

Profile

On October 1, 2003, our company began as the “New Hazama” with the approval of listing on the First Section of the Tokyo Stock Exchange and taking over of the corporate name and all the business of construction from the former Hazama Corporation. From its foundation in 1889, the former Hazama Corporation contributed, as a general contractor with stellar technological capability in the industry, to Japan’s development and the realization of a better lifestyle for people through all construction activities from resource-energy facilities to traffic networks, urban infrastructures, housing, and medical and social welfare facilities. Its construction business has not been confined to Japan, extending to 30 countries and regions around the world.

More than 120 years have passed since the founding of Hazama. We have inherited the exceptional technical and quality management capabilities backed by a solid track record established during this time, and conduct a program of continual improvements.

Japan’s construction market is at a major turning point, marked by cutbacks in public works projects, and sluggish private-sector investment. We plan to restructure our production systems and sales processes to enhance our corporate value. We will also ensure corporate social responsibility by promoting accountability, customer satisfaction and environmental conservation, as well as respect for human rights and contributions to society.

The Great East Japan Earthquake in March 2011 caused extensive damage, mainly in the Tohoku region. We are assessing the extent of the impact, the needs of our customers and society and other aspects as quickly as possible, and taking steps to provide rehabilitation and reconstruction in an agile and appropriate manner.

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Message from the President



Toshio Ono

The Hazama Group made a concerted effort during the subject fiscal year to implement the “Hazama Fourth Medium-Term Plan” (April 1, 2010 through March 31, 2013). This plan, launched in March 2010 with the theme of “Valuable ‘Hazama Creation,’” was designed around the two main goals of (1) establish a cost structure appropriate to the changes in the business climate, and (2) secure profitability and business scale. It is aimed at establishing a business foundation that is able to withstand wide swings in the business environment, such as the contraction of the construction market.

The fiscal year ended March 2011 was the first year of the new business plan, and we implemented as scheduled such principle measures of the plan as reform of our organizational and personnel frameworks, and restructuring of the production system and sales processes. Although we failed to meet our plan targets for civil engineering work orders and gross profit (ratio) on completed works in construction, we still managed to secure earnings in line with plan figures through cuts in selling, general and administrative (SG&A), expenses and other measures.

Looking at the construction market, the tight business environment for orders is likely to continue, with the slowdown in private-sector investment becoming long-term and increasingly serious, while government construction spending is also projected to be severely curtailed. The competition for orders has also become more multifaceted, with rivalry over price, technologies and other factors. There are also concerns about deterioration of the economy from the Great East Japan Earthquake that occurred in March 2011.

Under such conditions, the Hazama Group is steadily implementing the various measures in its Fourth Medium-Term Plan, continually optimizing its business foundation, and laying out a certain path for the future. The Great East Japan Earthquake left a deep scar, centered on the Tohoku region. I would like to take this opportunity to express our condolences to the victims of the disaster. We recognize that our mission as a construction company is to work toward rehabilitation and reconstruction as quickly as possible, and will concentrate our expertise in an effort to meet all expectations through our business activities.

Summary of Business Results

The Japanese economy remained weak during the subject fiscal year. There were moderate trends toward recovery, including improvement in corporate earnings and a leveling off in the decline in capital expenditures, stemming from an upturn in exports and production that are the driving force for the economy, as well as a boost from government stimulus measures. However, deflationary

trends continued, and the unemployment rate remained high. Further, the Great East Japan Earthquake that occurred on March 11, 2011, caused extensive damage to social infrastructure such as roads and ports, as well as to production facilities and residential housing, further heightening concerns about economic slowdown.

In the Hazama Group’s main business of construction, the business climate remained tight. Housing started to increase and the real estate market showed signs of movement, but public-sector construction spending fell sharply, and private-sector investment cooled.

Under these circumstances, orders declined ¥12.5 billion (approximately 8%) from the previous fiscal year to ¥141.6 billion. Overseas construction orders from Japanese companies were strong, but domestic public-sector works were down year on year for both civil engineering and building construction.

Revenues rose slightly, up ¥4.8 billion year on year overall as a decline in the civil engineering segment stemming from a falloff in orders during the period was offset by the building construction segment. In terms of earnings, Hazama regained a net profit for the subject fiscal year as a result of improved profitability in domestic civil engineering works, along with reductions in expenses realized through restructuring implemented as part of the Fourth Medium-Term Plan.

As a result, the Hazama Group’s revenues for the subject fiscal year amounted to ¥196.7 billion, with operating income of ¥3.9 billion, ordinary income of ¥2.6 billion, and net income of ¥1.5 billion.

By business segment, on a non-consolidated basis, construction orders received amounted to ¥141.6 billion, with civil engineering accounting for 43.4% of total orders, and building construction 56.6%. Government projects accounted for 34.2% and the private sector 65.8%. The percentage of overseas work was 11.4%. Construction revenue totaled ¥179.9 billion, with operating income of ¥4.4 billion. Net sales in the Other segment amounted to ¥0.8 billion, with operating income of ¥69 million. The main source of revenue was commissioned surveys and research.

Outlook for the Fiscal Year Ending March 2012

The outlook for the Japanese economy remains uncertain. Demand is projected to increase as a result of investments in social infrastructure, housing and facilities as part of the rehabilitation and reconstruction effort for the Great East Japan Earthquake, but the recovery of the Japanese economy could be delayed if production activities continue to be hampered by disruptions in logistics and the supply chain, restrictions on power supplies, and a protracted situation at the Fukushima nuclear power station.

The outlook for the construction industry is also unclear. Despite expected reconstruction demand in areas affected by the Great East Japan Earthquake, companies and governments will likely revise their overall construction investment plans.

Considering these circumstances, for the fiscal year ending March 31, 2012, we forecast consolidated revenues of ¥176.0 billion, with ordinary income of ¥2.4 billion and net income of ¥0.9 billion.

In conclusion, I would like to thank our shareholders and all stakeholders for their continued support of Hazama Corporation.

A handwritten signature in black ink, appearing to read 'T. Ono', with a long horizontal flourish extending to the right.

Toshio Ono
President & Representative Director

June 2011

Hazama Fourth Medium-Term Plan

I. Numerical Targets (FY3/13 Non-Consolidated Basis)—*Secure stable earnings*

Order Volume	¥155.0 billion	(¥70 billion from civil engineering, ¥85 billion from building construction)
Revenues	¥160.0 billion	
Operating Income	¥4.0 billion	
Ordinary Income	¥2.5 billion	
No. of Employees	Approximately 1,800	

II. Establish a Cost Structure Appropriate to the Changes in the Business Climate—*Rebuild the foundation of the business*

1. Streamline and flatten the organizational structure for the headquarters and branch offices
2. Reduce fixed costs through cuts in overhead and personnel expenses (including early retirement for approximately 150 employees)
3. Improve the financial position

III. Secure Profitability and Business Scale—*Ensure a certain path to the future*

1. Optimize resources
 - Concentrate management resources in front-line operations of worksites and sales
 - Enhance technical and on-site capabilities, together with sales and order-receipt capabilities
2. Restructure the production system
 - Ensure profitability through careful construction management from initial approach to completion
 - Strengthen purchasing structure and trusting relationships with suppliers to ensure safety and quality, as well as environmental responsibility
3. Restructure sales processes
 - Enhance speed across the entire business framework, including sales, construction, technology and administration
4. Civil engineering business
 - Secure profitability and volume from comprehensive evaluation projects in our fields of expertise
 - Avidly pursue measures for the energy and environmental fields
5. Building construction business
 - Enhance the depth of the sales structure, augment sales tools, and strengthen backup support
 - Focus on the Tokyo and Osaka metropolitan areas, and bolster renovations
6. Overseas business
 - Specialize in the regions and fields of our expertise, and secure profits through careful risk and profitability management

IV. Alliances

- Pursue joint initiatives with Ando Corporation and Seibu Construction Co., Ltd.

V. CSR and Related Matters

- Establish a framework for a comprehensive approach to CSR
- Strengthen corporate governance, and conduct careful risk management



The Caravan transporting relief supplies

Response to the Great East Japan Earthquake

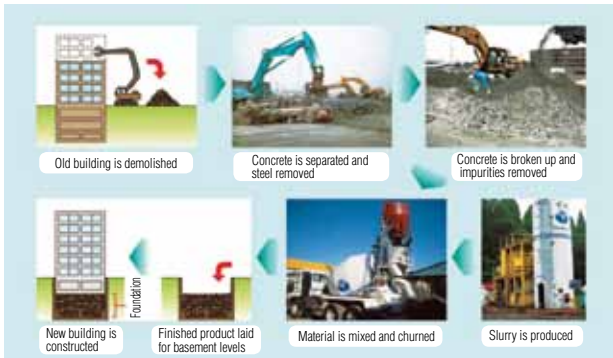
The Great East Japan Earthquake occurred at approximately 14:46 on Friday, March 11, 2011. Immediately after the earthquake occurred, following its business continuity plan Hazama established a central response headquarters at its head office, and a local response headquarters at its Tohoku office.

As soon as the quake occurred Hazama used its safety confirmation system to ensure that all employees were safe, including at Group companies, and conducted an assessment of the status of damage at its business offices and worksites.

At the same time we assembled support personnel from around Japan to survey and carry out emergency work on buildings and structures built by Hazama. Examination of approximately 500 sites had been completed by the end of March. Further, at the request of local governments and power companies with damaged facilities, we are making a concerted effort to restore nuclear and thermal power plants, sewage treatment plants and other types of infrastructure.

Hazama also formed a convoy of two trucks called the Caravan to deliver water, blankets, food and other emergency relief supplies to coastal areas afflicted by the disaster.

Hazama will continue to do everything it can for the rehabilitation of disaster regions as quickly as possible, and to fulfill its society responsibility as a construction company.



