69,717)**
Decrease in inventories	**292**	833	**3,553**
Increase (decrease) in trade accounts payable	**746**	(601)	**9,077**
Increase in liability for retirement benefits	**103**	128	**1,253**
Other—net	**(24)**	(644)	**(292)**
Net cash (used in) provided by operating activities	**(1,195)**	5,965	**(14,539)**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**24**	15	**292**
Purchases of property, plant and equipment	**(514)**	(671)	**(6,254)**
Proceeds from sales and redemption of investment securities	**1,749**	843	**21,280**
Purchases of investment securities	**(1,161)**	(2,322)	**(14,126)**
Increase in other assets	**(97)**	(2)	**(1,180)**
Net cash provided by (used in) investing activities	**¥ 1**	¥(2,137)	**$ 12**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
FINANCING ACTIVITIES:	**2012**	2011	**2012**
Net increase in short-term borrowings	**¥4,000**		**$48,668**
Repayments of long-term debt	**(118)**	¥(4,118)	**(1,436)**
Repayments of lease obligations	**(52)**	(68)	**(633)**
Purchase of treasury stock	**(354)**	(59)	**(4,307)**
Dividends paid	**(789)**	(598)	**(9,600)**
Other—net	**(737)**	(4)	**(8,966)**
Net cash provided by (used in) financing activities	**1,950**	(4,847)	**23,726**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**10**	(61)	**121**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**766**	(1,080)	**9,320**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**5,157**	6,237	**62,745**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥5,923**	¥ 5,157	**$72,065**

Notes to Consolidated Financial Statements

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act 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 the application and disclosure requirements of International Financial Reporting Standards.

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Koei Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 82.19 to $1, the rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** —The consolidated financial statements as of March 31, 2012, include the accounts of the Company and its ten significant (ten in 2011) subsidiaries (together, the “Group”).

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill and negative goodwill which occurred before March 31, 2010 are amortized using the straight-line method over 5 to 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories*** —Work in process is stated at the lower of cost, mainly determined by the specific identification cost method, or net selling value. (see Note 4.)

d. ***Marketable and Investment Securities*** —Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
(1) 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 (2) 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, in a separate component of equity.

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.

e. ***Property, Plant and Equipment*** —Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 and lease assets as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. ***Long-Lived Assets*** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Allowance for Doubtful Accounts*** —The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. ***Retirement and Pension Plans*** —The Group has contributory defined benefit pension plans and unfunded retirement benefit plans for the benefit of its employees.

Effective April 1, 2000, the Group adopted a new accounting standard for employees’ retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥2,016 million for the subsidiaries, determined as of April 1, 2000, is being amortized over mainly 15 years. Unrecognized actuarial gain or loss is recognized by the straight-line method over mainly 13 years.

Unrecognized prior service costs are recognized by the straight-line method over mainly 13 years.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

i. ***Allowance for Anticipated Project Loss*** —The Group has made a provision for anticipated losses on uncompleted project contracts.

j. ***Asset Retirement Obligations*** — In March 2008, the Accounting Standards Board of Japan (the “ASBJ”) published ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. ***Research and Development Costs*** — Research and development costs are charged to income as incurred.

l. ***Leases*** — In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases at the transition date.

All other leases are accounted for as operating leases.

m. ***Accrued Bonuses*** —Bonuses to employees, directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

n. ***Allowance for Environmental Measures*** —The Group has made a provision for treatment of the Polychlorinated Biphenyl (PCB) Wastes based on Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

o. ***Allowance for Loss from a Disaster*** —The Group has made a provision for rehabilitation of property, plant and equipment which were damaged by the Great East Japan Earthquake.

p. ***Income Taxes*** —The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. ***Foreign Currency Transactions*** —All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income and comprehensive income.

r. ***Revenue Recognition*** —If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method which is measured by reference to the percentage of total cost incurred to date to estimated total cost.
All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

s. ***Derivatives and Hedging Activities*** —The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are measured at fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.

t. Per Share Information —Basic net income per share is computed by dividing net income available to shareholders of common stock, by the weighted-average number of shares of common stock outstanding for the period. The weighted-average numbers of shares of common stock for the years ended March 31, 2012 and 2011, were 77,190,579 and 79,639,800 respectively.

Diluted net income per share of common stock is not disclosed because the Group has nothing which might dilute the per share information for the years ended March 31, 2012 and 2011.

Cash dividends per share presented in the accompanying consolidated statements of income and comprehensive income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24 “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections”.
Accounting treatments under this standard and guidance are as follows;
(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) Changes in Presentations:
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior Period Errors:
When an error in prior period financial statements is discovered, those statements are restated.
This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

v. New Accounting Pronouncements
Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000, and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the statement of income and comprehensive income*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Non-current:			
Marketable equity securities	**¥5,941**	¥5,967	**$72,284**
Government and corporate bonds	**745**	1,027	**9,064**
Other	**436**	529	**5,305**
Total	**¥7,122**	¥7,523	**$86,653**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011, were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥6,274**	**¥312**	**¥ 963**	**¥5,623**
Debt securities	**550**	**72**	**22**	**600**
Other	**624**		**187**	**437**
Total	**¥7,448**	**¥384**	**¥1,172**	**¥6,660**

March 31, 2011	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,731	¥377	¥1,427	¥5,681
Debt securities	947	26	91	882
Other	744		215	529
Total	¥8,422	¥403	¥1,733	¥7,092

March 31, 2012	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$76,335**	**$3,796**	**$11,717**	**$68,414**
Debt securities	**6,692**	**876**	**268**	**7,300**
Other	**7,592**		**2,275**	**5,317**
Total	**$90,619**	**$4,672**	**$14,260**	**$81,031**

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended March 31, 2012 and 2011, were as follows:

March 31, 2012	Millions of Yen Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥1,054**	**¥162**	**¥309**
Debt securities	**426**	**28**	
Other	**73**		**61**
Total	**¥1,553**	**¥190**	**¥370**

March 31, 2011	Millions of Yen Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	¥ 275	¥ 6	¥517
Debt securities	425	8	
Other	335	5	60
Total	¥1,035	¥19	¥577

March 31, 2012	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$12,824**	**$1,971**	**$3,760**
Debt securities	**5,183**	**341**	
Other	**888**		**742**
Total	**$18,895**	**$2,312**	**$4,502**

The carrying values of debt securities and other by contractual maturities for securities classified as available-for-sale at March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after ten years	¥550	$6,692
Total	¥550	$6,692

4. INVENTORIES

Inventories at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Merchandise	**¥ 42**	¥ 43	**$ 511**
Work in process	**6,380**	6,642	**77,625**
Raw materials and supplies	**149**	178	**1,813**
Total	**¥6,571**	¥6,863	**$79,949**

5. INVESTMENT PROPERTY

On November 2008, the ASBJ issued ASBJ Statement No. 20, “Accounting Standard for Investment Property and Related Disclosures” and issued ASBJ Guidance No.23, “Guidance on Accounting Standard for Investment Property and Related Disclosures.”

