NITTOC

HEADQUARTERS

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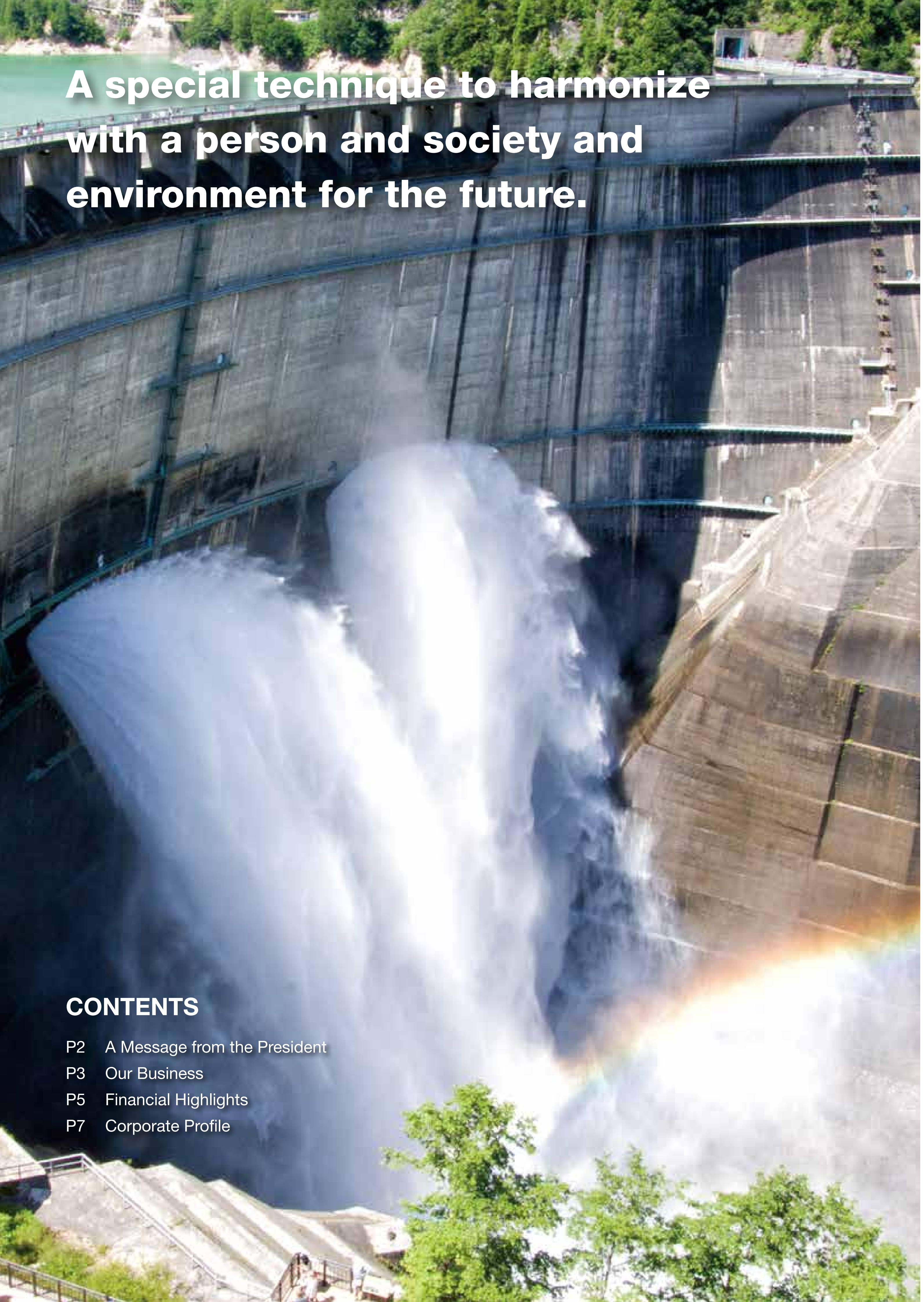
ANNUAL REPORT 2014

For the year ended March 31, 2014

NITTOC

NITTOC CONSTRUCTION CO., LTD.



A special technique to harmonize with a person and society and environment for the future.

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A Message from the President

Established in 1947 as a firm involved in the foundation work for dam,we at Nittoc Construction have since been producing many outstanding records in a wide range of civil engineering works for dam,river,road,sewage,water supply and land development.

In our Nittoc,large numbers of professionals are enrolled respectively as civil engineer,geologist and other specialist,who are also richly experienced in the actual on-site construction works.To meet the requirements of the days,they have been working hard to develop a variety of innovative technologies and to create related engineering methods or applications in the sphere of "Environment,Disaster Prevention,Renovation and Maintenance",the very area of expertise the company has been offering to date,in particular.

Displaying all the collective strength upon the united teamwork between the technical or technological staffs and those involved in the actual on-site works of engineering for the foundation,slope stabilization,soil improvement,-geological survey,etc.,we at Nittoc have also been working hard to offer the services of high quality under the authentication of ISO9001 as the "General Contractor excelling at a Certain Specialized Civil Engineering Work".

The construction is now under a very harsh climate in the business we've never been experiencing before,while the social needs for national land conservation,preservation of natural environment and furthermore,reinforcement and maintenance of infrastructure have also been increasing more and more in recent years.

We at Nittoc look on such harsh circumstances as a good opportunity for further development in our business and thus,exert ourselves to solidify a company's business foundation and at the same time,make our best efforts to aim at a highly reliable company in the society by offering the original technologies we possess to be applied faithfully to the works.

Your cordial support and cooperation to us,Nittoc Construction,will be very much appreciated in advance.

Tamotsu Nakamori

President & Representative Director

Our Business

DISASTER PREVENTION and ENVIRONMENTAL CONSERVATION

- GREENING WORKS
- RIVER & SHORE EMBANKMENT PROTECTION
- SLOPE PROTECTION
- ROCK SLOPE FAILURE PREVENTION
- RETAINING WALL STRUCTURE
- TEMPORARY ANCHOR WORKS
- SLOPE PROTECTION WORKS AND VEGITATION WORKS
- LANDSLIDE PROTECTION WORKS
- ANCHORING
- STRUCTURE DIAGNOSIS

URBAN REGENERATION

- GROUND IMPROVEMENT
- REINFORCEMENT WORKS AND FOUNDATION ITEM METHOD
- FOUNDATION TREATMENT OF WASTE DISPOSAL SITE
- LIQUIFICATION PREVENTION MEASURES
- PILING
- INDUSTRIAL WASTE RECYCLING
- ANCHORING

MAINTENANCE AND RENOVATION

- SLOPE REINFORCEMENT
- CONCRETE STRUCTURE UPGRADE
- REINFORCEMENT OF EXISTING STRUCTURE
- DIAGNOSSIS AND INVESTIGATION FOR CONCRETE STRUCTURE
- ROCK SLOPE DIAGNOSIS
- REPAIRING AND STRUCTUAL IMPROVEMENT