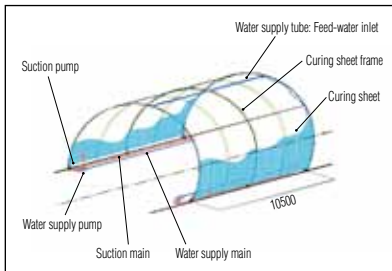
Overview of the Grand-M Construction Method

"Grand-M" Construction Method Recognized for Contributions to Recycling

In November 2010, the Grand-M construction method developed by Hazama was awarded the 2010 Environment Minister's Commendation for Contributions to the Development of a Recycling-oriented Society.

This award was established by the Ministry of the Environment in 2006, and is presented to individuals, companies and groups for distinguished achievement in efforts to limit waste through the "reduce, reuse and recycle" concept. The aim of the award program is to contribute to the realization of a recycling-oriented society through the recognition of such achievements.

Grand-M is a construction method in which concrete broken up at a construction site is used at the site to create the foundation for a building, or as backfill. With the practical application of Grand-M, Hazama was recognized "a company that has realized practical application and utilization of a technology, product or system for significant reduction in waste generated, broader use of recycling, or advancement in proper processing."



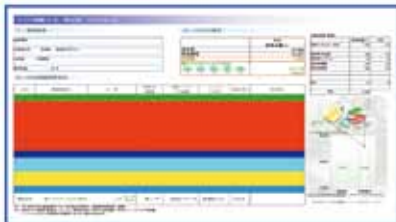
Example of application for tunnel construction

Practical Application of the "Aqua Curtain" Immersion Curing Method for Concrete Improved Performance of Rebar Increases Durability of Concrete Structures

Concrete hardens as a result of a chemical reaction between cement and water. During this time the cement must be kept sufficiently moist for it to cure properly. However, continually providing moisture to a vertical surface of a concrete structure once it has been removed from the mold is difficult, so wet curing of vertical surfaces is used only in the construction of dams.

This issue is resolved with "Aqua Curtain," a revolutionary method that allows wet curing of a surface as if it were immersed in water. The enhanced density of the concrete cover resulting from this process also helps to limit the permeation of elements in the atmosphere that cause corrosion in the rebar, such as carbon dioxide and chlorine. The "Aqua Curtain" curing method has been widely praised by academics, construction supervisors and engineers, and received a special award from the review committee at the 2010 Kinki Construction Technology Exhibition.

The "Aqua Curtain" method is being used in the construction of the Kuzuhara Tunnel (1,373 m) and the Jingamine Tunnel (1,247 m), being undertaken by the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. During fiscal 2011, this method is expected to be used for up to 100,000 m² of concrete, including for work done by other companies.



Proposal Sheet

The "HALCO2" Tool for Reducing Life Cycle CO₂ in Construction Projects Helping to Design Proposals Using Environmental Technologies from the Planning to Design Stage

The 2009 revisions to Japan's Rationalization in Energy Use Act led to an increase in the number of project proposals incorporating environmental technologies, demanding greater skill in making such proposals.

Hazama has developed "HALCO2," a business tool that allows us to easily calculate such figures as total CO₂ reductions and Life Cycle CO₂ (LCCO₂), and based on these and effective environmental technologies to make proposals to reduce running costs.

The main features of "HALCO2" are:

1. Measures such as LCCO₂, the annual CO₂ reduction, and annual reduction in running costs can be expressed in figures, graphs, the equivalent number of beech trees, and other conversions to clearly demonstrate the environmental benefits.
2. A list of the environmental technologies proposed shows annual reductions in running costs, CO₂ emissions and other data for each category.
3. For multipurpose buildings (such as a combination office building and commercial center, or offices and factory), the aggregate of the figures for each purpose is shown as the standard LCCO₂ figure.
4. In addition to new constructions, the tool can also be used in renovation projects to calculate the LCCO₂ and other measures in individual environmental proposals for renovations using the existing structure.

Hazama employs this tool to help customers make decisions when adopting environmental technologies, and by actively utilizing it during the planning to design stage, is contributing to the construction of low-carbon structures.

Review of Operations

Major Orders Received

- 2nd Tomei Expressway Okazaki Service Area Work/Central Nippon Expressway Company Limited (NEXICO-Central Nippon) (Japan)
- Pahang-Selangor Raw Water Transfer Project LOT 1-3A, Semantan Intake, Pumping Station and Related Works/Ministry of Energy, Green Technology and Water, Malaysia (Malaysia)
- Potosi, Rio San Juan System Drinking Water Development Project/Autonomous Administration for Sanitary Works (AAPOS)-Potosi (Plurinational State of Bolivia) ①
- Fiscal Year 2011 Tokyo Meiraku Chiba Factory Extension Work/Tokyo Meiraku Co., Ltd. (Japan)
- Honda Vietnam 2nd Motorcycle Factory Expansion Project/Honda Vietnam Co., Ltd. (Socialist Republic of Vietnam) ②



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Major Projects in Progress

- Algeria East West Expressway East Work Section/Expressway Public Corporation, Ministry of Public Works, Democratic and Popular Republic of Algeria (People's Democratic Republic of Algeria)
- Tsugaru Dam Phase 1 Work/Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (Japan)
- The Project for Construction of Sindhuli Road (Section III)/Department of Roads, Ministry of Physical Planning & Works (Federal Democratic Republic of Nepal) ③
- Nagoya Castle Hommaru Palace Restoration Work/City of Nagoya, Aichi Prefecture (Japan)
- The Sunshine Machida Pay Nursing Home /TODEN REAL ESTATE CO., INC. (Japan)



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Major Projects Completed

- Osaka-North Common Conduit Katano-Neyagawa Area Work/Ministry of Land, Infrastructure, Transport and Tourism, Kinki Regional Development Bureau (Japan)
- Central Circular Shinagawa Route Nakameguro Ventilating Station/Tokyo Metropolitan Government Bureau of Finance (Japan)
- The Kingston Metropolitan Area Water Supply Project/National Water Commission (Jamaica) ④
- Kuki Hospital/National Federation of Agricultural Cooperative Associations (Japan) ⑤
- Toda America Inc. Michigan Project for Lithium Ion Cathode Materials for Battery/Toda America Inc. (United States of America)



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Corporate Governance

● Basic Policy

Hazama Corporation recognizes the need for transparency and fairness in management oversight and flexibility in decision-making. We consider it a management priority to maintain and implement a management system, rooted in the current organizational structure centered on the Board of Directors and the auditing system, which is able to respond quickly to changes in the business environment.

● Matters Regarding Corporate Functions including Business Execution, Auditing/Supervision, Nominating and Determination of Compensation

To strengthen its corporate governance, Hazama maintains a clear distinction between the decision-making and operational oversight functions of the directors and Board of Directors, and the business execution function of the Management Committee, executive officers and the Executive Officer Committee. The specific functions are as follows.

1. Revisions related to the directors

The term for directors is fixed at one year to further clarify the management responsibility of directors, and to establish an optimal management structure to respond to changes in the business environment. Further, to clarify the roles and responsibilities of board members, Hazama has not have the position of “executive director,” and only makes a distinction between “representative director” and “director.”

2. Board of Directors

The Board of Directors comprised nine members as of the date of the publication of this report. The Board meets monthly to promptly render decisions on important matters regarding management, and to provide oversight of business execution.

3. Executive Committee

The Executive Committee meets to discuss policies for management strategies and other matters, to confirm the progress of business plans, and to diversify and strengthen policy-proposing capabilities.

4. Executive officer system

Hazama established the five officer categories of “president,” “vice president,” “senior managing executive officer,” “managing executive officer” and “executive officer,” clarified the responsibilities for the operations they manage, and limited the term to one year to enhance the mobility and flexibility of the executive officer system. In addition, we clarified through a resolution of the Board of Directors the rights and responsibilities regarding operations managed, and implemented a compensation system that reflects the performance of operations managed.

5. Executive Officer Committee

The Executive Officer Committee meets monthly in accordance with the executive officer system, to enhance the efficiency of consensual decision-making and strengthen operational execution, as well as to ensure that management information is conveyed promptly and accurately along the management line, and to provide for the sharing of information among departments.