The Group owns some rental properties such as office buildings and land in the metropolitan area. The net of rental income and operating expenses for those rental properties was ¥822 million ($10,001 thousand) and ¥779 million for the fiscal year ended March 31, 2012 and 2011, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Decrease	March 31, 2012	March 31, 2012
¥8,158	**¥(874)**	**¥7,284**	**¥13,642**

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2010	Decrease	March 31, 2011	March 31, 2011
¥8,253	¥(95)	¥8,158	¥15,359

Thousands of U.S. Dollars			
Carrying amount			Fair value
April 1, 2011	Decrease	March 31, 2012	March 31, 2012
$99,258	**$(10,634)**	**$88,624**	**$165,981**

Notes:
1. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2012, represents the recognition of depreciation of ¥874 million ($10,634 thousand).
3. Fair value of properties was measured by the Group in accordance with its Real-Estate Appraisal Standard.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2012 and 2011, consisted of notes to banks. The annual interest rates applicable to the short-term borrowings ranged from 0.505% to 0.780% and 0.511% to 0.555% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Loan from bank due serially to 2013 with interest rate of 1.250%	**¥197**	¥315	**$2,397**
Obligation under finance leases	**99**	139	**1,204**
Total	**296**	454	**3,601**
Less current portion	**(157)**	(168)	**(1,910)**
Long-term debt, less current portion	**¥139**	¥286	**$1,691**

Annual maturities of long-term debt at March 31, 2012, for the five years and thereafter were as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Long-Term Debt	Lease Obligations	Long-Term Debt	Lease Obligations
2013	¥118	¥39	$1,436	$ 475
2014	79	28	961	341
2015		19		231
2016		11		134
2017 and thereafter		2		23
Total	¥197	¥99	$2,397	$1,204

The Group had a commitment-line contract of ¥8,000 million ($97,335 thousand) over three years with financial institutions in order to secure the stability of long-term funding. The contract included a restrictive financial covenant. At March 31, 2012, the Group had utilized ¥8,000 million ($97,335 thousand) of the commitment line. In addition, the Group had overdraft contracts of ¥7,000 million ($85,169 thousand) in total. At March 31, 2012, the Group had utilized ¥3,000 million ($36,501 thousand) of the overdraft.

Financial covenants

Short-term borrowings of ¥8,000 million include financial covenants, with which the Group is in compliance.
The major financial covenants are as follows:
If the Group fails to comply with the following covenants, creditors may require repayment of all debt.

(1) Shareholder's equity of each fiscal year will not fall below 75% of the higher of the following:

a. Shareholder's equity of fiscal year immediately preceding the fiscal year; or
b. Shareholder's equity of fiscal year ending on March 31, 2012

(2) Ordinary income for each fiscal year will not be negative for two consecutive fiscal years.

At March 31, 2012, land, building and structures of ¥2,027 million ($24,662 thousand) were pledged as collateral for long-term debt of ¥197 million ($2,397 thousand).

7. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

In addition, the Group completely transitioned from the approved pension plan to the defined benefit corporate pension plan in October 2010.

The liabilities for retirement benefits at March 31, 2012 and 2011, for directors and corporate auditors were ¥92 million ($1,120 thousand) and ¥90 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligation	**¥(13,984)**	¥(13,548)	**$(170,142)**
Fair value of plan assets	**8,373**	7,795	**101,874**
Unrecognized actuarial loss	**2,087**	2,032	**25,392**
Unrecognized transitional obligation	**408**	543	**4,964**
Unrecognized prior service cost	**291**	331	**3,541**
Prepaid pension cost	**(555)**	(432)	**(6,753)**
Net liability	**¥ (3,380)**	¥ (3,279)	**$ (41,124)**

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥ 920**	¥ 916	**$11,194**
Interest cost	**302**	301	**3,674**
Expected return on plan assets	**(195)**	(185)	**(2,373)**
Amortization of prior service cost	**40**	(10)	**487**
Recognized actuarial loss	**414**	402	**5,037**
Amortization of transitional obligation	**135**	135	**1,643**
Net periodic benefit costs	**¥1,616**	¥1,559	**$19,662**

Note:
The net periodic benefit costs above exclude required funding for the multi employer pension plan amounting to ¥849 million ($10,330 thousand) and ¥850 million at March 31, 2012 and 2011, respectively, for which plan assets could not be allocated to each participating employer.

Assumptions used for the years ended March 31, 2012 and 2011, were set forth as follows:

	2012	2011
Discount rate	**2.00%**	2.50%
Expected rate of return on plan assets	**2.50%**	2.50%
Amortization of prior service cost	**13 years**	13 years
Recognition period of actuarial gain / loss	**13 years**	13 years
Amortization period of transitional obligation	**15 years**	15 years

Funded status of the multi employer pension plan at March 31, 2011 (available information as of March 31, 2012), to which contributions were recorded as net periodic retirement benefit costs, was as follow:

	Millions of Yen
	2011
Fair value of plan assets	**¥ 141,748**
Pension benefit obligation recorded by pension fund	**173,530**
Difference	**¥ (31,782)**

The Groups' contribution percentage for multi employer pension plan 12.3%

Note:
1. The difference mainly resulted from prior service cost of ¥ (27,162) million, adjustment of asset valuation of ¥(6,557) million and surplus of ¥1,937 million.
2. Prior service cost is amortized over 20 years.
3. The Group expensed special contributions of ¥327 million in the consolidated statement of income and comprehensive income in the fiscal year ended March 31, 2012.
4. The above contribution ratio does not conform to the actual ratio applied to the Group.

8. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥1,710 million ($20,805 thousand) at March 31, 2012, and ¥1,878 million at March 31, 2011.