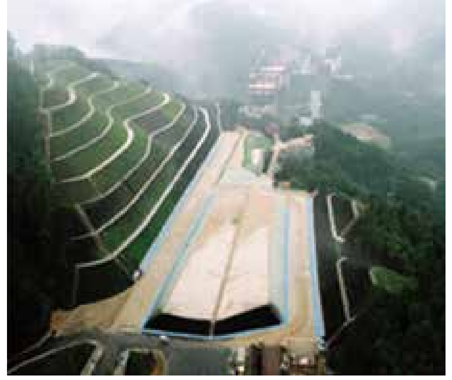
OTHERS

- CIVIL ENGINEERING
- GROUTING
- SURVEY, GEOLOGICAL SURVEY AND DESIGN
- APPLIED ENGINEERING
- CONSTRUCTION CONSULTANTS
- SHIELD JACKING

Major Projects

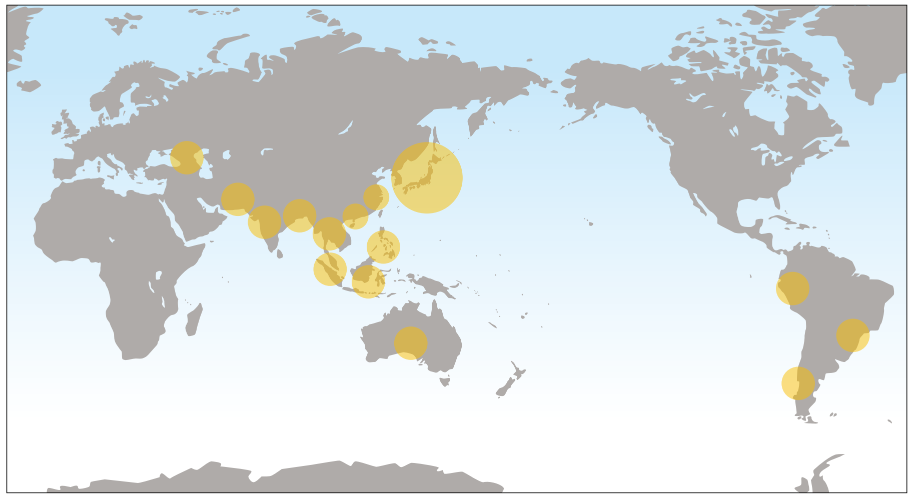
Reinforcement of Quay Wall Project
Anchor Works

Japan



Highway Project
Excavation, Slope Protection, Road Work

Japan



Dam Project
Slope Protection, Dam Grouting

Japan

Sewage Project
Jacking, Ground Improvement (SV)

Indonesia

Hydroelectric Power Station Project
PS-Anchor, Dam Grouting

Indonesia

Coal-Fired Power Plant Project
Ground Improvement Method (JSG)

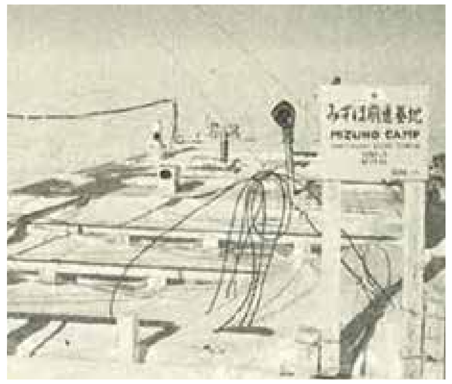
Indonesia

Slope Stability Project
Well, Drilling & Installation of Drainage Pipe, Piles (SV)

Azerbaijan

Joint Research Project to Reduce Environmental Load for Sustainable Coal Mining Development

Vietnam



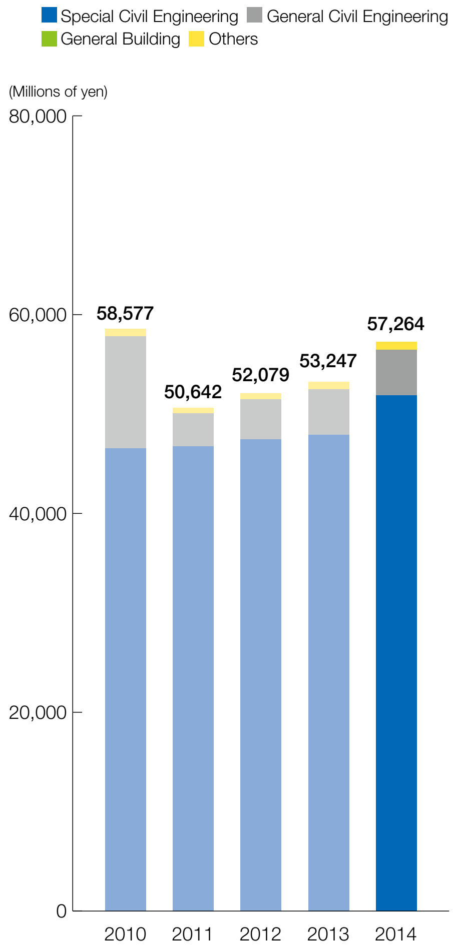
Antarctic Expedition Project
Core Boring

Antarctica

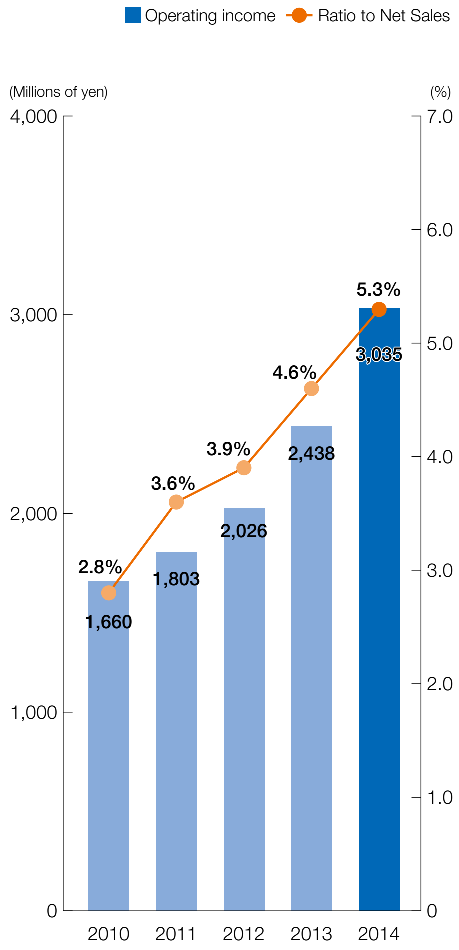
Financial Highlights

	Millions of yen					Thousands of U.S. dollars
	2010	2011	2012	2013	2014	2014
Net sales	¥58,577	¥50,642	¥52,079	¥53,247	¥57,264	$556,398
Ordinary income	1,500	1,509	1,877	2,249	2,904	28,221
Net income	1,444	2,318	1,823	3,532	1,663	16,163
Comprehensive income	—	2,280	1,838	3,632	1,715	16,667
Total net assets	8,269	10,403	12,044	15,029	16,370	159,058
Total assets	35,374	35,620	36,576	39,111	41,047	398,833
Net cash provided by (used in) operating activities	3,784	3,566	723	4,933	1,011	9,832
Net cash provided by (used in) investing activities	(10)	32	(202)	(206)	(189)	(1,837)
Net cash provided by (used in) financing activities	(2,538)	(1,191)	(936)	(1,756)	(678)	(6,592)
Cash and cash equivalents at end of period	7,170	9,578	9,163	12,132	12,277	119,288