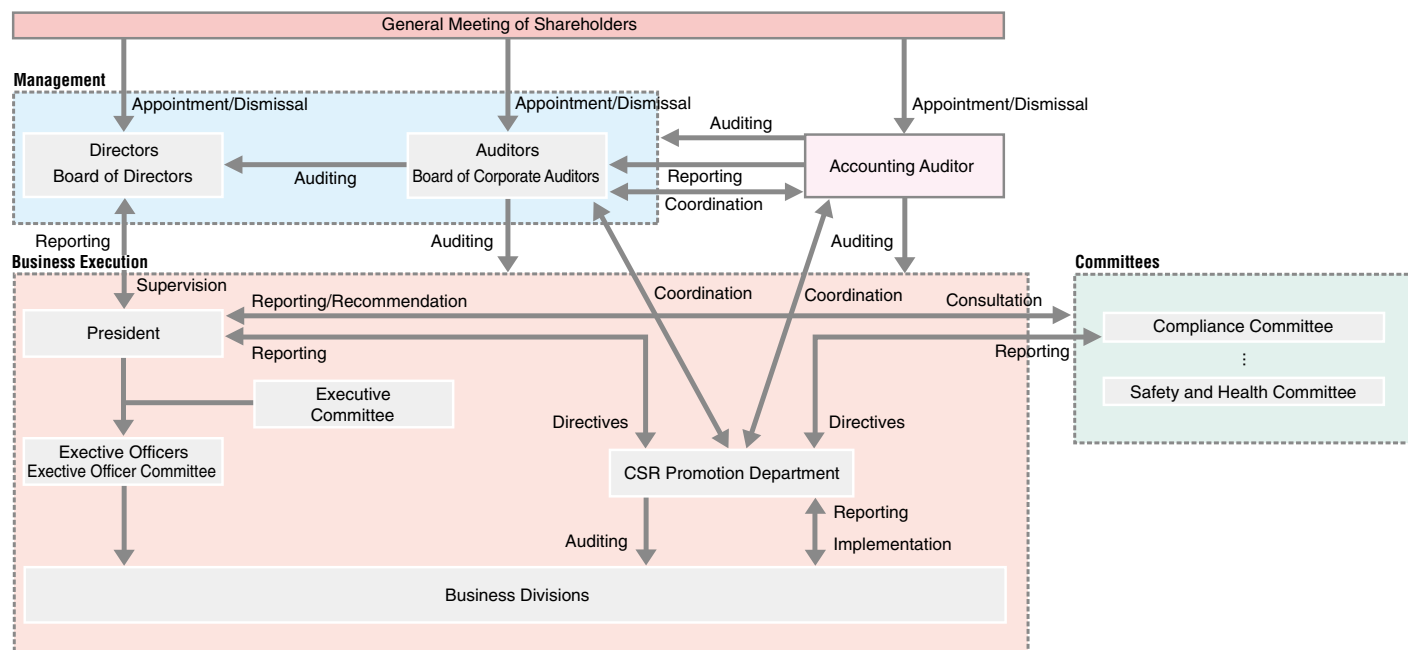
6. Board of Corporate Auditors System

Corporate auditors (including outside auditors), in accordance with auditing standards established by the Board of Corporate Auditors, and in line with the auditing policies for each fiscal period, division of duties and other rules, maintains communication with directors, the Internal Auditing Department and other employees. Corporate auditors attend meetings of the Board of Directors and other important meetings, receive reports and explanations from directors and employees regarding the status of the execution of their duties, review important documents and other papers, and conduct audits at the head office and other major business locations.

7. Various Committees

Hazama has established various committees to streamline management operations, such as the Compliance Committee to hold discussions and provide advice regarding compliance matters.

■ HAZAMA CORPORATION'S CORPORATE GOVERNANCE STRUCTURE



Consolidated Financial Review

HAZAMA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011, 2010, 2009, 2008 and 2007

Summary

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2011
Operating results:						
Revenues						
Construction	¥184,630	¥182,162	¥212,535	¥208,593	¥222,050	\$2,220,445
Other activities	12,072	9,715	11,742	12,411	15,155	145,183
Total	196,702	191,877	224,277	221,004	237,205	2,365,628
Cost of sales	182,692	178,380	207,522	205,769	221,311	2,197,138
Gross profit	14,010	13,497	16,755	15,235	15,894	168,490
Selling, general and administrative expenses	10,031	11,747	12,308	10,792	10,811	120,637
Operating income	3,979	1,750	4,447	4,443	5,083	47,853
Net income (loss)	1,560	(1,744)	1,002	844	948	18,761
Financial position:						
Total assets	¥141,150	¥138,359	¥157,743	¥159,267	¥171,540	\$1,697,535
Total liabilities	112,085	109,984	127,457	128,143	138,954	1,347,986
Net assets	29,065	28,375	30,286	31,124	32,586	349,549
Cash flows:						
Cash flows from operating Activities	¥ 2,880	¥ 6,293	¥ (335)	¥ 649	¥ 5,021	\$ 34,636
Cash flows from investing Activities	1,260	239	3,158	340	(222)	15,154
Cash flows from financing Activities	1,636	(2,656)	(2,326)	(2,065)	1,021	19,675
			Yen			U.S. dollars
Per share amounts:						
Net income (loss)						
Basic	¥ 13.16	¥ (20.45)	¥ 7.07	¥ 5.62	¥ 7.24	\$ 0.16
Diluted	10.50	—	7.00	—	6.59	0.13
Dividends						
Common stock	—	—	1.50	1.50	1.50	—
Class I preferred stock	83.28	90.80	97.72	91.52	70.52	1.00
Class II preferred stock	93.28	100.80	107.72	101.52	80.52	1.12
Class III preferred stock	103.28	110.80	117.72	111.52	90.52	1.24
Class IV preferred stock	98.28	105.80	112.72	106.52	85.52	1.18
Net assets	179.62	172.06	191.04	198.06	213.25	2.16

- Notes: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥83.15 to US\$1.00 for convenience.
2. Basic net income (loss) per share is based on the weighted average number of common stock outstanding during the period, and diluted net income per share reflects the potential dilution that could occur if preferred stock were converted into common stock or share subscription rights were exercised.

Financial Review

Revenues

Revenues in fiscal 2011 totaled ¥196,702 million (US\$2,365,628 thousand), of which ¥184,630 million (US\$2,220,445 thousand) came from construction projects and ¥12,072 million (US\$145,183 thousand) from other activities. These two business segments accounted for 93.9% and 6.1%, respectively, of total revenues.

Costs and Expenses

Cost of sales amounted to ¥182,692 million (US\$2,197,138 thousand), which is equivalent to 92.9% of revenues. Selling, general and administrative expenses amounted to ¥10,031 million (US\$120,637 thousand), which is equivalent to 5.1% of revenues. Operating income reached ¥3,979 million (US\$47,853 thousand), and the operating margin was 2.0%. Net income amounted to ¥1,560 million (US\$18,761 thousand). Basic net income per share was ¥13.16 (US\$0.16). We made no dividend payments on common stock.

Financial Position and Analysis

Total assets amounted to ¥141,150 million (US\$1,697,535 thousand), total liabilities amounted to ¥112,085 million (US\$1,347,986 thousand), and total net assets amounted to ¥29,065 million (US\$349,549 thousand) at the end of fiscal 2011.

Net assets to total assets ratio was 20.6%. Net assets per share amounted to ¥179.62 (US\$2.16).

Cash Flows

Cash and cash equivalents at the end of the year increased by ¥5,476 million (US\$65,857 thousand) to ¥35,022 million (US\$421,191 thousand).

Net cash provided by operating activities amounted to ¥2,880 million (US\$34,636 thousand) mainly as a result of income before income taxes amounting to ¥1,796 million (US\$21,600 thousand), increase in notes and accounts payable amounting to ¥9,750 million (US\$117,258 thousand), decrease in deposit received amounting to ¥6,264 million (US\$75,334 thousand) and decrease in allowance for retirement and severance benefits amounting to ¥2,354 million (US\$28,310 thousand).

Net cash provided by investing activities amounted to ¥1,260 million (US\$15,154 thousand) mainly as a result of sale of marketable securities and investments in securities amounting to ¥1,113 million (US\$13,385 thousand).

Net cash provided by financing activities amounted to ¥1,636 million (US\$19,675 thousand) mainly as a result of proceeds from long-term debt amounting to ¥4,570 million (US\$54,961 thousand).

Construction Business (Non-Consolidated Construction Projects)

As Hazama Corporation's construction business accounts for a large percentage of consolidated group business, the financial performance of the business is presented below for reference.

Revenues	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2011
Civil engineering						
Domestic						
Government sector	¥ 60,962	¥ 63,122	¥ 54,248	¥ 48,207	¥ 57,210	\$ 733,157
Private sector	15,976	23,929	32,610	30,556	23,542	192,134
Overseas	8,188	12,245	14,012	18,690	16,767	98,473
Subtotal	85,126	99,296	100,870	97,453	97,519	1,023,764
Building construction						
Domestic						
Government sector	8,638	7,544	5,027	7,323	12,062	103,885
Private sector	76,724	66,969	91,243	81,540	89,353	922,718
Overseas	9,452	5,386	11,003	17,067	17,404	113,674
Subtotal	94,814	79,899	107,273	105,930	118,819	1,140,277
Total construction projects	¥179,940	¥179,195	¥208,143	¥203,383	¥216,338	\$2,164,041

Revenue from the civil engineering category accounted for ¥85,126 million (US\$1,023,764 thousand), or 47.3% of total revenue from construction projects, with domestic projects contributing ¥76,938 million (US\$925,291 thousand), or 90.4%.

The total for domestic civil engineering revenue was ¥60,962 million (US\$733,157 thousand), or 79.2%, from the government sector and ¥15,976 million (US\$192,134 thousand), or 20.8% of total domestic projects, from the private sector.

Overseas civil engineering revenue amounted to ¥8,188 million (US\$98,473 thousand), or 9.6% of total civil engineering revenue.

Revenue from the building construction category totaled ¥94,814 million (US\$1,140,277 thousand), or 52.7% of total construction revenue. Domestic projects accounted for ¥85,362 million (US\$1,026,603 thousand), or 90.0%.

The government sector contributed ¥8,638 million (US\$103,885 thousand), or 10.1%, of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥76,724 million (US\$922,718 thousand), or 89.9%, of total domestic building construction revenue. Overseas building construction revenue reached ¥9,452 million (US\$113,674 thousand), equivalent to 10.0% of total revenue in the building construction category.

Total overseas construction revenue reached ¥17,640 million (US\$212,147 thousand) and accounted for 9.8% of total construction revenue. Civil engineering projects accounted for 46.4% of this total, and building construction for 53.6%.

Orders Received	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2011
Civil engineering	¥ 61,521	¥ 74,028	¥108,930	¥131,611	¥ 89,135	\$ 739,880
Building construction	80,133	80,194	97,335	122,048	106,927	963,716
Total construction projects	¥141,654	¥154,222	¥206,265	¥253,659	¥196,062	\$1,703,596

Orders received for construction projects during fiscal 2011 amounted to ¥141,654 million (US\$1,703,596 thousand). Overseas work contributed 11.4% of orders in the construction category. Civil engineering orders amounted to ¥61,521 million (US\$739,880 thousand), or 43.4% of total construction orders. Building construction orders amounted to ¥80,133 million (US\$963,716 thousand), which is equivalent to 56.6% of total construction orders.