At March 31, 2012, land, building and structures for rent of ¥1,430 million ($17,399 thousand) were pledged as collateral for these deposits.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / Decreases and Transfer of Common Stock, Reserve and Surplus
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.
Under the Companies Act, stock acquisition rights are presented as a separate component of equity.
The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 39.5% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets :			
Unrealized loss on available-for-sale securities	**¥ 273**	¥ 536	**$ 3,322**
Accrued bonuses	**811**	844	**9,867**
Tax loss carryforwards	**1,368**	1,433	**16,644**
Liability for retirement benefits for directors and corporate auditors	**34**	37	**414**
Liability for retirement benefits for employees	**1,265**	1,333	**15,391**
Allowance for anticipated project loss	**34**	37	**414**
Loss on impairment of long-lived assets	**80**	110	**973**
Other	**809**	681	**9,843**
Less valuation allowance	**(2,727)**	(2,675)	**(33,179)**
Total	**¥1,947**	¥2,336	**$23,689**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**¥ 179**	¥ 209	**$ 2,178**
Prepaid pension cost	**188**	171	**2,287**
Other	**76**	93	**925**
Total	**¥ 443**	¥ 473	**$ 5,390**
Net deferred tax assets	**¥1,504**	¥1,863	**$18,299**

A reconciliation between the statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income and comprehensive income for the years ended March 31, 2012 and 2011 was as follows:

	2012	2011
Statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**4.3**	5.5
Expenses not deductible for tax purposes	**1.6**	2.3
Valuation allowance	**0.9**	(5.9)
Other – net	**6.3**	4.3
Actual effective tax rate	**52.6%**	45.7%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the statutory tax rate from approximately 39.5% to 36.8% effective for the fiscal years beginning on or after April 1, 2012, through March 31, 2015, and to 34.4% afterwards. The effect of this change was to decrease deferred taxes by ¥146 million ($1,776 thousand) and to increase unrealized loss on available-for-sale securities by ¥41 million ($499 thousand), in the consolidated balance sheet as of March 31, 2012, and to increase income taxes-deferred by ¥105 million ($1,278 thousand) in the consolidated statement of income for the year then ended.

As of March 31, 2012, certain subsidiaries had tax loss carryforwards aggregating approximately ¥2,984 million ($36,306 thousand) which were available to be offset against taxable income of these companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥2,558	$31,123
2015	133	1,618
2016	98	1,192
2017	1	12
2018	38	462
2019	156	1,899
Total	**¥2,984**	**$36,306**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥413 million ($5,025 thousand) and ¥326 million for the years ended March 31, 2012 and 2011, respectively.

12. LOSS FROM A NATURAL DISASTER

Loss from a natural disaster caused by the Great East Japan Earthquake in March, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Removal cost and repair expenses	**¥10**	¥ 6	**$122**
Provision of allowance for loss from a disaster	**10**	63	**121**
Total	**¥20**	¥69	**$243**

13. LEASES

(1) Lessee

The minimum rental commitments under noncancellable operating leases at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥1**		**$12**
Due after one year	**2**		**24**
Total	**¥3**		**$36**

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥ 695**	¥ 697	**$ 8,456**
Due after one year	**2,065**	2,761	**25,125**
Total	**¥2,760**	¥3,458	**$33,581**

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments (mainly bank loans) based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below. To clarify the accountability for transactions, the Group set up the investment committee and it examines basic principles of transactions and each financial instrument.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of a portion of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and investment securities. Please see Note 15 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit Risk Management
Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to held-to-maturity financial investments, the Group manages exposure to credit risk by limiting investments to high credit rating bonds in accordance with its internal guidelines.
The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2012.

Market risk management (foreign exchange risk and interest rate risk)
Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

The basic principles of derivative transactions are approved by the investment committee based on the internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made, and the transaction data is reported to the chief financial officer on a monthly basis.

Liquidity risk management
Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by concluding the commitment-line and overdraft contracts, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk
48.4% of total receivables are from three major customers of the Group as of March 31, 2012.

(5) Fair Values of Financial Instruments
Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

March 31, 2012	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 5,923**	**¥ 5,923**	
Receivables	**30,085**		
Allowance for doubtful accounts	**(42)**		
	30,043	**30,043**	
Investment securities	**6,659**	**6,659**	
Total	**¥42,625**	**¥42,625**	
Short-term borrowings	**¥12,000**	**¥12,000**	
Payables	**5,852**	**5,852**	
Total	**¥17,852**	**¥17,852**	

March 31, 2011	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 5,157	¥ 5,157	
Receivables	24,355		
Allowance for doubtful accounts	(44)		
	24,311	24,311	
Investment securities	7,092	7,092	
Total	¥36,560	¥36,560	
Short-term borrowings	¥ 8,000	¥ 8,000	
Payables	5,105	5,105	
Total	¥13,105	¥13,105	

March 31, 2012	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$ 72,065**	**$ 72,065**	
Receivables	**366,043**		
Allowance for doubtful accounts	**(511)**		
	365,531	**365,531**	
Investment securities	**81,019**	**81,019**	
Total	**$518,615**	**$518,615**	
Short-term borrowings	**$146,003**	**$146,003**	
Payables	**71,201**	**71,201**	
Total	**$217,204**	**$217,204**	

Cash and cash equivalents, receivables, payables and short-term borrowings
The carrying values of these financial instruments approximate fair values because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Long- term debt
The fair value of long-term debt is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives
Fair value information for derivatives is included in Note15.

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
March 31, 2012 and 2011	**2012**	2011	**2012**
Investments in equity instruments that do not have a quoted market price in an active market	**¥940**	¥816	**$11,437**
Investments in debt instruments that do not have a quoted market price in an active market	**¥145**	¥145	**$ 1,764**

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 5,923**			
Receivables	**30,085**			
Investment securities				
Available-for-sale securities with contractual maturities				**¥550**
Total	**¥36,008**			**¥550**

	Millions of Yen			
March 31, 2011	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 5,157			
Receivables	24,354			
Investment securities				
Available-for-sale securities with contractual maturities				¥1,020
Total	¥29,511			¥1,020

	Thousands of U.S. Dollars			
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 72,065**			
Receivables	**366,042**			
Investment securities				
Available-for-sale securities with contractual maturities				**$6,692**
Total	**$438,107**			**$6,692**

Please see Note 6 for annual maturities of long-term debt.

15. DERIVATIVES

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange.

It is the Group's policy to use derivatives only for the purpose of reducing risks, not for trading or speculative purpose.

Because the counterparties to these derivatives are limited to domestic banks having high reputations, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling EURO	**¥416**	**¥416**	**¥(7)**	**¥(7)**

	Thousands of U.S. Dollars			
March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling EURO	**$5,061**	**$5,061**	**$(85)**	**$(85)**

	Millions of Yen		
March 31, 2011	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling U.S.$	¥1,567	¥44	¥33

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling U.S.$	Investment securities	**¥755**	**¥755**	**¥ 7**
Foreign currency forward contracts: Selling EURO	Investment securities	**¥521**	**¥521**	**¥(8)**

	Thousands of U.S. Dollars			
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling U.S.$	Investment securities	**$9,186**	**$9,186**	**$ 85**
Foreign currency forward contracts: Selling EURO	Investment securities	**$6,339**	**$6,339**	**$(97)**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16. CONTINGENT LIABILITIES

The components of other comprehensive income for the years ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥132	$1,606
Refundment bonds of an unconsolidated subsidiary	¥ 28	$ 341

17. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On May 18, 2012, the following appropriation of retained earnings at March 31, 2012, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.09) per share	¥ 566	$ 6,886

18. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures", an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the Domestic, Overseas, Power Engineering and Real estate leasing segment. Domestic consists of consulting services in public and private sectors related to mainly infrastructure development. Overseas consists of consulting services related to mainly ODA-funded development projects. Power Engineering consists of manufacturing of products and appliances related to electric production and distribution systems and engineering services related to construction and maintenance of public and private electric power facilities. Real estate leasing consists of sales of our Group's real estate leasing operation.