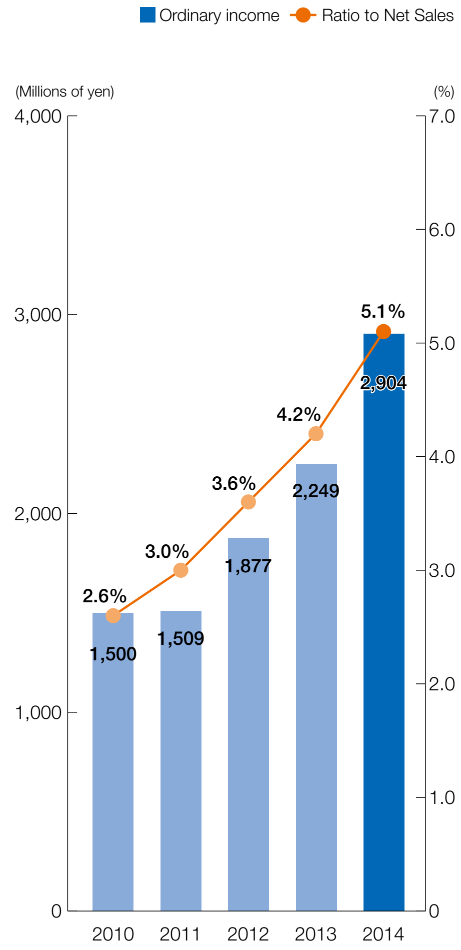
Net sales



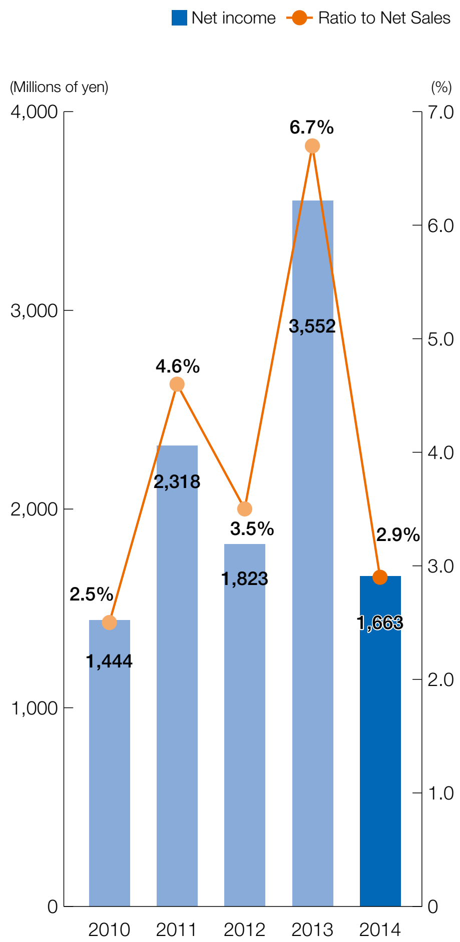
Operating income·Ratio to Net Sales



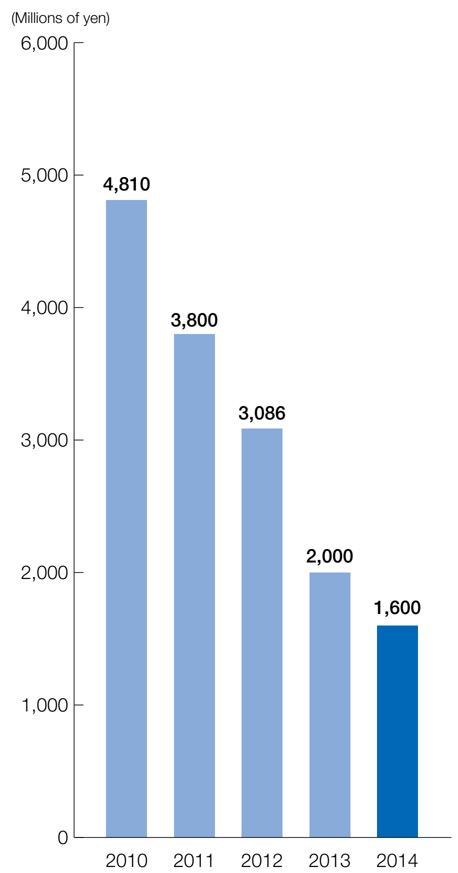
Ordinary income·Ratio to Net Sales



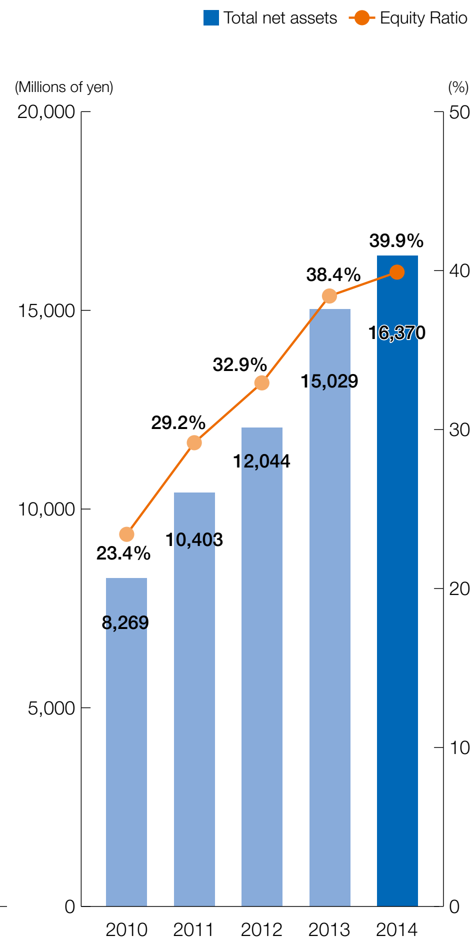
Net income·Ratio to Net Sales



Interest-bearing debt



Total net assets·Equity Ratio



Corporate Profile

(Current as of March 31, 2012)