Year-end Backlog	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2011
Civil engineering	¥107,382	¥131,216	¥156,810	¥150,061	¥116,853	\$1,291,425
Building construction	58,887	73,751	73,463	83,371	67,152	708,202
Total construction projects	¥166,269	¥204,967	¥230,273	¥233,432	¥184,005	\$1,999,627

Order backlog for construction projects at the end of fiscal 2011 amounted to ¥166,269 million (US\$1,999,627 thousand), with civil engineering work accounting for ¥107,382 million (US\$1,291,425 thousand), or 64.6%, and building construction for ¥58,887 million (US\$708,202 thousand), or 35.4%.

Consolidated Balance Sheets

HAZAMA Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 19)	¥ 35,022	¥ 29,546	\$ 421,191
Marketable securities (Notes 3, 7 and 19)	18	0	216
Receivables (Note 19):			
Notes	931	359	11,197
Accounts	52,741	53,245	634,287
Unconsolidated subsidiaries and affiliates	—	1	—
Inventories (Note 5)	7,999	7,229	96,200
Advances paid	6,101	5,090	73,373
Deferred income taxes (Note 12)	3,967	2,597	47,709
Other	1,831	3,072	22,021
Less allowance for doubtful accounts	(299)	(316)	(3,596)
Total current assets	108,311	100,823	1,302,598
Property and equipment (Notes 7 and 9):			
Land	13,948	14,133	167,745
Buildings and structures	15,101	15,335	181,612
Machinery and equipment	9,516	10,279	114,444
Other	45	38	541
	38,610	39,785	464,342
Less accumulated depreciation	(18,361)	(18,995)	(220,818)
Net property and equipment	20,249	20,790	243,524
Investments and other assets:			
Investments in securities (Notes 3, 7 and 19)	5,504	8,001	66,194
Investments in unconsolidated subsidiaries and affiliates	340	340	4,089
Long-term loans	71	65	854
Deferred income taxes (Note 12)	3,802	4,544	45,725
Other	3,054	4,173	36,728
Less allowance for doubtful accounts	(181)	(377)	(2,177)
Total investments and other assets	12,590	16,746	151,413
Total assets	¥141,150	¥138,359	\$1,697,535

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Notes 6 and 19)	¥ 6,900	¥ 6,600	\$ 82,983
Current maturities of long-term debt (Notes 6 and 19)	6,507	2,490	78,256
Payables (Note 19):			
Notes	30,529	22,826	367,156
Accounts	32,026	30,028	385,159
Income taxes payable (Note 12)	559	557	6,723
Advances received (Note 10)	8,878	11,495	106,771
Deposit received (Note 19)	7,755	14,019	93,265
Accrued expenses	235	456	2,826
Allowance for losses on construction contracts	1,803	892	21,684
Allowance for business structure improvement	—	1,217	—
Allowance for disaster payment	296	—	3,560
Other	3,744	1,897	45,027
Total current liabilities	99,232	92,477	1,193,410
Long-term liabilities:			
Long-term debt, less current maturities (Notes 6 and 19)	7,827	10,212	94,131
Retirement and severance benefits (Note 11)	4,701	7,054	56,536
Allowance for environmental spending	287	196	3,451
Other	38	45	458
Total long-term liabilities	12,853	17,507	154,576
Contingent liabilities (Note 13)			
Net assets (Notes 15 and 16):			
Shareholders' equity:			
Common stock	Authorized - 397,250,000 shares		
	Issued - 100,000,000 shares	5,000	60,132
Preferred stock	Authorized - 2,750,000 shares		
	Issued - 2,750,000 shares	7,000	84,185
Capital surplus		9,000	108,238
Retained earnings		6,978	99,315
Less treasury stock, at cost		(121)	(1,455)
Total shareholders' equity		29,137	350,415
Accumulated other comprehensive income:			
Net unrealized holding gains on securities		(127)	(1,527)
Total accumulated other comprehensive income		(127)	(1,527)
Share subscription rights		55	661
Total net assets		29,065	349,549
Total liabilities and net assets		¥141,150	\$1,697,535

Consolidated Statements of Comprehensive Income

HAZAMA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Income (loss) before minority interest	¥1,560	¥ (1,744)	\$18,761
Other comprehensive income			
Valuation difference on available-for-sale securities	(560)	280	(6,735)
Deferred gains or losses on hedges	—	0	—
Total other comprehensive income	(560)	280	(6,735)
Comprehensive income	1,000	(1,464)	12,026
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	1,000	(1,464)	12,026
Comprehensive income attribute to minority interests	—	—	—

See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen							Total
	Shareholders' equity				Accumulated other comprehensive income		Share subscription rights	
	Common stock and preferred stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized losses on hedging derivatives		
Balance at March 31, 2009	¥12,000	¥9,000	¥9,168	¥(95)	¥153	¥(0)	¥60	¥30,286
Net loss			(1,743)					(1,743)
Cash dividends paid			(447)					(447)
Disposal of treasury stock		0		0				0
Acquisition of treasury stock				(24)				(24)
Net changes in items other than shareholders' equity					280	0	23	303
Balance at March 31, 2010	¥12,000	¥9,000	¥6,978	¥(119)	¥433	¥—	¥83	¥28,375
Net income			1,560					1,560
Cash dividends paid			(280)					(280)
Disposal of treasury stock		0		5				5
Acquisition of treasury stock				(7)				(7)
Net changes in items other than shareholders' equity					(560)	—	(28)	(588)
Balance at March 31, 2011	¥12,000	¥9,000	¥8,258	¥(121)	¥(127)	¥—	¥55	¥29,065

	Thousands of U.S. dollars (Note 1)							Total
	Shareholders' equity				Accumulated other comprehensive income		Share subscription rights	
	Common stock and preferred stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized losses on hedging derivatives		
Balance at March 31, 2010	\$144,317	\$108,238	\$83,921	\$(1,431)	\$5,208	\$—	\$998	\$341,251
Net income			18,761					18,761
Cash dividends paid			(3,367)					(3,367)
Disposal of treasury stock		0		60				60
Acquisition of treasury stock				(84)				(84)
Net changes in items other than shareholders' equity					(6,735)	—	(337)	(7,072)
Balance at March 31, 2011	\$144,317	\$108,238	\$99,315	\$(1,455)	\$(1,527)	\$—	\$661	\$349,549

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 1,796	¥ (2,498)	\$ 21,600
Adjustment to reconcile income (loss) before income taxes to net cash provided by operating activities:			
Depreciation and amortization	671	660	8,070
Impairment loss	—	366	—
Decrease in allowance for doubtful accounts	(70)	(409)	(842)
(Decrease) increase in allowance for retirement and severance benefits	(2,354)	1,377	(28,310)
Interest and dividends income	(106)	(152)	(1,275)
Interest expense	805	887	9,681
Foreign exchange (gain) loss	300	(4)	3,608
Write-down of investments in securities	717	303	8,623
Net (gain) loss on sale of property and equipment	25	(16)	301
Net gain on sale of investments in securities	(108)	(5)	(1,299)
Changes in assets and liabilities:			
Increase (decrease) in allowance for business structure improvement	(1,217)	1,217	(14,636)
(Increase) decrease in notes and accounts receivable	(121)	5,365	(1,455)
(Increase) decrease in inventories	(770)	7,135	(9,260)
(Increase) decrease in advances paid	(1,011)	10,144	(12,159)
Increase (decrease) in notes and accounts payable	9,750	(11,273)	117,258
Decrease in advances received	(3,486)	(3,023)	(41,924)
Decrease in deposit received	(6,264)	(3,591)	(75,334)
Increase (decrease) in consumption tax payable	2,463	(2,164)	29,621
Other, net	3,147	2,963	37,846
Subtotal	4,167	7,282	50,114
Interest and dividends received	125	158	1,503
Interest paid	(824)	(899)	(9,910)
Income taxes paid	(588)	(248)	(7,071)
Net cash provided by operating activities	2,880	6,293	34,636
Cash flows from investing activities:			
Purchase of marketable securities and investments in securities	(74)	(51)	(890)
Sale of marketable securities and investments in securities	1,113	83	13,385
Acquisitions of property and equipment	(303)	(292)	(3,644)
Sale of property and equipment	206	41	2,477
Increase in loans receivable	(36)	(68)	(433)
Decrease in loans receivable	29	94	349
Other, net	325	432	3,910
Net cash provided by investing activities	1,260	239	15,154
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	300	(750)	3,608
Proceeds from long-term debt	4,570	1,300	54,961
Repayments of long-term debt	(2,938)	(2,730)	(35,334)
Cash dividends paid	(280)	(447)	(3,367)
Other, net	(16)	(29)	(193)
Net cash provided by (used in) financing activities	1,636	(2,656)	19,675
Effect of exchange rate changes on cash and cash equivalents	(300)	4	(3,608)
Net increase in cash and cash equivalents	5,476	3,880	65,857
Cash and cash equivalents at beginning of year	29,546	25,666	355,334
Cash and cash equivalents at end of year (Note 4)	¥35,022	¥29,546	\$421,191

See accompanying notes.

Notes to Consolidated Financial Statements

HAZAMA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

1. Basis of Presenting Consolidated Financial Statements

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the “Companies”). All significant intercompany transactions and unrealized profits and losses among the Companies have been eliminated in consolidation.

All companies are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method.

Investments in remaining unconsolidated subsidiaries and affiliates, which have immaterial effect on the consolidated financial statements, are accounted for at cost. Such investments are adjusted for any non-recoverable diminution in value, and income from these unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends therefrom.

(2) Revenue and cost recognition

The Companies had generally adopted the percentage-of-completion method for construction contracts. In case that a construction work takes within one year or its contract amount is below ¥100 million, the Company had adopted the completed-contract method. Construction revenues recorded under the percentage-of-completion method in the years ended March 31, 2011 and 2010 were ¥160,095 million (US\$1,925,376 thousand) and ¥141,498 million, respectively.