(2) Methods of Measurement for the Amount of Sales, Profit (Loss), Assets, Liabilities 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."

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of Yen

2012

	Reportable Segment								
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total	Others	Total	Reconciliations	Consolidated
Sales									
Sales to customers	**¥34,423**	**¥16,326**	**¥12,932**	**¥1,193**	**¥64,874**	**¥ 1,071**	**¥ 65,945**		**¥65,945**
Intersegment sales	**343**	**2**	**172**	**123**	**640**	**4**	**644**	**¥ (644)**	
Total sales	**34,766**	**16,328**	**13,104**	**1,316**	**65,514**	**1,075**	**66,589**	**(644)**	**65,945**
Segment profit (loss)	**¥ 878**	**¥ 975**	**¥ 837**	**¥ 822**	**¥ 3,512**	**¥ (183)**	**¥ 3,329**	**¥ (3)**	**¥ 3,326**
Segment assets	**¥28,628**	**¥11,248**	**¥ 9,726**	**¥9,917**	**¥59,519**	**¥41,793**	**¥101,312**	**¥(21,940)**	**¥79,372**
Other:									
Depreciation	**¥ 177**	**¥ 58**	**¥ 240**	**¥ 160**	**¥ 635**	**¥ 311**	**¥ 946**		**¥ 946**
Interest income	**21**	**12**	**2**	**19**	**54**	**201**	**255**	**¥ (183)**	**72**
Interest expense	**44**	**54**	**43**	**22**	**163**	**77**	**240**	**(184)**	**56**
Increase in property, plant and intangible assets	**64**	**227**	**252**	**3**	**546**	**73**	**619**		**619**

Millions of Yen

2011

	Reportable Segment								
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total	Others	Total	Reconciliations	Consolidated
Sales									
Sales to customers	¥31,938	¥15,960	¥15,742	¥ 1,262	¥64,902	¥ 905	¥ 65,807		¥65,807
Intersegment sales	328	9	161	128	626	6	632	¥ (632)	
Total sales	32,266	15,969	15,903	1,390	65,528	911	66,439	(632)	65,807
Segment profit (loss)	¥ (827)	¥ 1,311	¥ 1,606	¥ 779	¥ 2,869	¥ (168)	¥ 2,701	¥ (3)	¥ 2,698
Segment assets	¥25,653	¥ 9,166	¥ 9,166	¥10,590	¥54,575	¥51,168	¥105,743	¥(31,002)	¥74,741
Other:									
Depreciation	¥ 216	¥ 68	¥ 219	¥ 176	¥ 679	¥ 331	¥ 1,010		¥ 1,010
Interest income	185	13	17	23	238	419	657	¥ (572)	85
Interest expense	281	51	62	123	517	149	666	(571)	95
Increase in property, plant and intangible assets	60	74	182	116	432	420	852		852

Thousands of U.S. Dollars

2012

	Reportable Segment								
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total	Others	Total	Reconciliations	Consolidated
Sales									
Sales to customers	**$418,822**	**$198,637**	**$157,343**	**$ 14,515**	**$789,317**	**$ 13,031**	**$ 802,348**		**$802,348**
Intersegment sales	**4,173**	**25**	**2,092**	**1,497**	**7,787**	**49**	**7,836**	**$ (7,836)**	
Total sales	**422,995**	**198,662**	**159,435**	**16,012**	**797,104**	**13,080**	**810,184**	**(7,836)**	**802,348**
Segment profit (loss)	**$ 10,683**	**$ 11,863**	**$ 10,184**	**$ 10,000**	**$ 42,730**	**$ (2,226)**	**$ 40,504**	**$ (37)**	**$ 40,467**
Segment assets	**$348,315**	**$136,854**	**$118,336**	**$120,659**	**$724,164**	**$508,492**	**$1,232,656**	**$(266,942)**	**$965,714**
Other:									
Depreciation	**$ 2,153**	**$ 706**	**$ 2,920**	**$ 1,947**	**$ 7,726**	**$ 3,784**	**$ 11,510**		**$ 11,510**
Interest income	**256**	**146**	**24**	**231**	**657**	**2,446**	**3,103**	**$ (2,227)**	**876**
Interest expense	**535**	**657**	**523**	**268**	**1,983**	**937**	**2,920**	**(2,239)**	**681**
Increase in property, plant and intangible assets	**779**	**2,762**	**3,066**	**36**	**6,643**	**888**	**7,531**		**7,531**

Notes:
The differences between total amounts for reportable segments and amounts in the consolidated balance sheets or consolidated statements of income and comprehensive income and the main details of these differences, which are related to difference adjustments at March 31, 2012 and 2011, are as follows:

Net sales

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Reportable segment total	**¥65,514**	¥65,528	**$797,104**
Other net sales	**1,075**	911	**13,080**
Elimination of intersegment transactions	**(644)**	(632)	**(7,836)**
Net Sales in the consolidated statements of income and comprehensive income	**¥65,945**	¥65,807	**$802,348**

Profit

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Reportable segment total	**¥3,512**	¥2,869	**$42,730**
Other loss	**(183)**	(168)	**(2,226)**
Elimination of intersegment transactions	**(3)**	(3)	**(37)**
Operating income in the consolidated statements of income and comprehensive income	**¥3,326**	¥2,698	**$40,467**

Assets

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Reportable segment total	**¥59,519**	¥54,575	**$724,164**
Other property	**41,793**	51,168	**508,492**
Elimination of intersegment transactions	**(21,940)**	(31,002)	**(266,942)**
Total assets in the consolidated balance sheet	**¥79,372**	¥74,741	**$965,714**

Other items

	Millions of Yen			
	2012			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	**¥635**	**¥311**		**¥946**
Amortization of Goodwill	**310**			**310**
Amortization of Negative Goodwill	**14**			**14**
Interest income	**54**	**201**	**¥(183)**	**72**
Interest expense	**163**	**77**	**(184)**	**56**
Increase in property, plant and intangible assets	**546**	**73**		**619**

	Millions of Yen			
	2011			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	¥679	¥331		¥1,010
Amortization of Goodwill	313			313
Amortization of Negative Goodwill	14			14
Interest income	238	419	¥(572)	85
Interest expense	517	149	(571)	95
Increase in property, plant and intangible assets	432	420		852

	Thousands of U.S. Dollars			
	2012			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	**$7,726**	**$3,784**		**$11,510**
Amortization of Goodwill	**3,772**			**3,772**
Amortization of Negative Goodwill	**170**			**170**
Interest income	**657**	**2,446**	**$(2,227)**	**876**
Interest expense	**1,983**	**937**	**(2,239)**	**681**
Increase in property, plant and intangible assets	**6,643**	**888**		**7,531**

Note:
The reconciliatory main items of interest income and expense are eliminations of corporate interest in accounting for control.