CORPORATE OVERVIEW	
Company Name	NITTOC CONSTRUCTION CO., LTD.
Head Office	14-14, 8-Chome, Ginza, Chuo-ku, Tokyo 104-0061 Japan
Established	17 December 1947
Paid-in Capital	6,000 million Yen
Number of Employees	845 (241)
President	Tamotsu NAKAMORI
Business Line	Civil Engineering Works Slope Protection, Landslide Protection Works, Revegetation Works Ground Improvement Methods, Grouting, Piling, Sewage Maintenance and Renovation Construction Consulting, Other

BRANCH and SALES OFFICES	
Branch Locations	Sapporo / Tohoku / Tokyo / Hokuriku / Nagoya / Osaka / Hiroshima / Kyushu / Grouting Operation (Project Operation)
Sales Offices	Asahikawa / Hakodate / Doto / Aomori / Morioka / Akita / Yamagata / Fukushima / Gunma / Utsunomiya / Mito / Chiba / Saitama / Yokohama / Nagano / Sado / Joetsu / Kanazawa / Fukui / Toyama / Gifu / Mie / Shizuoka / Keiji / Kobe / Nara / Wakayama / Takamatsu / Matsuyama / Kochi / Tottori / Matsue / Okayama / Yamaguchi / Nagasaki / Saga / Oita / Kumamoto / Miyazaki / Kagoshima / Okinawa
(Overseas Office)	Jakarta (Indonesia)

STAFFING (as of 31 March 2014)		
Technical Staff	717	
Administrative Staff	114	Total 831
Professional Engineer	51	
Registered 1st and 2nd Class Civil Engineer	663	
Registered 1st and 2nd Class Architect	9	
Registered Surveyor and Assistant-Surveyor	252	

SUBSUDIARIES
Midori Industries Co.,Ltd 13-18, Akashi-Cho, Chuo-ku, Tokyo 104-0044 Japan
Shimane Earth Engineering Co.,Ltd 124-1, Higashi-Asahi-Cho, Matsue-Shi, Shimane 690-0001 Japan
Yamaguchi Earth Engineering Co.,Ltd 2-3-13, Hirano,Yamaguchi-Shi,Yamaguchi,753-0015 Japan

MANAGEMENT MEMBERS	
President and Representative Director	**Tamotsu Nakamori**
Directors	**Yasunobu Okumiya**
Directors	**Akira Sakoda**
Directors	**Sumiteru anda**
Directors	**Norihisa Nagai**
Directors	**Hiroshi Yamada**
Outside Directors	**Satoshi Mizukawa**
Outside Directors	**Iwao Aso**
Standing Corporate Auditors	**Manabu Yodoya**
Standing Corporate Auditors	**Yukiharu Sakumoto**
Corporate Auditors	**Katsuaki Takiguchi**

CORPORATE HISTORY

In 1938, the construction of Uryuu Dai-ichi Dam for a huge water reservoir with a reservoir capacity of 240 million cubic meters commenced at the foot of Mt. Taisetsu in Hokkaido. The dam was a gravity type concrete structure 45.5 meters high and in order to lead the project to a successful completion, an extraordinary amount of energy was poured into improving existing techniques and technologies for the disposal of the breccia-conglomerate at the site of the foundation. A variety of innovative technologies accumulated to date at Nittoc originated through this project.

1947	Company established in Hokkaido by Takuichi MATSUSHITA
1953	Renamed Yachiyo Chika Kogyo
1957	Headquarters relocated to Tokyo (Minato-ku)
1959	Renamed Nippon Tokushu Doboku Kogyo
1961	Headquarters relocated to Tokyo (Chuo-ku)
1962	Participated in Mendoza Electric Power Development Project in Argentina
1963	Completed Kurobe Dai-yon Dam Project
1964	Established representative office in Hong Kong (Made into a local subsidiary in the following year)
1967	Concluded business tie-up providing technical guidance in dam grouting and cooperated with local construction company in Taipei (Taiwan)
1971	Participated in the 12th Antarctic expedition project in Antarctica (Continued to work on a glacier investigation project in Antarctica, the North Pole and Himalayas until 1983)
1972	Established Nittoc Construction Co., Ltd. Participated in Parana Hydraulic Power Generation Development Project (Brazil)
1980	Participated in Agoyan Hydraulic Power Generation Development Project (Ecuador)
1985	Shares listed on 1st section of Tokyo Stock Exchange Concluded business tie-up providing technical vegetation and slope protection with local construction company in Taipei (Taiwan)
1988	Established a local corporation to exploit mineral resource development in Queensland (Australia)
1989	Participated in Marsyangdi Hydroelectric Power Project (Nepal)
2003	Received ISO9001 certification in Japan
2005	Suspended international business activities
2012	Established international section under company Headquarters and recommenced international business activities Established representative office in Jakarta (Indonesia)
2013	Reorganized international section (Later formed into International Department)

[Business Overview]

1. Overview of Performance, etc.

(1) Operating Results

During the fiscal year ended March 31, 2014, the Japanese economy saw an undertone of recovery mainly due to the implementation of aggressive fiscal stimulus and substantial monetary policies. The construction market was steady with private sector capital investment recovering against a backdrop of improved corporate profits, and public construction investment significantly increasing through the implementation of a hefty supplementary budget for fiscal 2012 and the governmental policy of building national resilience.

In this business climate, under the medium-term management plan “Step II” (fiscal 2011 through fiscal 2013), NITTOC CONSTRUCTION CO., LTD. (the “Company”) and its subsidiaries (collectively, the “Group”) endeavored to establish stable management foundations, sustained by secure profit-earning capabilities while positioning the strengthening of sales ability and organizational force as pillars of the Group’s business strategy. Furthermore, the Group prepared for conversion to “Growth” strategy in the future during the consolidated fiscal year under review, the final year of the medium-term plan, by focusing on reinforcing and solidifying previously implemented policies.

As a result, the operating results for the consolidated fiscal year under review were as follows:

1) Orders received and net sales

Orders received amounted to ¥61,047 million (up 21.0% year over year) due to the reception of orders for works for reconstruction from the earthquake disaster, including large-scale work in Otsuchi-cho, Iwate Prefecture, in addition to increases of disaster-prevention and mitigation works, which are the Company’s strength. Net sales were ¥57,264 million (up 7.5% year over year) in line with the increase in orders received.

2) Profits

An increase in profits was recorded, supported by the improvement of profit margins mainly due to increased orders received with focus on profitability; in addition to increase in net sales regarding foundation works for disaster-prevention and mitigation. Although expenses increased due to the strengthening of the International Business Division and the increase in personnel to reinforce sales activities, operating income increased 24.5% year over year to ¥3,035 million and ordinary income increased 29.1% to ¥2,904 million. Nevertheless, net income for the fiscal year ended March 31, 2014 decreased 53.2% to ¥1,663 million, mainly affected by the increase in the tax burden arising from the elimination of the net loss carried forward for taxation purposes and the reversal of deferred tax assets.