Effective from the year ended March 31, 2010, the Companies adopted the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, issued on December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, issued on December 27, 2007). Accordingly, when the outcome of individual contracts can be estimated reliably, the Companies apply the percentage-of-completion method to work commencing during the year ended March 31, 2010, otherwise the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

As a result of this change, compared to the previous method construction revenues for the year ended March 31, 2010 increased by ¥5,980 million, and operating income increased by ¥423 million and loss before income taxes decreased by ¥423 million.

Effects of this change on the segment information are described in Note 17.

(3) Foreign currency translation

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made. Assets and liabilities denominated in foreign currencies are generally translated at the rates of foreign exchange prevailing at the balance sheet date and the resulting translation gains or losses are included in earnings.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, highly liquid investments with maturity of three month or less from the purchase date. See Note 4 as to a reconciliation of cash and cash equivalents reported in the consolidated statements of cash flows with cash and time deposits reported in the consolidated balance sheets.

(5) Allowance for doubtful accounts

The Companies' policy is to set up a provision for doubtful accounts using the following methods.

(a) Normal receivables

For receivables from debtors who are not particularly in financial difficulties, an allowance for doubtful accounts is estimated by applying the historical overall credit loss rates.

(b) Doubtful receivables and failed receivables

For receivables from debtors who have not yet failed but are or would probably be in financial difficulties, and those who have either actually or substantially failed, an allowance for doubtful accounts is provided at the estimated uncollectible amount based on the specific analysis of collectibility of such individual receivables.

(6) Inventories

Inventories are stated at cost as determined on a specific project basis.

(7) Securities

Securities of the Companies are classified into one of the following categories based on the intent of holding, and are accounted for as follows:

(a) Debt securities that are intended to be held to maturity ("held-to-maturity debt securities") are stated at amortized cost.

(b) Securities other than trading securities, held-to-maturity debt securities and shares issued by unconsolidated subsidiaries and affiliated companies not on the equity method ("available-for-sale securities") are stated at fair market values, if their fair market values are readily available. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of these securities are computed using moving-average costs. Available-for-sale securities with no available fair market values are stated at moving-average cost.

(8) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payables is recognized in the consolidated statements of operations in the period which includes the inception date, and

(b) the discount or premium on the contract (that is the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates and interest rate increases.

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

(9) Property and equipment, depreciation

Property and equipment are carried at cost. Depreciation of building is provided on the straight-line method, and depreciation of other property and equipment is provided on the declining-balance method over estimated useful lives, except that the declining-balance method is applied to buildings of one consolidated subsidiary.

Expenditures for significant renewals and betterments are capitalized, while expenditures for normal repairs and maintenance are charged to expense when incurred.

(10) Retirement and severance benefits

Employees whose services with the Companies are terminated are entitled to lump-sum payments and retirement benefits. The amount of the payments is generally determined on the basis of the current basic rate of pay and length of service at the time of termination.

The Companies have established an unfunded retirement plan and the Company has established a funded retirement plan to provide for future payments of retirement benefits.

The liabilities and expenses for retirement and severance benefits are determined based on the amounts actuarially calculated using certain assumptions.

The excess of the projected benefit obligation over the fair value of pension assets as of April 1, 2000 and the liabilities for retirement and severance benefits recorded as of April 1, 2000 (the “net transition obligation”) amounted to ¥9,985 million, and has been amortized in equal amounts over 15 years commencing with the year ended March 31, 2001. The Company recorded additional amortization of the net transition obligation as other expense due to considerable unanticipated decrease of number of employees, amounting to ¥112 million, in the year ended March 31, 2006.

Actuarial differences are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (9 years) commencing with the succeeding period.

Prior service costs are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (3 years) commencing with the present period.

Upon the split-up, the Company succeeded the outstanding amounts of transition obligation, prior service costs, and actuarial differences from former Hazama Corporation, and the periods of their amortization include the periods before split-up.

Effective from the fiscal year ended March 31, 2010, the Companies adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19 issued on July 31, 2008). This change had no impact on the consolidated financial statements for the year ended March 31, 2010.

(11) Allowance for losses on construction contracts

Allowance for losses on construction contracts is provided at the fiscal year-end when substantial losses are anticipated in the future and such losses can be reasonably estimated.

(12) Allowance for environmental spending

Allowance for environmental spending is provided based on estimated cost for treatment of Polychlorinated Biphenyl waste, which is obligated to treat by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(13) Allowance for business structure improvement

Allowance for business structure improvement is provided based on reasonably estimated cost necessary to execute business structure improvement.

(14) Allowance for disaster payment

Allowance for disaster payment is provided for restoration of the property struck by the Great East Japan Earthquake. The estimated cost and loss mentioned above may be subject to change, according to the content or scope of restoration of the property.

(15) Lease transactions

(a) Finance leases which transfer ownership of leased assets

Leased assets arising from finance lease transactions which transfer ownership to the lessee are depreciated by the same method as the depreciation of fixed assets.

(b) Finance leases which do not transfer ownership of leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as useful life.

(16) Income taxes

The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(17) Appropriations of retained earnings

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

(18) Amounts per share

Basic net income (loss) per share is based on the weighted average number of common stock outstanding during the period, and diluted net income per share reflects the potential dilution that could occur if preferred stock were converted into common stock or share subscription rights were exercised.

For the year ended March 31, 2010, only information on net loss per share of common stock is provided without information on diluted net loss per share of common stock to reflect the diluting effect in accordance with the applicable provisions of Japanese GAAP.

Cash dividends per share represent amounts applicable for the respective years on accrual basis.

A net asset per share is reported at the amounts of ¥179.62 (US\$2.16) and ¥172.06 at March 31, 2011 and 2010, respectively.

(19) Significant Changes in Accounting Policies

Effective April 1, 2010, the Companies adopted the "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No.18 issued on March 31, 2008) and the "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). This change had no impact on the consolidated financial statements.

(20) Supplementary information

Effective March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standard Board of Japan ("ASBJ") Statement No. 25 on June 30, 2010) and the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statements of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

The consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011. In addition, the Company has presented the consolidated statement of comprehensive income for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

(21) Reclassifications

Certain reclassifications have been made in the 2010 consolidated financial statements to conform to the 2011 presentation. These reclassifications had no impact on previously reported results of operations.

3. Securities

(1) The following tables summarize book values and fair values of held-to-maturity debt securities as of March 31, 2011 and 2010:

Type	Millions of yen					
	2011			2010		
	Book values	Fair values	Difference	Book values	Fair values	Difference
Securities with fair values not exceeding book values						
Bonds	¥89	¥78	¥(11)	¥39	¥38	¥(1)
Total	¥89	¥78	¥(11)	¥39	¥38	¥(1)

Type	Thousands of U.S. dollars		
	2011		
	Book values	Fair values	Difference
Securities with fair values not exceeding book values			
Bonds	\$1,070	\$938	\$(132)
Total	\$1,070	\$938	\$(132)

(2) The following tables summarize book values and acquisition costs of available-for-sale securities as of March 31, 2011 and 2010:

Type	Millions of yen					
	2011			2010		
	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	¥1,530	¥1,317	¥ 213	¥4,335	¥3,517	¥ 818
Sub total	1,530	1,317	213	4,335	3,517	818
Securities with book values not exceeding acquisition costs						
Equity securities	¥1,626	¥1,966	¥(340)	¥1,190	¥1,447	¥(257)
Sub total	1,626	1,966	(340)	1,190	1,447	(257)
Total	¥3,156	¥3,283	¥(127)	¥5,525	¥4,964	¥ 561

Type	Thousands of U.S. dollars		
	2011		
	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	\$18,401	\$15,839	\$2,562
Sub total	18,401	15,839	2,562
Securities with book values not exceeding acquisition costs			
Equity securities	\$19,555	\$23,644	\$(4,089)
Sub total	19,555	23,644	(4,089)
Total	\$37,956	\$39,483	\$(1,527)

(3) Total sales, related gains and losses of available-for-sale securities are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Equity securities			
Sales	¥1,001	¥83	\$12,038
Related gains	108	5	1,299
Related losses	—	—	—

(4) Impairment losses on securities recognized for the years ended March 31, 2011 and 2010 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Available-for-sale securities	¥700	¥169	\$8,419
Total	¥700	¥169	\$8,419

4. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2011 and 2010 were reconciled with cash and time deposits reported in consolidated balance sheets as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits	¥35,022	¥29,546	\$421,191
Total: Cash and cash equivalents	¥35,022	¥29,546	\$421,191

5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Accumulated Costs on uncompleted construction contracts	¥ 5,332	¥ 5,989	\$64,125
Others	2,667	1,240	32,075
Total	¥ 7,999	¥ 7,229	\$96,200

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are represented mainly by loan on deed. The average interest rates of short-term loans were 2.1% both at March 31, 2011 and 2010.

Long-term debt at March 31, 2011 and 2010 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Long-term debt from banks, insurance companies and others due serially through 2016:			
Secured 2.4% to 3.1%	¥5,705	¥ 9,398	\$ 68,611
Unsecured 2.1% to 3.1%	8,629	3,304	103,776
Less current maturities	(6,507)	(2,490)	(78,256)
Total	¥7,827	¥10,212	\$ 94,131

Repayment schedules for the long-term debt are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 6,507	\$ 78,256
2013	5,881	70,728
2014	921	11,076
2015	687	8,262
2016	338	4,065
Total	¥14,334	\$172,387

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of the banks, and that any collateral furnished will be applicable to all indebtedness due to that bank.

In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term and short-term debt that become due and in case of default and certain other specified events, against all other debts payable to the bank. Such rights have never been exercised by the bank.