The information about geographical areas at March 31, 2012, was as follows:

Sales

Millions of Yen						
2012						
Japan	Asia	Middle East	Africa	Latain America	Other	Total
¥48,239	**¥10,569**	**¥1,424**	**¥2,470**	**¥2,769**	**¥474**	**¥65,945**

Thousands of U.S. Dollars						
2012						
Japan	Asia	Middle East	Africa	Latain America	Other	Total
$586,921	**$128,592**	**$17,326**	**$30,052**	**$33,690**	**$5,767**	**$802,348**

The information about major customers at March 31, 2012, was as follows:

	Millions of Yen	
	2012	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	**¥12,976**	Domestic
Japan International Cooperation Agency	**6,701**	Overseas
Tokyo Electric Power Co., Ltd.	**6,092**	Power Engineering

	Thousands of U.S. Dollars	
	2012	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	**$157,878**	Domestic
Japan International Cooperation Agency	**81,531**	Overseas
Tokyo Electric Power Co., Ltd.	**74,121**	Power Engineering

The information about goodwill and negative goodwill at March 31, 2012, was as follows:

	Millions of Yen							
	2012							
	Reportable Segment					Others	Elimination/ Corporate	Consolidated
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total			
Amortization of Goodwill ..	**¥310**				**¥310**			**¥310**
Goodwill at March 31, 2012 ..	**928**				**928**			**928**
Amortization of Negative Goodwill	**14**				**14**			**14**
Negative Goodwill at March 31, 2012	**15**				**15**			**15**

	Thousands of U.S. Dollars							
	2012							
	Reportable Segment					Others	Elimination/ Corporate	Consolidated
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total			
Amortization of Goodwill ..	**$3,772**				**$3,772**			**$3,772**
Goodwill at March 31, 2012 ..	**11,291**				**11,291**			**11,291**
Amortization of Negative Goodwill	**170**				**170**			**170**
Negative Goodwill at March 31, 2012	**182**				**182**			**182**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Koei Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Nippon Koei Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income and comprehensive income, changes in equity, 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 conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity 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. In making those risk assessments, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of Nippon Koei Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Non-consolidated Balance Sheet

Nippon Koei Co., Ltd.
March 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 4,181**	¥ 3,590	**$ 50,870**
Receivables:			
Trade notes	**51**	189	**621**
Trade accounts	**22,747**	17,818	**276,761**
Allowance for doubtful accounts	**(377)**	(2)	**(4,587)**
Short-term loan receivables	**2,064**	1,650	**25,113**
Inventories - work in process	**4,809**	4,518	**58,511**
Deferred tax assets (Note 9)	**1,021**	865	**12,422**
Prepaid expenses and other current assets	**1,284**	1,620	**15,622**
Total current assets	**35,780**	30,248	**435,333**
PROPERTY, PLANT AND EQUIPMENT (Note 7)**:**			
Land	**11,884**	11,884	**144,592**
Buildings and structures	**18,106**	18,085	**220,294**
Machinery and equipment	**2,170**	2,016	**26,402**
Furniture and fixtures	**2,192**	2,143	**26,670**
Construction in progress		6	
Lease assets	**149**	184	**1,813**
Total	**34,501**	34,318	**419,771**
Accumulated depreciation	**(14,743)**	(14,193)	**(179,377)**
Net property, plant and equipment	**19,758**	20,125	**240,394**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**6,997**	7,395	**85,132**
Investments in and advances to subsidiaries and associated companies (Note 4)	**6,402**	6,078	**77,893**
Deferred tax assets (Note 9)	**45**	308	**548**
Other assets	**2,625**	2,631	**31,937**
Allowance for doubtful accounts	**(6)**	(22)	**(73)**
Total investments and other assets	**16,063**	16,390	**195,437**
TOTAL	**¥71,601**	¥66,763	**$871,164**

See notes to non-consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Note 5)	**¥14,730**	¥10,550	**$179,219**
Current portion of long-term debt (Note 5)	**143**	154	**1,740**
Payables:			
Trade notes	**391**	401	**4,757**
Trade accounts	**4,612**	3,814	**56,114**
Income taxes payable	**953**	340	**11,595**
Advances received	**3,999**	3,902	**48,656**
Accrued bonuses	**1,459**	1,429	**17,752**
Allowance for anticipated project loss	**68**	53	**827**
Allowance for loss from a disaster	**12**	63	**146**
Other current liabilities	**2,921**	2,862	**35,539**
Total current liabilities	**29,288**	23,568	**356,345**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**107**	240	**1,302**
Liability for retirement benefits (Note 6)	**282**	317	**3,431**
Allowance for environmental measures	**49**	74	**596**
Asset retirement obligations	**43**	44	**523**
Deposits received (Note 7)	**1,911**	2,185	**23,251**
Total long-term liabilities	**2,392**	2,860	**29,103**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 13)			
EQUITY (Notes 8 and 14)**:**			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares in 2012 and 2011	**7,393**	7,393	**89,950**
Capital surplus:			
Additional paid-in capital	**6,093**	6,093	**74,134**
Other capital surplus	**38**	38	**462**
Retained earnings:			
Legal reserve	**1,546**	1,546	**18,810**
Retained earnings - unappropriated	**28,679**	28,271	**348,935**
Unrealized loss on available-for-sale securities	**(510)**	(798)	**(6,205)**
Deferred loss on derivatives under hedge accounting	**(1)**	26	**(12)**
Treasury stock—at cost 11,170,244 shares in 2012 and 7,170,987 shares in 2011	**(3,317)**	(2,234)	**(40,358)**
Total equity	**39,921**	40,335	**485,716**
TOTAL	**¥71,601**	¥66,763	**$871,164**