(2) Cash flows

Cash and cash equivalents (“net cash”) at the end of the fiscal year ended March 31, 2014 increased ¥144 million from the end of the previous consolidated fiscal year to ¥12,277 million. This reflected ¥1,011 million in net cash provided by operating activities (compared with cash inflows of ¥4,933 million for the previous consolidated fiscal year), ¥189 million in net cash used in investing activities (compared with cash outflows of ¥206 million for the previous consolidated fiscal year) and ¥678 million in net cash used in financing activities (compared with cash outflows of ¥1,756 million for the previous consolidated fiscal year). The respective cash flow conditions and their major factors are as described below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥1,011 million.

This mainly reflected the recording of ¥2,906 million in income before income taxes and minority interests, cash-increasing factors including non-cash items such as depreciation of ¥198 million and an increase in notes and accounts payable - trade of ¥1,401 million, and cash-decreasing factors such as an increase in notes and accounts receivable - trade of ¥1,947 million, a decrease in advances received on uncompleted construction contracts of ¥385 million, a decrease in accrued consumption taxes of ¥524 million and income taxes paid of ¥416 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥189 million.

This was mainly attributable to decreases in cash due to purchase of property, plant and equipment of ¥113 million and purchase of investment securities of ¥61 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥678 million.

This was mainly attributable to decreases in cash due to repayments of long-term loans payable of ¥400 million and cash dividends paid of ¥252 million.

2. Analysis of Financial Position, Operating Results and Cash Flows

Any future forecasts included in the following descriptions are based on the judgment of the Group as of March 31, 2014.

(1) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. The preparation of the consolidated financial statements requires management to make certain estimates and judgments that affect the amounts of assets and liabilities at the end of the consolidated fiscal year, as well as those of revenues and expenses for the consolidated fiscal year under review. Although management believes that the estimates and judgments are based on historical business performance and generally accepted methods that are deemed reasonable, and made in a continuous manner, the actual results may differ depending on changes in future circumstances.

(2) Analysis of operating results for the fiscal year ended March 31, 2014

1) Net sales

Net sales for the consolidated fiscal year under review increased ¥4,016 million year over year to ¥57,264 million due to orders received for disaster-restoration and reconstruction works, which owes much to the original construction method of foundation works for which our marketing efforts were successful.

2) Cost of sales and selling, general and administrative expenses

As for the cost of sales, the cost rate improved by 0.3 percentage point year over year to 86.1% despite harsh price competition. Selling, general and administrative expenses increased ¥108 million year over year to ¥4,923 million.

3) Operating income

As a result of the increase in net sales and the improvement of the cost rate, operating income increased ¥596 million year over year to ¥3,035 million.

4) Non-operating income/expenses and extraordinary income/losses

Non-operating income was ¥57 million (down ¥10 million year over year). Non-operating expenses were ¥188 million (down ¥69 million year over year) due to a decrease in financial expenses.

Extraordinary income was ¥3 million (down ¥29 million year over year) due to the recording of gain on sales of non-current assets. Extraordinary losses were ¥2 million (down ¥1 million year over year) due to the recording of loss on retirement of non-current assets.

5) Net income

As a result, net income for the fiscal year ended March 31, 2014 amounted to ¥1,663 million.

Net sales, cost rate, selling, general and administrative expenses and the ratio of selling, general and administrative expenses to net sales for the past five fiscal years were as follows:

(Millions of yen, unless otherwise stated)

	63rd fiscal term	64th fiscal term	65th fiscal term	66th fiscal term	67th fiscal term
	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales	58,577	50,642	52,079	53,247	57,264
Cost rate	88.1%	87.0%	87.3%	86.4%	86.1%
Selling, general and administrative expenses	5,296	4,759	4,578	4,814	4,923
Ratio of selling, general and administrative expenses to net sales	9.0%	9.4%	8.8%	9.0%	8.6%

(3) Current status and outlook of the Group's management strategy

We take pride in that the Company's comprehensive technological capabilities in the foundation work field, which have been accumulated through numerous disaster-restoration and disaster-prevention works, as well as the grouting in dam construction works, are top-rated in Japan. Meanwhile, in view of governmental policies on national land planning, which pursues the building of safe and secure national land, we believe that the raison d'etre of the Company's technological capabilities are increasing. Taking advantage of our technological capabilities, which are the Group's valuable management resources, we intend to improve the efficiency of corporate management by fully demonstrating superiority in our fields of strength which are in environment and disaster prevention. We will endeavor to realize "an attractive company" for stakeholders and "a rewarding company" for employees. Furthermore, we will strive for business continuity as a technology-focused company that can be trusted by customers, with experienced engineers as experts in environmental and disaster-prevention works.

Although favorable trends in the construction market are expected to continue over the three years beginning in fiscal 2014, the domestic construction market is expected to scale down with considerable changes in content over the long term, taking into account the aging population with a dwindling birthrate and the financial conditions of Japan. In the medium-term management plan "Step III," which was released on May 9, 2014, we set forth several policies to accomplish the following targets by positioning the plan coverage period as "a period for firmly establishing business strategies and organizations to efficiently ensure earnings, in anticipation of changes in the future construction market" under the theme of "Challenge for Growth."

● Targeted management indices

The management targets in the medium-term management plan "Step III" (fiscal 2014 through fiscal 2016) are as follows:

Management targets

1) Marketing targets
   - To be the leader in the field of slope protection work
   - 20% increase in orders received for ground improvement (compared with fiscal 2013)
   - Strengthen marketing in the renovation field
   - Develop a presence in the overseas work field
2) Financial targets
   - Equity ratio of 45% or more (39.9% for fiscal 2013)
3) Other targets
   - Operating income margin of 3.5% or more
   - Dividend payout ratio of 30% or more by the end of the medium-term plan period

(4) Analysis of sources of capital and liquidity

The major components of the Group's capital needs are payments for materials and outsourcing expenses associated with various construction works. The funds necessary to meet the capital requirements are procured with cash flows provided from operating activities. As the volume of construction works entails seasonal variations, the Group has entered into a commitment line agreement with a financial institution of which the upper limit of borrowings is ¥2,200 million, to prepare for capital requirements which temporarily exceed cash flows from operating activities. As of March 31, 2014, the unused balance of the borrowings relative to the commitment line agreement was ¥2,200 million and the balance of the "cash and deposits" account was ¥12,277 million. Consequently, we believe the fund procurement of the Group is sufficient to continue its ordinary business activities.

1) Cash flow status

The status of cash flows of the Group is as described in "Part 1. [Business Overview], 1. [Overview of Performance, etc.], (2) Cash flows."

2) Status of assets, liabilities and net assets

Total current assets at the end of the fiscal year ended March 31, 2014 increased ¥1,747 million from the end of the previous consolidated fiscal year to ¥31,359 million. A ¥144 million increase in cash and deposits, a ¥1,947 million increase in notes receivable, accounts receivable from completed construction contracts and other, and an increase in "other" (inclusive of ¥150 million in consumption taxes receivable), as well as a ¥487 million decrease in deferred tax assets, were attributable to this increase. Total non-current assets amounted to ¥9,688 million, an increase of ¥188 million from the end of the previous consolidated fiscal year. An increase of ¥141 million in investment securities was a major contributor to this increase in non-current assets.