7. Pledged Assets

The following assets were pledged to secure short-term bank loans, long-term debt and certain other obligation at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Marketable securities	¥ 18	¥ 0	\$ 216
Property and equipment	17,108	17,840	205,749
Investments in securities	307	903	3,692
Total	¥17,433	¥18,743	\$209,657

8. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥1,146 million (US\$13,782 thousand) and ¥1,296 million for the years ended March 31, 2011 and 2010, respectively.

9. Impairment Loss

Impairment loss for the year ended March, 31, 2010 is as follows:

Location	Use	Type of assets	Millions of yen
Kanto region	Office	Buildings and structures	¥ 50
Tohoku region	Office	Land, buildings and structures	24 33
Kyushu region	Office, stock house, and welfare facility	Land, buildings and structures, and others	211 48
Total			¥366

The Companies group their fixed assets by location. The book values of the fixed assets listed above were reduced to recoverable amounts, and such reduced amounts were recorded as impairment loss, since the Companies made decision of abolition in fiscal 2010.

Recoverable amounts of these assets were measured by net selling price, and net selling price of land or buildings and structures were calculated by appraisal value.

10. Advances Received

As is customary in Japan, the Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

11. Retirement and Severance Benefits

The liabilities for retirement and severance benefits included in the consolidated balance sheets as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥(16,215)	¥(21,328)	\$(195,009)
Fair value of pension assets	8,499	9,469	102,213
Less unrecognized net transition obligation	1,343	1,679	16,152
Less unrecognized actuarial differences	2,811	3,126	33,806
Less unrecognized past service liability	(1,139)	—	(13,698)
Retirement and severance benefits	¥ (4,701)	¥ (7,054)	\$ (56,536)

Included in the consolidated statements of operations for the years ended March 31, 2011 and 2010 are retirement and severance benefit expenses as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service costs-benefits earned during the year	¥ 947	¥ 953	\$11,389
Interest cost on projected benefit obligation	477	520	5,737
Expected return on pensions assets	(189)	(176)	(2,273)
Amortization of net transition obligation	336	336	4,041
Amortization of net actuarial differences	768	1,101	9,236
Amortization of prior service costs	(380)	—	(4,570)
Retirement and severance benefit expense	¥1,959	¥2,734	\$23,560

The discount rate used by the Company is 2.5% both at March 31, 2011 and 2010.

The rate of expected return on pension assets is 2.0% both at March 31, 2011 and 2010.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated total service years.

Actuarial differences are recognized in the consolidated statements of operations using the straight-line method over 9 years commencing with the succeeding period.

Prior service costs are recognized in the consolidated statements of operations using the straight-line method over 3 years commencing with the present period.

Net transition obligation is recognized using the straight-line method over 15 years.

12. Income Taxes

The Companies were subject to a number of taxes based on income, which, in the aggregate, indicate statutory rate in Japan of approximately 40.7% for the years ended March 31, 2011 and 2010.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2011.

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2010 were not disclosed, since the Companies posted a loss before income taxes for the year ended March 31, 2010.

	2011
Statutory tax rate	40.7%
Non-deductible expenses for tax purposes	4.2
Per capita inhabitant taxes	9.9
Change in valuation allowance	(39.1)
Others	(2.6)
Effective tax rate	13.1%

Significant components of the Companies' deferred income taxes as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred income tax assets:			
Non-deductible allowance for doubtful accounts	¥ 5	¥ 818	\$ 60
Tax loss carry-forwards	1,801	1,510	21,660
Unrealized profits on property and equipment	210	210	2,525
Non-deductible retirement benefits	1,909	2,863	22,959
Non-deductible construction costs under the percentage-of-completion method	1,592	650	19,146
Others	3,217	3,056	38,689
Gross deferred income tax assets	8,734	9,107	105,039
Less: Valuation allowance	(965)	(1,668)	(11,605)
Total deferred income tax assets	7,769	7,439	93,434
Deferred income tax liabilities:			
Net unrealized holding gains on securities	—	298	—
Total deferred income tax liabilities	—	298	—
Net deferred income taxes	¥7,769	¥7,141	\$93,434

13. Contingent liabilities

The Companies were contingently liable for guarantees of loans in the amount of ¥2 million (US\$24 thousand) and ¥17 million at March 31, 2011 and 2010, respectively.

14. Certain Lease Information

(Lessee)

As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases continue to be accounted for as operating leases. A summary of assumed amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value of assets under finance leases which do not transfer ownership of leased assets to the lessee at March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Vehicles, tools, furniture and fixtures	¥476	¥366	¥110	¥639	¥387	¥252
Others	3	2	1	5	4	1
Total	¥479	¥368	¥111	¥644	¥391	¥253

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Accumulated depreciation	Net book value
Vehicles, tools, furniture and fixtures	\$5,725	\$4,402	\$1,323
Others	36	24	12
Total	\$5,761	\$4,426	\$1,335

Depreciation charges are computed using the straight-line method over lease terms assuming no residual value.

Lease payments and assumed depreciation charges under such finance leases for the years ended March 31, 2011 and 2010 were ¥142 million (US\$1,708 thousand) and ¥188 million, respectively.

The following is a schedule by year of future lease payments (inclusive of interest) under finance leases as of March 31, 2011:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥108	\$1,299
2012 and after	3	36
Total	¥111	\$1,335

15. Net Assets

Under the Japanese Corporate Law (“the Law”), the entire amount paid for new shares is required to be designated as common stock (or preferred stock). However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

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

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized generally by a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

16. Consolidated Statements of Changes in Net Assets

(1) Common stock and preferred stock issued

	Number of shares				
	Common stock	Class I preferred stock	Class II preferred stock	Class III preferred stock	Class IV preferred stock
Balance at March 31, 2011, 2010 and 2009	100,000,000	750,000	875,000	875,000	250,000

There were no changes of number of shares issued during the years ended March 31, 2011 and 2010.

On December 25, 2003, the Company issued 2,750 thousand shares of its preferred stock at ¥4,000 per each share through a third-party allotment of shares. Holders of preferred stock of each class are entitled to receive annual dividends and distribution of residual assets, in priority to holders of common stock. Holders of preferred stock of each class have neither voting right at shareholders' meeting, nor right to receive allotments of offered shares or share subscription rights.

Class I, II and IV preferred stock are non-cumulative and non-participating, and class III preferred stock is cumulative and participating. Exercisable period of each conversion right is as follows:

	Class I preferred stock	Class II preferred stock	Class III preferred stock	Class IV preferred stock
Exercisable period of right to convert into common stock	December 25, 2008 to December 24, 2023	December 25, 2010 to December 24, 2025	December 25, 2012 to December 24, 2027	December 25, 2008 to December 24, 2023

(2) Treasury stock outstanding

	Number of shares
Balance at March 31, 2009	923,996
Increase during the year	205,096
Decrease during the year	4,400
Balance at March 31, 2010	1,124,692
Increase during the year	92,520
Decrease during the year	45,100
Balance at March 31, 2011	1,172,112

(3) Share subscription rights outstanding

Share subscription rights issued on March 31, 2006 had expired on December 24, 2010.

On December 24, 2010, the Company issued share subscription rights exercisable into 12,500,000 shares of common stock. The share subscription rights are exercisable from June 25, 2011 to December 24, 2012. Exercise price of the share subscription rights is ¥70 per share at the time of issuance, but is adjustable subject to market price of common stock.

17. Segment Information

Effective April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17 on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(1) General information about reportable segments

Each reportable segment of the Companies is the business unit of the Companies, which discrete financial information is able to obtain. Reportable segments are reviewed periodically at the Board of Directors meeting in order to determine distribution of management resources and evaluate business results by each reportable segment.

The Companies mainly operate the construction and construction-related business. Among them the Company, the general constructor, operates their businesses that is composed of the civil engineering and building construction, and each headquarter plans and executes on their business strategy of production systems and sales process in Japan and overseas.

Furthermore, consolidated subsidiaries respectively develop their business by cooperating with the Company.

Accordingly, the Companies classify their business operating segments, identified by product and services, into three reportable segments as “Civil engineering segment”, “Building construction segment” and “Consolidated subsidiaries segment”.

The major products and services of each segment are as follows:

Reportable segments	Major products and services
Civil engineering	Civil engineering of the Company in Japan and overseas
Building construction	Building construction of the Company in Japan and overseas
Consolidated subsidiaries	Constructions and sales of construction materials of consolidated subsidiaries

(2) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items
Accounting methods of reported segment are the same as that set forth in “Summary of Significant Accounting Policies”. The segment profits or losses for each reportable segment are in conformity to the operating income of consolidated statements of income. Intersegment transactions and transfers are based on fair market prices.

Assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, corresponding depreciation expenses including amortization of intangible fixed assets are allocated to Civil engineering segment and Building construction segment according to the reasonable criterion measured by depending on the degree on benefit.