Non-consolidated Statement of Income

Nippon Koei Co., Ltd.
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET SALES	**¥49,852**	¥48,426	**$606,546**
COST OF SALES	**36,583**	36,067	**445,103**
Gross profit	**13,269**	12,359	**161,443**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**10,716**	10,342	**130,381**
Operating income	**2,553**	2,017	**31,062**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**372**	335	**4,526**
Interest expense	**(95)**	(133)	**(1,156)**
Foreign currency exchange loss	**(78)**	(76)	**(949)**
Gain on sales of investment securities	**29**	15	**353**
Loss on sales of investment securities	**(372)**	(577)	**(4,526)**
Loss from a natural disaster (Note 11)	**(20)**	(69)	**(243)**
Gain on extinguishment of tie-in shares	**10**	2,338	**122**
Reversal of allowance for doubtful accounts		20	
Provision of allowance for doubtful accounts of subsidiaries and associated companies	**(375)**		**(4,563)**
Other-net	**312**	109	**3,796**
Other (expense) income-net	**(217)**	1,962	**(2,640)**
INCOME BEFORE INCOME TAXES	**2,336**	3,979	**28,422**
INCOME TAXES (Note 9)**:**			
Current	**1,264**	880	**15,379**
Deferred	**(131)**	(61)	**(1,594)**
Total income taxes	**1,133**	819	**13,785**
NET INCOME	**¥ 1,203**	¥ 3,160	**$ 14,637**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note2. t.)**:**			
Basic net income	**¥ 15.58**	¥ 39.67	**$ 0.19**
Cash dividends applicable to the year	**7.50**	7.50	**0.09**

See notes to non-consolidated financial statements.

Non-consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year Ended March 31, 2012

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2010	**79,733**	**¥7,393**	**¥6,093**	**¥38**	**¥1,546**	**¥25,710**	**¥(592)**	**¥ (7)**	**¥(2,175)**	**¥38,006**
Net income						3,160				3,160
Cash dividends, ¥7.50 per share						(599)				(599)
Purchase of treasury stock	(247)								(59)	(59)
Net change in the year							(206)	33		(173)
BALANCE, MARCH 31, 2011	**79,486**	**7,393**	**6,093**	**38**	**1,546**	**28,271**	**(798)**	**26**	**(2,234)**	**40,335**
Net income						1,203				1,203
Cash dividends, ¥7.50 per share						(795)				(795)
Purchase of treasury stock	(4,000)								(1,083)	(1,083)
Net change in the year							288	(27)		261
BALANCE, MARCH 31, 2012	**75,486**	**¥7,393**	**¥6,093**	**¥38**	**¥1,546**	**¥28,679**	**¥(510)**	**¥ (1)**	**¥(3,317)**	**¥39,921**

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2011	**$89,950**	**$74,134**	**$462**	**$18,810**	**$343,971**	**$(9,709)**	**$316**	**$(27,181)**	**$490,753**
Net income					14,637				14,637
Cash dividends, $0.09 per share					(9,673)				(9,673)
Purchase of treasury stock								(13,177)	(13,177)
Net change in the year						3,504	(328)		3,176
BALANCE, MARCH 31, 2012	**$89,950**	**$74,134**	**$462**	**$18,810**	**$348,935**	**$(6,205)**	**$ (12)**	**$(40,358)**	**$485,716**

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

Nippon Koei Co., Ltd.
Year Ended March 31, 2012

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Nippon Koei Co., Ltd. (the "Company") in accordance with the provisions set forth in the Companies Act of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

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

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Non-consolidation*** —The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. ***Cash Equivalents*** —Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

   Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories*** —Work in process is stated at the lower of cost, mainly determined by the specific identification cost method, or net selling value. (see Note 4.)

d. ***Marketable and Investment Securities*** —Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
   (1) 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; (2) 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 equity and (3) investments in subsidiaries and associated companies are reported at cost.

   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 operations.

e. ***Property, Plant and Equipment*** —Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, and lease assets as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. ***Long-Lived Assets*** —The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Allowance for Doubtful Accounts*** —The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. ***Retirement and Pension Plans*** — The Company has a contributory defined benefit pension plan and unfunded retirement benefit plan for the benefit of its employees.

Effective April 1, 2000, the Company adopted a new accounting standard for the employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.
Unrecognized actuarial gain or loss is recognized by the straight-line method over 13 years.

Unrecognized prior service costs are recognized by the straight-line method over 13 years.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

i. ***Allowance for Anticipated Project Loss*** — The Company has made a provision for anticipated losses on uncompleted project contracts.

j. ***Asset Retirement Obligations*** — In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. ***Research and Development Costs*** — Research and development costs are charged to income as incurred.

l. ***Leases*** — In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases at the transition date.

All other leases are accounted for as operating leases.

m. Accrued Bonuses — Bonuses to employees, directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

n. Allowance for Environmental Measures — The Company has made a provision for treatment of PCB Wastes based on Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

o. Allowance for Loss from a Disaster — The Company has made a provision for rehabilitation of property, plant and equipment which were damaged by the Great East Japan Earthquake.

p. Income Taxes — The provision for income taxes is computed based on the pretax income included in the non-consolidated statement 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 between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statements of operations.

r. Revenue Recognition — If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method which is measured by reference to the percentage of total cost incurred to date to estimated total cost.
All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

s. Derivatives and Hedging Activities — The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the non-consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

t. Per Share Information— Basic net operations per share is computed by dividing net operations available to shareholders of common stock, by the weighted-average number of shares of common stock outstanding for the period. The weighted-average numbers of shares of common stock for the years ended March 31, 2012 and 2011, were 77,190,579 and 79,639,800, respectively.

Diluted net operations per share of common stock are not disclosed because the Company has nothing that might dilute the per share information for the years ended March 31, 2012 and 2011.

Cash dividends per share presented in the accompanying non-consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:
(1) Changes in Accounting Policies-When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) Changes in Presentations-When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates-A

change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors-When an error in prior-period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

v. New Accounting Pronouncements

Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000, and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) *Treatment in non-consolidated financial statements*

In non-consolidated financial statements, the new requirements in (a) and (b) above would not be applied, with the current requirements remaining applicable.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company does not expect to apply the revised accounting standard to the non-condolidated financial statements for the year ending March 31, 2014, accordingly.

3. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Non-current:			
Marketable equity securities	**¥5,844**	¥5,862	**$71,104**
Government and corporate bonds	**717**	1,004	**8,724**
Other	**436**	529	**5,304**
Total	**¥6,997**	¥7,395	**$85,132**

4. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to subsidiaries and associated companies as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investments	**¥6,097**	¥6,018	**$74,182**
Advances	**305**	60	**3,711**
Total	**¥6,402**	¥6,078	**$77,893**

The value of the investment securities of subsidiaries and associated companies are measured at the original acquisition costs, for the fair value of them cannot be reliably determined at March 31, 2012, since market value and estimated future cash flow are not available.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2012 and 2011, consisted of notes to banks and subsidiaries. The annual interest rates applicable to the short-term borrowings ranged from 0.505% to 1.475% and 0.511% to 1.475% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Loan from bank due serially to 2013 with interest rate of 1.250%	**¥197**	¥315	**$2,397**
Obligation under finance leases	**53**	79	**645**
Total	**250**	394	**3,042**
Less current portion	**(143)**	(154)	**(1,740)**
Long-term debt, less current portion	**¥107**	¥240	**$1,302**

Annual maturities of long-term debt at March 31, 2012, for the five years and thereafter were as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Long-Term Debt	Lease Obligations	Long-Term Debt	Lease Obligations
2013	¥118	¥25	$1,436	$304
2014	53	15	645	183
2015		7		85
2016		3		37
2017 and thereafter		3		36
Total	¥171	¥53	$2,081	$645

The Company had a commitment-line contract of ¥8,000 million ($97,335 thousand) over three years with financial institutions in order to secure the stability of long-term funding. The contract included a restrictive financial covenant. At March 31, 2012, the Company had utilized ¥8,000 million ($97,335 thousand) of the commitment-line. In addition, the Company had overdraft contracts of ¥7,000 million ($85,169 thousand) in total. At March 31, 2012, the Company had utilized ¥3,000 million ($36,501 thousand) of the overdraft.

Financial covenants

Short-term borrowings of ¥8,000 million includes financial covenants, with which the Company is in compliance.
The major financial covenants are as follows:
If the Company fails to comply with the following covenants, creditors may require repayment of all debt.

(1) Shareholder's equity of each fiscal year will not fall below 75% of the higher of the following:

a. Shareholder's equity of fiscal year immediately preceding the fiscal year; or
b. Shareholder's equity of fiscal year ending on March 31, 2012

(2) Ordinary income for each fiscal year will not be negative for two consecutive fiscal years.

At March 31, 2012, land and building of ¥2,027 million ($24,662 thousand) were pledged as collateral for long-term debt of ¥197 million ($2,397 thousand).

6. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump sum severance payment from the Company and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

In addition, the group completely transitioned from the approved pension plan to the defined benefit corporate pension plan in October 2010.

The liabilities for retirement benefits at March 31, 2012 and 2011, for directors and corporate auditors were ¥27 million ($329 thousand) and ¥27 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

7. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥1,710 million ($20,805 thousand) at March 31, 2012 and ¥1,878 million at March 31, 2011.

At March 31, 2012, land, building and structures for rent of ¥1,430 million ($17,399 thousand) were pledged as collateral for these deposits.

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company is subject to Japanese national and local operations taxes which, in the aggregate, resulted in a statutory tax rate of approximately 39.5% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets :			
Unrealized loss on available-for-sale securities	**¥ 267**	¥ 522	**$ 3,249**
Accrued bonuses	**672**	695	**8,176**
Liability for retirement benefits for directors and corporate auditors	**9**	11	**110**
Liability for retirement benefits for employees	**90**	115	**1,095**
Allowance for anticipated project loss	**25**	21	**304**
Allowance for doubtful accounts	**138**	0	**1,679**
Loss on impairment of long-lived assets	**60**	62	**730**
Carry over of foreign tax credit limit	**221**	105	**2,689**
Other	**361**	359	**4,392**
Less valuation allowance	**(405)**	(316)	**(4,928)**
Total	**¥1,438**	¥1,574	**$17,496**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**¥ 179**	¥ 209	**$ 2,178**
Prepaid pension cost	**188**	171	**2,287**
Other	**5**	22	**61**
Total	**¥ 372**	¥ 402	**$ 4,526**
Net deferred tax assets	**¥1,066**	¥1,172	**$12,970**

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the statutory tax rate from approximately 39.5% to 36.8% effective for the fiscal years beginning on or after April 1, 2012, through March 31, 2015, and to 34.4% afterwards. The effect of this change was to decrease deferred taxes by ¥77 million ($937 thousand) and to increase unrealized loss on available-for-sale securities by ¥40 million ($487 thousand), in the non-consolidated balance sheet as of March 31, 2012, and to increase income taxes-deferred by ¥37 million ($450 thousand) in the non-consolidated statement of income for the year then ended.

A reconciliation between the statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of income for the years ended March 31, 2012 and 2011, was as follows:

	2012	2011
Statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**3.4**	1.9
Expenses not deductible for tax purposes	**1.7**	1.1
Valuation allowance	**4.4**	2.0
Gain on extinguishment of tie-in shares	**(0.2)**	(22.8)
Other – net	**(0.3)**	(1.1)
Actual effective tax rate	**48.5%**	20.6%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥406 million ($4,939 thousand) and ¥319 million for the years ended March 31, 2012 and 2011, respectively.

11. LOSS FROM A NATURAL DISASTER

Loss from a natural disaster caused by the Great East Japan Earthquake in March, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Removal cost and repair expenses	**¥10**	¥6	**$122**
Provision of allowance for loss from a disaster	**10**	63	**121**
Total	**¥20**	¥69	**$243**

12. LEASES

(1) Lessee

The minimum rental commitments under noncancellable operating leases at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥1**		**$12**
Due after one year	**2**		**24**
Total	**¥3**		**$36**

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥ 696**	¥ 697	**$ 8,468**
Due after one year	**2,065**	2,761	**25,125**
Total	**¥2,761**	¥3,458	**$33,593**

13. CONTINGENT LIABILITIES

At March 31, 2012, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to a subsidiary and employees	¥132	$1,606
Refundment bonds of a subsidiary	¥ 28	$ 341

14. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On May 18, 2012, the following appropriation of retained earnings at March 31, 2012, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.09) per share	¥566	$6,886

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Koei Co., Ltd.:

We have audited the accompanying non-consolidated balance sheet of Nippon Koei Co., Ltd. as of March 31, 2012, and the related non-consolidated statements of income and changes in equity 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-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 non-consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but 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 non-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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Koei Co., Ltd. as of March 31, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Board of Directors, Officers and Corporate Auditors

Chairperson
Yoshihiko Tsunoda*

President:
Noriaki Hirose*

Director and Executive Vice President:
Seijiro Usuda *

Director and Senior Managing Executive Officers:
Katsumi Yoshida
Shoji Nishitani
Yutaka Murai