Total current liabilities at the end of the consolidated fiscal year under review increased ¥922 million from the end of the previous consolidated fiscal year to ¥18,981 million. The major contributors to this increase were a ¥1,401 million increase in notes payable, accounts payable for construction contracts and other, and a ¥385 million decrease in advances received on uncompleted construction contracts. Total non-current liabilities amounted to ¥5,695 million, a decrease of ¥327 million from the end of the previous consolidated fiscal year. A decrease of ¥400 million in long-term loans payable was a major contributor to this decline in non-current liabilities.

Total net assets at the end of the consolidated fiscal year under review increased ¥1,341 million from the end of the previous consolidated fiscal year to ¥16,370 million. This reflected the reporting of ¥1,663 million in net income and the distribution of dividends totaling ¥255 million.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

	Fiscal year ended 31-Mar-13 (as of March 31, 2013) (Millions of yen)	Fiscal year ended 31-Mar-14 (as of March 31, 2014) (Millions of yen)	Fiscal year ended 31-Mar-14 (as of March 31, 2014) (Thousands of U.S.Dollars)
Assets			
Current assets			
Cash and deposits	12,132	12,277	119,288
Notes receivable, accounts receivable from completed construction contracts and other	14,684	16,631	161,598
Merchandise and finished goods	25	22	219
Real estate for sale	0	0	0
Costs on uncompleted construction contracts	1,573	1,499	14,572
Raw materials and supplies	142	163	1,592
Deferred tax assets	837	349	3,400
Other	231	430	4,186
Allowance for doubtful accounts	(16)	(16)	(162)
Total current assets	29,611	31,359	304,696
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	1,074	1,027	9,984
Machinery, vehicles, tools, furniture and fixtures, net	268	329	3,200
Land	5,340	5,340	51,892
Leased assets, net	33	25	243
Construction in progress	0	8	83
Other, net	2	2	19
Total property, plant and equipment	6,720	6,733	65,424
Intangible assets	206	212	2,064
Investments and other assets			
Investment securities	566	708	6,881
Deferred tax assets	1,583	1,626	15,807
Other	582	409	3,981
Allowance for doubtful accounts	(159)	(2)	(21)
Total investments and other assets	2,572	2,742	26,648
Total non-current assets	9,499	9,688	94,136
Total assets	39,111	41,047	398,833

	Fiscal year ended 31-Mar-13 (as of March 31, 2013) (Millions of yen)	Fiscal year ended 31-Mar-14 (as of March 31, 2014) (Millions of yen)	Fiscal year ended 31-Mar-14 (as of March 31, 2014) (Thousands of U.S.Dollars)
Liabilities			
Current liabilities			
Notes payable, accounts payable for construction contracts and other	13,232	14,634	142,189
Short-term loans payable	400	400	3,886
Advances received on uncompleted construction contracts	2,206	1,820	17,688
Lease obligations	22	21	213
Income taxes payable	290	657	6,390
Provision for warranties for completed construction	25	18	174
Provision for loss on construction contracts	32	69	677
Provision for bonuses	414	477	4,643
Other	1,435	881	8,567
Total current liabilities	18,058	18,981	184,431
Non-current liabilities			
Long-term loans payable	1,600	1,200	11,659
Lease obligations	53	31	305
Deferred tax liabilities	70	98	959
Provision for retirement benefits	4,034	—	-
Net defined benefit liability	—	4,241	41,214
Other	266	123	1,203
Total non-current liabilities	6,023	5,695	55,342
Total liabilities	24,082	24,677	239,774
Net assets			
Shareholders’ equity			
Capital stock	6,052	6,052	58,807
Capital surplus	2,022	2,022	19,648
Retained earnings	7,366	8,774	85,260
Treasury shares	(539)	(540)	(5,254)
Total shareholders’ equity	14,902	16,308	158,461
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	126	178	1,733
Remeasurements of defined benefit plans	—	(116)	(1,136)
Total accumulated other comprehensive income	126	61	596
Total net assets	15,029	16,370	159,058
Total liabilities and net assets	39,111	41,047	398,833

3)[Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]

[Consolidated Statements f Income]

	Fiscal year ended 31-Mar-13 (from April 1, 2012 to March 31, 2013) (Millions of yen)	Fiscal year ended 31-Mar-14 (from April 1, 2013 to March 31, 2014) (Millions of yen)	Fiscal year ended 31-Mar-14 (from April 1, 2013 to March 31, 2014) (Thousands of U.S.Dollars)
Net sales			
Net sales of completed construction contracts	53,139	56,991	553,748
Sales on other business	108	272	2,649
Total net sales	53,247	57,264	556,398
Cost of sales			
Cost of sales of completed construction contracts	45,954	49,140	477,462
Cost of sales on other business	39	165	1,609
Total cost of sales	45,994	49,306	479,071
Gross profit			
Gross profit on completed construction contracts	7,184	7,851	76,286
Gross profit - other business	68	107	1,040
Total gross profit	7,253	7,958	77,326
Selling, general and administrative expenses	4,814	4,923	47,833
Operating income	2,438	3,035	29,493
Non-operating income			
Interest income	2	1	14
Dividend income	10	12	125
Patent income	34	32	315
Other	20	10	104
Total non-operating income	68	57	560
Non-operating expenses			
Interest expenses	74	48	472
Guarantee commission	59	55	542
Commission for syndicate loan	90	—	-
Implementation charge for payables factoring	—	50	485
Factoring fee for receivables	17	22	213
Other	16	12	117
Total non-operating expenses	258	188	1,832
Ordinary income	2,249	2,904	28,221
Extraordinary income			
Gain on sales of non-current assets	32	3	35
Total extraordinary income	32	3	35
Extraordinary losses			
Loss on retirement of non-current assets	3	2	19
Total extraordinary losses	3	2	19
Income before income taxes and minority interests	2,279	2,906	28,237
Income taxes - current	299	733	7,128
Income taxes - deferred	(1,573)	508	4,944
Total income taxes	(1,273)	1,242	12,073
Income before minority interests	3,552	1,663	16,163
Net income	3,552	1,663	16,163

[Consolidated Statements of Comprehensive Income]

	Fiscal year ended 31-Mar-13 (from April 1, 2012 to March 31, 2013) (Millions of yen)	Fiscal year ended 31-Mar-14 (from April 1, 2013 to March 31, 2014) (Millions of yen)	Fiscal year ended 31-Mar-14 (from April 1, 2013 to March 31, 2014) (Thousands of U.S.Dollars)
Income before minority interests	3,552	1,663	16,163
Other comprehensive income			
Valuation difference on available-for-sale securities	79	51	503
Total other comprehensive income	79	51	503
Comprehensive income	3,632	1,715	16,667
Comprehensive income attributable to			
Owners of parent	3,632	1,715	16,667
Minority interests	—	—	-