(3) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

(a) Segment information as of and for the fiscal year ended March 31, 2011 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2011:								
Revenues:								
Outside customers	¥85,126	¥94,814	¥15,897	¥195,837	¥865	¥196,702	¥ —	¥196,702
Intersegment	—	—	28,722	28,722	0	28,722	(28,722)	—
Total	85,126	94,814	44,619	224,559	865	225,424	(28,722)	196,702
Segment profit	3,092	1,347	789	5,228	70	5,298	(1,319)	3,979
Assets	Note 4	Note 4	23,973	115,303	652	115,955	25,195	141,150
Other material items:								
Depreciation and amortization	193	209	212	614	—	614	(5)	609
Capital expenditures	Note 4	Note 4	209	344	—	344	—	344

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2011:								
Revenues:								
Outside customers	\$1,023,764	\$1,140,277	\$191,184	\$2,355,225	\$10,403	\$2,365,628	\$ —	\$2,365,628
Intersegment	—	—	345,424	345,424	0	345,424	(345,424)	—
Total	1,023,764	1,140,277	536,608	2,700,649	10,403	2,711,052	(345,424)	2,365,628
Segment profit	37,186	16,200	9,488	62,874	842	63,716	(15,863)	47,853
Assets	Note 4	Note 4	288,310	1,386,687	7,841	1,394,528	303,007	1,697,535
Other material items:								
Depreciation and amortization	2,321	2,514	2,549	7,384	—	7,384	(60)	7,324
Capital expenditures	Note 4	Note 4	2,513	4,137	—	4,137	—	4,137

Notes:

1. "Other" consisted of mainly research and other activities, which are not included in reportable segment.
2. Reconciliations amounts were as follows:
 - (i) Reconciliations amount of segment profit was to ¥(1,319) million (US\$(15,863) thousand), which included ¥(1) million (US\$(12) thousand) of intersegment eliminations and others, and ¥(1,318) million (US\$(15,851) thousand) of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
 - (ii) Reconciliations amount of segment assets was to ¥25,195 million (US\$303,007 thousand), which included ¥(15,046) million (US\$(180,950) thousand) of intersegment eliminations and others, and ¥40,241 million (US\$483,957 thousand) of corporate assets. Corporate assets were mainly cash and time deposits, investments in securities and others, which are not attributed to reportable segments.
3. Segment profit was adjusted to operating income of consolidated statement of operations.
4. As discussed in Note 17. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, for your information, segment assets of Civil engineering segment and Building construction segment are amounted to ¥91,330 million (US\$1,098,377 thousand), and capital expenditures of these segments are amounted to ¥135 million (US\$1,624 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2010, which is restated in conformity with the requirements of the Standard, is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2010:								
Revenues:								
Outside customers	¥99,296	¥79,896	¥11,667	¥190,859	¥1,018	¥191,877	¥ —	¥191,877
Intersegment	—	3	28,298	28,301	0	28,301	(28,301)	—
Total	99,296	79,899	39,965	219,160	1,018	220,178	(28,301)	191,877
Segment profit	476	2,169	499	3,144	90	3,234	(1,484)	1,750
Assets	Note 4	Note 4	17,878	110,804	394	111,198	27,161	138,359
Other material items:								
Depreciation and amortization	236	186	175	597	—	597	(4)	593
Capital expenditures	Note 4	Note 4	186	394	—	394	(3)	391

Notes:

1. "Other" consisted of mainly research and other activities, which are not included in reportable segment.
2. Reconciliations amounts were as follows:
 - (i) Reconciliations amount of segment profit was to ¥(1,484) million, which included ¥17 million of intersegment eliminations and others, and ¥(1,501) million of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
 - (ii) Reconciliations amount of segment assets was to ¥27,161 million, which included ¥(10,363) million of intersegment eliminations and others, and ¥37,524 million of corporate assets. Corporate assets were mainly cash and time deposits, investments in securities and others, which are not attributed to reportable segments.
3. Segment profit was adjusted to operating income of consolidated statement of operations.
4. As discussed in Note 17. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, for your information, segment assets of Civil engineering segment and Building construction segment are amounted to ¥92,926 million, and capital expenditures of these segments are amounted to ¥208 million.

(c) Segment information as of and for the fiscal year ended March 31, 2010, which is in conformity with the former Standard applicable to the prior fiscal year:

(Business segment information)

	Millions of yen				
	Construction	Other	Total	Elimination or corporate	Consolidated
Year ended March 31, 2010:					
Revenues:					
Outside customers	¥182,162	¥9,715	¥191,877	¥ —	¥191,877
Intersegment	2	23,656	23,658	(23,658)	—
Total	182,164	33,371	215,535	(23,658)	191,877
Operating expenses	180,209	32,920	213,129	(23,002)	190,127
Operating income	¥ 1,955	¥ 451	¥ 2,406	¥ (656)	¥ 1,750
At March 31, 2010:					
Assets	¥ 94,471	¥13,666	¥108,137	¥30,222	¥138,359
Depreciation and amortization	534	100	634	26	660
Impairment loss	316	—	316	50	366
Capital expenditures	294	97	391	—	391

The Companies adopted the “Accounting Standard for Construction Contracts” and the “Guidance on Accounting Standard for Construction Contracts”. As a result of this change, compared to the previous method, net sales in construction segment increased by ¥5,980 million, operating income in construction segment increased by ¥423 million, and net sales and operating income in other segment was not affected for the year ended March 31, 2010.

(Geographic segment information)

	Millions of yen				
	Japan	Other	Total	Elimination or corporate	Consolidated
Year ended March 31, 2010:					
Revenues:					
Outside customers	¥174,226	¥17,651	¥191,877	¥ —	¥191,877
Intersegment	34	—	34	(34)	—
Total	174,260	17,651	191,911	(34)	191,877
Operating expenses	170,598	18,896	189,494	633	190,127
Operating income (loss)	¥ 3,662	¥(1,245)	¥ 2,417	¥ (667)	¥ 1,750
At March 31, 2010:					
Assets	¥ 77,046	¥22,255	¥ 99,301	¥39,058	¥138,359

The Companies adopted the “Accounting Standard for Construction Contracts” and the “Guidance on Accounting Standard for Construction Contracts”. As a result of this change, compared to the previous method, net sales in Japan segment increased by ¥5,189 million, operating income in Japan segment increased by ¥335 million, net sales in other segment increased by ¥791 million, and operating loss in other segment decreased by ¥68 million for the year ended March 31, 2010.

(Overseas sales information)

Disclosure about overseas sales information for the year ended March 31, 2010 is omitted, since the proportion of overseas sales to total revenues is less than 10%.

(4) Related information

(a) Information about products and services

Disclosure of information about products and services is omitted, since reportable segments of the Companies are classified by their products and services.

(b) Information about geographic areas

(Revenues)

Disclosure of revenues information about geographic areas for the year ended March 31, 2011 is omitted, since the proportion of revenues from external customers in Japan to total revenues is over 90%.

(Tangible fixed assets)

Disclosure of tangible fixed assets information about geographic areas for the year ended March 31, 2011 is omitted, since the proportion of tangible fixed assets in Japan to total tangible fixed assets is over 90%.

(c) Information about major customers

Customers	Related reportable segments	Millions of yen	Thousands of U.S. dollars
		2011	
Ministry of Land, Infrastructure, Transport and Tourism	Civil engineering, Other	¥31,168	\$374,841

18. Amounts per Share of Common Stock

Basis of calculation of basic and diluted net income per share (the “EPS”) for the year ended March 31, 2011 is as follows:

Year ended March 31, 2011:	Net income	Weighted-average shares	EPS	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Net income	¥1,560			
Net income not available to common shareholders				
Cash dividends on preferred stock	259			
Basic EPS-Net income available to common shareholders	¥1,301	98,842	¥13.16	\$0.16
Effect of dilution				
Cash dividends on preferred stock	259	48,942		
Shares adjusted by share subscription rights	—	794		
Diluted EPS-Net income for computation	¥1,560	148,578	¥10.50	\$0.13

Basis of calculation of basic net loss per share (the “EPS”) for the year ended March 31, 2010 is as follows:

Year ended March 31, 2010:	Net loss	Weighted-average shares	EPS
	Millions of yen	Thousands of shares	Yen
Net loss	¥(1,744)		
Net income not available to common shareholders			
Cash dividends on preferred stock	279		
Basic EPS-Net loss available to common shareholders	¥(2,023)	98,926	¥(20.45)

19. Financial Instruments

(1) Status of financial instruments

(a) Policies for using financial instruments

The Companies raise funds mainly by borrowings from bank, and restrict temporary surplus funds to the lower risk assets such as deposits. Derivative transactions are employed for hedging of the risk described below, and never use for speculation.

(b) Detail of financial instruments and the related risks

Notes and accounts receivable are exposed to the credits risks in relation to customers. Foreign currency-dominated notes and accounts receivable are also exposed to foreign exchange risk.

Investment securities which are mainly share held for keep the relationship with business partners are exposed to market price fluctuation risk.

Notes and accounts payable are mostly settled within one year.

Borrowing is primarily for working funds. With variable interest rates, it is exposed to interest-rates risk.

Borrowing, notes and accounts payable are also exposed to liquidity risk.

Derivative transactions entered into by the Companies are forward currency exchange contracts to hedge foreign exchange risk involving overseas business and interest rate swap contracts to hedge interest-rates risk involving borrowing.

Refer to Note 2 (8) “Derivatives and hedging transactions” for information about the hedging instruments and hedging items, hedging policy and method of evaluating hedging effectiveness concerning the hedge accounting methods adopted by the Companies.

(c) Policies and processes for risk management

In order to control customer's credit risk, each business and sales management division within the Companies conduct periodic monitoring of key transaction partners and attempt to find out deterioration of the financial situation at the initial stage under the internal credit policies.

For the purpose of hedging foreign exchange risk, the Companies conduct forward exchange contracts. The Companies also conduct interest rate swap contracts to avert interest-rate risk by each long-term borrowing.

Fair value of investment securities are periodically reported to the Directors and Executive Officers. The possession situation of securities is also continually reviewed, taking into consideration of the Companies' relationship with respective business partners.

Derivative transactions are treated by the Finance Department in accordance with the established policies. The Companies deal with credible banks to reduce the credit risk.

In order to manage the liquidity risk, the Companies update financial plan monthly.

(d) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market value or reasonable estimate if there is no market value. Since certain assumptions are used for estimating values, values could be different if different assumptions are applied. In addition, the derivative contract amounts described in Note 20 "Derivative Financial Instruments" are not indicative of actual market risk involved in derivative transactions.