Director and Managing Executive Officers:
Tamotsu Yoshida
Yoichi Abe

Director and Executive Officers:
Ryuichi Arimoto
Akira Mizukoshi
Noboru Takano

Director:
Masahisa Naito

Corporate Auditors:
Kenichi Sakata
Koichi Kosumi
Mineo Enomoto

Managing Executive Officers:
Yoichi Kobayashi
Yoshiki Tamemitsu
Hiromichi Sekine

Executive Officers:
Kunio Kurokawa
Kiyotaka Mizushima
Masanao Nishimura
Takashi Seki
Yoshikimi Inoue
Hiroyuki Kasahara
Hiroyuki Akiyoshi
Haruyoshi Takura
Naoki Honjo

*Representative Directors As of June 28, 2012

Stock Information

Shares authorized	189,580,000
Shares issued	86,656,510
Stockholders of minimum tradable stock unit	6,732

As of March 31, 2012

Major Stockholders

	Share owned (thousands)	Percentage of total owned
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,699	4.26
Meiji Yasuda Life Insurance Company.	3,530	4.07
The Koei Employees' Stockholders Association	2,830	3.26
The Master Trust Bank of Japan, Ltd. (Trustee)	2,424	2.79
Japan Trustee Services Bank, Ltd. (Trustee)	2,094	2.41
Mizuho Corporate Bank, Ltd.	1,911	2.20
Tsukishima Kikai Co.,Ltd	1,843	2.12
CREDIT SUISSE SECURITIES (EUROPE) LIMITED PB SEC INT NON-TR CLIENT	1,480	1.70
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,470	1.69
OYO Corporation	1,100	1.26

As of March 31, 2012

Besides the above, the Company owns thousands of shares of treasury stock 1,117 (12.89%)

Major Offices and Facilities

Head Office
4 Kojimachi 5-chome, Chiyoda-ku,
Tokyo 102-8539, Japan

Shin-Kojimachi Office
2 Kojimachi 4-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Hanzomon Office
5 Kojimachi 2-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Domestic Branch Offices
Tokyo, Sapporo, Sendai, Fukushima, Niigata, Nagoya, Osaka, Hiroshima, Shikoku, Fukuoka

Research Facility
Research and Development Center in Tsukuba Science City, Ibaraki

Overseas Offices (Liaison Office)
Jakarta, Manila, Hanoi(Ho Chi Minh), Bangkok (Vientiane, Phnom Penh), Yangon, New Delhi, Colombo, Middle East(Amman, Baghdad, Tunis, Rabat), Nairobi, Lima

Major Businesses

Consulting Administration

Field of activity
- Water Resources
- Energy
- Urban & Regional Development
- Transportation
- Agriculture & Rural Development
- Environment
- Climate Change
- Information & Communication Technology
- Geosphere Engineering
- Project and Program Management
- Public Private Partnership/Private Finance Initiative

Services
- Preliminary investigation, Planning, Feasibility studies, Assessment, Detailed design, Construction supervision , Operation and maintenance

Engineering Administration

Field of activity
- Electrical and civil works for electric power facilities (generation, transmission, substation, distribution schemes and wiring of buildings)
- Electric power utilities (turbines, generators, transformers, control deices and communications equipment)
- Electric equipment and devices
- Safety equipment
- Skin electric thermo-system heaters (SECT-heaters)
- Factory automation equipment

Services
- Surveys, Studies, Planning, Design, Construction, Installation, Sale

Major Nippon Koei Group Companies

While mainly focused on engineering consulting, electrical power engineering, and power generation, the Nippon Koei Group is also active in a wide range of related fields. The various businesses peripheral to the activities of Nippon Koei, the main company in the Group, are taken on by subsidiaries and affiliates located both at home and abroad.
These related companies, together with the principle corporation, make up the Nippon Koei Group. The various firms maintain close cooperation based on relationships of interdependence that enhance the strength and cohesion of the Group as a whole.
As of March 2012, the total number of employees of the Group companies based in Japan came to about 2780, of which over 1,200 were registered engineers. The Group truly has a wealth of highly skilled technical experts.

The subsidiary companies that comprise the consolidated Nippon Koei Group are as follows:

Tamano Consultants Co., Ltd.
This company is headquartered in the city of Nagoya and provides engineering consulting services centered on the Chubu Region. The company boasts the most highly regarded urban and regional planning group in Japan.

Nippon Civic Consulting Engineers Co., Ltd.
This company provides consulting services centered on planning, design, and construction supervision of underground structures such as urban tunnels. The company specializes in shield tunneling technology and the development of new underground construction technology.

El Koei Co., Ltd.
This company conducts employment and staff supply for Nippon Koei Group. The company provides various fields of qualified human resources to support the activity of the Group Companies.

KRI International Corporation
This company has been established to enhance non-engineering consulting works of the Nippon Koei Group's activities. KRI provides the consulting services mainly in the fields of economic and industrial development including finance and management, education and human resources development, and regional and community development.

Nippon Koei U.K. Co., Ltd.
This company provides engineering consulting services to enforce Nippon Koei's overseas operation in the primary fields of environment, water supply and wastewater.

Nippon Koei Latin America-Caribbean Co., Ltd.
This company has been established to enhance Nippon Koei's operation in Latin America and Caribbean and provides consulting engineering and technical services for various development sectors in the region.

NIPPON KOEI LAC, INC.
This company has been incorporated in Panama in order to promote further localization of Nippon Koei's operation in Latin America and Caribbean region.

NIPPON KOEI LAC DO BRASIL LTDA.
This company has been incorporated in Brasil in order to promote further localization of Nippon Koei's operation in Latin America.

Nippon Koei India Pvt. Ltd.
This company has been established to enhance Nippon Koei's operation in India and provides consulting engineering and technical services for various development sectors focusing on projects in India and other developing countries.

Nippon Koei Vietnam International LLC Co., Ltd.
This company has been established to enhance Nippon Koei's operation in Vietnam and surrounding countries in the Greater Mekong Subregion and provides consulting services for various development sectors in the region.

PT Indokoei International
This company has been incorporated in Indonesia by Nippon Koei Co., Ltd. and Indonesian partner company and provides the services of engineering and management consultancy to clients in Indonesia as well as overseas.

Philkoei International, Inc.
This company has been incorporated in the Philippines by Nippon Koei Co., Ltd. and Filipino investors and providing consulting engineering and technical services for various development sectors focusing on projects in the Philippines and other overseas countries.

Thaikoei International Co., Ltd.
This company has been incorporated in Thailand and providing consulting services for various development sectors focusing on projects in Thailand and other countries in Greater Mekong Subregion.

Koei System Inc.
This company develops software programs used in computer control applications, dispatches personnel, and provides support and software development for office automation systems on a consignment basis.

Nikki Corporation
This company conducts real estate management, leasing, and insurance services for Nippon Koei and other Group companies. It also sells, imports, and exports electrical power equipment and rents and leases various goods.

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