3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,052	2,022	7,366	(539)	14,902
Changes of items during period					
Dividends of surplus			(255)		(255)
Net income			1,663		1,663
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(0)	1,408	(1)	1,406
Balance at end of current period	6,052	2,022	8,774	(540)	16,308

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	126	–	126	15,029
Changes of items during period				
Dividends of surplus				(255)
Net income				1,663
Purchase of treasury shares				(1)
Disposal of treasury shares				0
Net changes of items other than shareholders' equity	51	(116)	(65)	(65)
Total changes of items during period	51	(116)	(65)	1,341
Balance at end of current period	178	(116)	61	16,370

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Thousands of U.S.Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,807	19,648	71,579	(5,240)	144,795
Changes of items during period					
Dividends of surplus			(2,483)		(2,483)
Net income			16,163		16,163
Purchase of treasury shares				(15)	(15)
Disposal of treasury shares		(0)		1	1
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(0)	13,680	(14)	13,666
Balance at end of current period	58,807	19,648	85,260	(5,254)	158,461

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,230	–	1,230	146,025
Changes of items during period				
Dividends of surplus				(2,483)
Net income				16,163
Purchase of treasury shares				(15)
Disposal of treasury shares				1
Net changes of items other than shareholders' equity	503	(1,136)	(633)	(633)
Total changes of items during period	503	(1,136)	(633)	13,032
Balance at end of current period	1,733	(1,136)	596	159,058

4) [Consolidated Statements of Cash Flows]

	Fiscal year ended 31-Mar-13 (from April 1, 2012 to March 31, 2013) (Millions of yen)	Fiscal year ended 31-Mar-14 (from April 1, 2013 to March 31, 2014) (Millions of yen)	Fiscal year ended 31-Mar-14 (from April 1, 2013 to March 31, 2014) (Thousands of U.S.Dollars)
Cash flows from operating activities			
Income before income taxes and minority interests	2,279	2,906	28,237
Depreciation	175	198	1,926
Increase (decrease) in allowance for doubtful accounts	(6)	(156)	(1,519)
Increase (decrease) in provision for warranties for completed construction	(6)	(7)	(68)
Increase (decrease) in provision for loss on construction contracts	(24)	37	364
Increase (decrease) in provision for bonuses	47	63	619
Increase (decrease) in provision for retirement benefits	(6)	(4,034)	(39,195)
Increase (decrease) in net defined benefit liability	—	4,060	39,448
Loss (gain) on sales of property, plant and equipment	(32)	(3)	(35)
Loss on retirement of property, plant and equipment	3	2	19
Interest and dividend income	(13)	(14)	(140)
Interest expenses	74	48	472
Decrease (increase) in notes and accounts receivable - trade	2,489	(1,947)	(18,922)
Decrease (increase) in costs on uncompleted construction contracts	(344)	73	714
Decrease (increase) in other assets	51	(51)	(502)
Increase (decrease) in notes and accounts payable - trade	79	1,401	13,619
Increase (decrease) in advances received on uncompleted construction contracts	22	(385)	(3,748)
Increase (decrease) in accrued consumption taxes	325	(524)	(5,099)
Increase (decrease) in other liabilities	41	(203)	(1,975)
Subtotal	5,154	1,463	14,215
Interest and dividend income received	13	14	140
Interest expenses paid	(97)	(48)	(474)
Income taxes paid	(137)	(416)	(4,049)
Net cash provided by (used in) operating activities	4,933	1,011	9,832
Cash flows from investing activities			
Purchase of investment securities	(2)	(61)	(595)
Purchase of property, plant and equipment	(207)	(113)	(1,101)
Proceeds from sales of property, plant and equipment	32	3	35
Purchase of intangible assets	(29)	(26)	(258)
Collection of loans receivable	1	0	9
Other, net	(1)	7	73
Net cash provided by (used in) investing activities	(206)	(189)	(1,837)
Cash flows from financing activities			
Proceeds from long-term loans payable	2,000	—	–
Repayment of long-term loans payable	(3,086)	(400)	(3,886)
Repayment of lease obligations	(25)	(24)	(241)
Proceeds from disposal of treasury shares	0	0	0
Purchase of treasury shares	(472)	(1)	(14)
Cash dividends paid	(172)	(252)	(2,450)
Net cash provided by (used in) financing activities	(1,756)	(678)	(6,592)
Net increase (decrease) in cash and cash equivalents	2,969	144	1,402
Cash and cash equivalents at beginning of period	9,163	12,132	117,886
Cash and cash equivalents at end of period	12,132	12,277	119,288

[Notes]

(BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS)

The accompanying consolidated financial statements have been prepared from the accounts maintained by NITTOC CONSTRUCTION CO., LTD. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥102.92 to US$1.00, the approximate rate of exchange on March 31, 2014. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(Going-Concern Assumption)

Not applicable

(Significant Items on Basis for Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

Number of consolidated subsidiaries: 2

Midori Industries Co., Ltd.

Yamaguchi Earth Engineering Co., Ltd.

Non-consolidated subsidiary:

Shimane Earth Engineering Co., Ltd.

Reason for exclusion from the scope of consolidation

The non-consolidated subsidiary is excluded from the scope of consolidation because it is a small-scale company and does not have a material impact on the consolidated financial statements with regard to the respective sums of total assets, net sales, net income or loss (corresponding to the equity held by the Company) and retained earnings (corresponding to the equity held by the Company).

Note: The Company has decided to include all of its subsidiaries in the scope of consolidation effective from the end of the fiscal year ended March 31, 2014 regardless of their importance. This determination is based on the Group's focus on further utilizing every subsidiary to aggressively develop order-reception activities by respecting area-oriented corporate activity requirements at each region in which a subsidiary is located, and therefore the inclusion of all the subsidiaries would better represent the reality of the entire Group. According to this policy, Yamaguchi Earth Engineering Co., Ltd., a subsidiary newly established during the consolidated fiscal year under review, has been included in the scope of consolidation.

Meanwhile, Shimane Earth Engineering Co., Ltd., which previously was excluded from the scope of consolidation due to its insignificance, is not simultaneously included during the consolidated fiscal year under review because of a contradiction with regard to other systems. However, the Group plans to include it in the scope of consolidation for the fiscal year ending March 31, 2015, during which the contradiction with the said systems will have been eliminated.

2. Application of the Equity Method

Non-consolidated subsidiary that is not accounted for by the equity method

Shimane Earth Engineering Co., Ltd.

Reason for not applying the equity method

The non-consolidated subsidiary is excluded from the application of the equity method because the impact of the non-consolidated subsidiary on net income or loss (corresponding to the equity held by the Company) and retained earnings (corresponding to the equity held by the Company) for the consolidated fiscal year under review is negligible, and is immaterial as a whole.

3. Fiscal Years, etc. of Consolidated Subsidiaries

The year-end date of the fiscal year of the consolidated subsidiaries is March 31, which is the same as the consolidated balance sheet date.

4. Standards on Accounting Procedures

(1) Valuation standard and valuation method for significant assets

Securities

1) Held-to-maturity debt securities

Amortized cost method (by the straight-line method)

2) Available-for-sale securities

Securities with market quotations:

Valued at fair market value as of the consolidated fiscal year-end date (All changes in valuation difference are included directly in net assets. Cost of securities sold is determined by the moving-average method).

Securities without market quotations:

Valued at cost based on the moving-average method.

Inventories

1) Merchandise

Stated at cost using the first-in first-out method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)

2) Real estate for sale

Stated at cost using the specific identification method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)

3) Costs on uncompleted construction contracts

Stated at cost using the specific identification method

4) Raw materials and supplies

Stated at cost using the first-in first-out method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)

(2) Depreciation methods of major depreciable assets

1) Property, plant and equipment (excluding leased assets): The declining-balance method is applied.

However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for machinery equipment.

The useful lives and the residual value are based on standards in accordance with methods stipulated in the Corporation Tax Act.

2) Intangible assets (excluding leased assets): The straight-line method is applied.

The useful lives are based on standards in accordance with methods stipulated in the Corporation Tax Act. Computer software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).

3) Leased assets

The straight-line method, in which the lease period is utilized as the useful life assuming the residual value is zero, is adopted for the leased assets of finance lease transactions without transfer of ownership.

Financial lease transactions without transfer of ownership which commenced on or before March 31, 2008, are accounted for using the same method as for ordinary operating lease transactions.

(3) Recognition standards for significant reserves

1) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables based on past bad debt experience for general receivables, and by individually considering the collectibility for certain doubtful receivables including loans with potential default to prepare for possible loan losses including notes and accounts receivable - trade and loans receivable.

2) Provision for warranties for completed construction

The provision for warranties for completed construction is recorded at an amount based on the estimated compensation amount regarding the net sales of completed construction contracts for the consolidated fiscal year under review to prepare for expenses such as warranty against defects relative to completed construction works.

3) Provision for loss on construction contracts

The provision for loss on construction contracts is recorded at an estimated loss amount regarding construction works on hand at the end of the consolidated fiscal year under review for which loss is expected, and for which the amount can be reasonably estimated, to prepare for possible losses from construction contracts that the Group has received orders thereof.

4) Provision for bonuses

The provision for bonuses is recorded at an amount of possible disbursement corresponding to the consolidated fiscal year under review based on the estimated amount to provide for bonuses to employees.

(4) Accounting procedure for retirement benefits

1) Method of allocating the projected retirement benefits to periods

In calculating the projected benefit obligation, the straight-line attribution is used to allocate the projected retirement benefits to periods up to the end of the consolidated fiscal year under review.

2) Amortization method for actuarial gains/losses and prior service cost

Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (10 years) within the average remaining service period of employees at the time of recognition, commencing from the consolidated fiscal year following the recognition.

The prior service cost is amortized by the straight-line method over a certain period (10 years) within the average remaining service period of employees at the time of recognition.

3) Adoption of the simplified method for small and medium-sized entities

For the calculation of net defined benefit liability and retirement benefit expenses, the consolidated subsidiaries of the Company have adopted the simplified method, according to which the amount of payables for voluntary retirement of all employees as of the end of the period is treated as projected benefit obligation.

(5) Recognition standards for significant revenues and expenses

Recognition standards for net sales of completed construction contracts and cost of sales of completed construction contracts

1) Works for which the outcome of the construction activity is deemed certain with regard to the portion of construction in progress by the end of the consolidated fiscal year under review

The percentage-of-completion method has been applied to such works (the degree of completion of construction is estimated by the cost-to-cost method).

2) Other works

The completed-contract method has been applied.

Net sales of completed construction contracts, to which the percentage-of-completion method was applied, were ¥32,378 million for the consolidated fiscal year under review.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits available for withdrawal on demand and readily convertible short-term investments with maturities of three months or less, which are exposed to minor risk of fluctuation in value.

(7) Other items of significance concerning the preparation of consolidated financial statements

1) Accounting procedure for consumption taxes and others

Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of the consumption taxes.

2) Application of consolidated tax return system

The consolidated tax return system is applied.

(Change in Accounting Policies)

(Application of the Accounting Standards for Retirement Benefits)

The “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter the “Guidance”) have been applied effective from the end of the consolidated fiscal year under review (however, excluding the main clause of Paragraph 35 of the Standard and Paragraph 67 of the Guidance). As a result of this change, the amount of projected benefit obligations after deducting the plan assets was reported as “net defined benefit liability,” and unrecognized actuarial gains or losses and unrecognized prior service cost are accounted for as net defined benefit liability.

The application of the Standard, etc. complies with transitional accounting treatment which is set forth in Paragraph 37 of the Standard, and accordingly, the effects of this change in accounting method are adjusted as “remeasurements of defined benefit plans” under “accumulated other comprehensive income” at the end of the consolidated fiscal year under review.

As a result, net defined benefit liability of ¥4,241 million was reported and accumulated other comprehensive income decreased by ¥116 million at the end of the consolidated fiscal year under review.

(Accounting Standards, etc. Yet to be Applied)

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

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

(1) Summary

The revisions in the above accounting standard and its implementation guidance were made focusing on the accounting procedure for unrecognized actuarial gains and losses and unrecognized past service costs, the calculation method for projected benefit obligations and current service costs, and the enhancement of disclosures, from the viewpoint of improvements to financial reporting and international convergence.

(2) Planned date of application

The Group plans to apply the unapplied accounting standards above from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of application of the accounting standard, etc.

By applying the accounting standard, etc. above, operating income, ordinary income and income before income taxes and minority interests for the fiscal year ending March 31, 2015, are expected to decrease by approximately ¥43 million each.

Certificate

The Board of Directors

NITTOC CONSTRUCTION CO., LTD.

We audited consolidated balance sheets of NITTOC CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2014 and March 31, 2013, and the related consolidated statements of income and consolidated comprehensive income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen, described in Annual securities report published on June 27, 2014 and June 27, 2013 in Japan. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believed that our audits provide a reasonable basis for our opinion.

In our opinion, as expressed on the report of independent auditors attached to the Annual securities report, the consolidated financial statements referred to above presented fairly, in all material respects, the consolidated financial position of NITTOC CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2014 and March 31, 2013, and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Also, we certify that the accompanying consolidated balance sheets of NITTOC CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2014 and March 31, 2013, and the related consolidated statements of income and consolidated comprehensive income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen, in which notes on numerical value of the consolidated financial statements are omitted, are properly prepared based on Annual securities report stated above and translated from Japanese yen amounts into U.S. dollar amounts in conformity with the basis stated in Notes on the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Yasumori Audit Corporation

Yasumori Audit Corporation
(Certified Public Accountants)

April 3, 2015
Tokyo, Japan