(2) Fair value of financial instruments

The following tables summarize book values and fair values of financial instruments as of March 31, 2011:

Type	Millions of yen			Thousands of U.S. dollars		
	Book values	Fair values	Difference	Book values	Fair values	Difference
Assets						
(a) Cash and time deposits	¥35,022	¥35,022	¥ —	\$421,191	\$421,191	\$ —
(b) Receivables:						
Notes	931	931	—	11,197	11,197	—
Accounts	52,741	52,727	(14)	634,287	634,119	(168)
(c) Marketable securities and						
Investments in securities:						
Held-to-maturity debt securities	89	78	(11)	1,070	938	(132)
Available-for-sale securities	3,156	3,156	—	37,956	37,956	—
Total assets	¥91,939	¥91,914	¥ (25)	\$1,105,701	\$1,105,401	\$ (300)
Liabilities						
(a) Payables:						
Notes	¥30,529	¥30,529	¥ —	\$367,156	\$367,156	\$ —
Accounts	32,026	32,026	—	385,159	385,159	—
(b) Short-term bank loans	6,900	6,900	—	82,983	82,983	—
Current maturities of						
long-term debt	6,507	6,507	—	78,256	78,256	—
(c) Deposit received	7,755	7,755	—	93,265	93,265	—
(d) Long-term debt,						
less current maturities	7,827	7,849	(22)	94,131	94,396	(265)
Total liabilities	¥91,544	¥91,566	¥(22)	\$1,100,950	\$1,101,215	\$(265)

The following tables summarize book values and fair values of financial instruments as of March 31, 2010:

Type	Millions of yen		
	Book values	Fair values	Difference
Assets			
(a) Cash and time deposits	¥29,546	¥29,546	¥ —
(b) Receivables:			
Notes	359	359	—
Accounts	53,245	53,242	(3)
Unconsolidated subsidiaries and affiliates	1	1	—
(c) Investments in securities:			
Held-to-maturity debt securities	39	38	(1)
Available-for-sale securities	5,525	5,525	—
Total assets	¥88,715	¥88,711	¥ (4)
Liabilities			
(a) Payables:			
Notes	¥22,826	¥22,826	¥ —
Accounts	30,028	30,028	—
(b) Short-term bank loans			
Current maturities of long-term debt	2,490	2,490	—
(c) Deposit received			
14,019	14,019	—	—
(d) Long-term debt, less current maturities			
10,212	10,261	(49)	(49)
Total liabilities	¥86,175	¥86,224	¥(49)

Notes:

1. Method of measurement of financial instruments and matters concerning securities and derivatives

(Assets)

(a) Cash and time deposits

The fair values of this account are equivalent to the book value, since this account is settled in a short period of time.

(b) Notes, accounts and unconsolidated subsidiaries and affiliates receivables

The fair values of these accounts are based on the present value of discounted cash flows using the interest rate determined by the factors of the remaining terms and credit risks, with respect to each receivable categorized by collection terms.

(c) Marketable securities and Investments in securities

The fair values of this account are based on the quoted market value.

(Liabilities)

(a) Notes and accounts payables, (b) Short-term bank loans and current maturities of long-term debt and (c) Deposit received

The fair values of these accounts are equivalent to the book value, since these accounts are settled in a short period of time.

(d) Long-term debt, less current maturities

The fair values of this account are based on the present value of discounted cash flows using the interest rate which may be applicable when the same kinds of borrowings are made.

(Derivative transactions)

See Note 20 “Derivative Financial Instruments”.

2. Financial instruments which are difficult to estimate the fair value

Non-marketable securities (book values of ¥2,516 million (US\$30,259 thousand) and ¥2,676 million as of March 31, 2011 and 2010, respectively) are not included in the above “Assets (c) Investments in securities”; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

3. Redemption schedules for cash and time deposits, receivables and held-to-maturity debt securities as of March 31, 2011 and 2010 are as follows:

	Millions of yen							
	2011				2010			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	¥35,022	¥ —	¥ —	¥ —	¥29,546	¥ —	¥ —	¥ —
Receivables:								
Notes	931	—	—	—	359	—	—	—
Accounts	51,801	940	—	—	53,069	176	—	—
Unconsolidated subsidiaries and affiliates	—	—	—	—	1	—	—	—
Held-to-maturity debt securities	—	—	71	18	—	—	39	—
Total	¥87,754	¥ 940	¥ 71	¥ 18	¥82,975	¥ 176	¥ 39	¥ —

	Thousands of U.S. dollars			
	2011			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	\$421,191	\$ —	\$ —	\$ —
Receivables:				
Notes	11,197	—	—	—
Accounts	622,983	11,305	—	—
Held-to-maturity debt securities	—	—	854	216
Total	\$1,055,371	\$11,305	\$854	\$216

20. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting as of March 31, 2011 and 2010 are as follows:

(Special case interest swap treatment)

Type of derivative transactions	Main items hedged	Millions of yen					
		2011			2010		
		Contract amount Total	Settled over 1 year	Fair value	Contract amount Total	Settled over 1 year	Fair value
Interest swap contract: To pay fixed, to receive variable	Long-term debt	¥6,109	¥1,019	Note 1	¥6,384	¥5,399	Note 1

Type of derivative transactions	Main items hedged	Thousands of U.S. dollars			
		2011			
		Contract amount Total	Settled over 1 year	Fair value	
Interest swap contract: To pay fixed, to receive variable	Long-term debt	\$73,470	\$12,255	Note 1	

Note:

- The fair values of special case interest swap treatment are included in the fair value of long-term debt since such interest swap is treated together with long-term debt being hedged.

21. Asset Retirement Obligations

Disclosures about asset retirement obligations are omitted, since the amount of asset retirement obligations is immaterial for the year ended March 31, 2011.

22. Fair Value of Investment and Rental Property

Effective from the fiscal year ended March 31, 2010, the Companies adopted the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 20 issued on November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23 issued on November 28, 2008).

However, disclosures about fair value of investment and rental property are omitted, since the total amount of investment and rental property is immaterial for the years ended March 31, 2011 and 2010.

23. Stock Option Plans

The stock options outstanding as of March 31, 2011 are mainly as follows:

(1) Content

	The first series of share subscription rights (A)	The first series of share subscription rights (B)	The second series of share subscription rights (A)	The second series of share subscription rights (B)
	June 27, 2008	June 27, 2008	June 26, 2009	June 26, 2009
Persons granted	Directors of the company: 8 Executive officers: 13	Executive employees: 76	Directors of the company: 9 Executive officers: 12	Executive employees: 9
Class and number of shares	110,400 shares of common stock	722,000 shares of common stock	115,000 shares of common stock	86,400 shares of common stock
Date of grant	July 15, 2008	July 15, 2008	July 14, 2009	July 14, 2009
Condition of settlement rights	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the fifth stockholders' meeting to the sixth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be an employee of the Company who has continued to work at the Company from July 15, 2008 until July 15, 2010. However, this condition is invalid in case of death, retirement age or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the sixth stockholders' meeting to the seventh stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be an employee of the Company who has continued to work at the Company from July 14, 2009 until July 14, 2011. However, this condition is invalid in case of death, retirement age or loss of position due to Company circumstances.
Length of service	From July 15, 2008 to July 14, 2009	From July 15, 2008 to July 15, 2010	From July 14, 2009 to July 13, 2010	From July 14, 2009 to July 14, 2011
Exercisable period	From July 15, 2009 to July 14, 2019	From July 16, 2010 to July 15, 2015	From July 14, 2010 to July 13, 2020	From July 15, 2011 to July 14, 2016

	The third series of share subscription rights (A)
	June 29, 2010
Persons granted	Directors of the company: 8 Executive officers: 8
Class and number of shares	90,000 shares of common stock
Date of grant	July 16, 2010
Condition of settlement rights	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the seventh stockholders' meeting to the eighth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.
Length of service	From July 16, 2010 to July 15, 2011
Exercisable period	From July 16, 2011 to July 15, 2021

(2) Number and price

	The first series of share subscription rights (A)	The first series of share subscription rights (B)	The second series of share subscription rights (A)	The second series of share subscription rights (B)	The third series of share subscription rights (A)
Non-vested shares					
At the beginning of the year	—	608,000	115,000	86,400	—
Granted during the year	—	—	—	—	90,000
Forfeited and expired during the year	—	19,000	—	—	—
Vested during the year	—	589,000	115,000	19,200	—
At the end of the year	—	—	—	67,200	90,000
Vested shares					
At the beginning of the year	106,000	104,500	—	—	—
Vested during the year	—	589,000	115,000	19,200	—
Exercised during the year	22,100	—	23,000	—	—
Forfeited or expired during the year	—	9,500	—	—	—
Unexercised at the end of the year	83,900	684,000	92,000	19,200	—
Exercise price	¥ 1	¥125	¥ 1	¥120	¥ 1
Average stock price at exercise	¥ 70	—	¥ 70	—	—
Fair value price at the grant date	¥107	¥ 30	¥101	¥ 28	¥ 72

(3) Method to estimate fair value of stock options

Method to estimate fair value of stock options granted for the years ended March 31, 2011 and 2010 were as follows:

(a) Valuing method: Black-Scholes model

(b) Major basic figures and estimating method

	The second series of share subscription rights (A)	The second series of share subscription rights (B)	The third series of share subscription rights (A)
Stock price volatility (Note 1)	43.5%	37.3%	37.4%
Expected remaining life (Note 2)	6 years	4 years and 6 months	6 years
Expected dividend (Note 3)	¥1.5 / share	¥1.5 / share	¥0.0 / share
Risk-free interest rate (Note 4)	0.810%	0.611%	0.451%

Notes:

- (a) The second series of share subscription rights (A)
Calculated daily based on the stock price information over a period from October 1, 2003 to July 14, 2009.
- (b) The second series of share subscription rights (B)
Calculated daily based on the stock price information over a period from January 14, 2005 to July 14, 2009.
- (c) The third series of share subscription rights (A)
Calculated daily based on the stock price information over a period from July 16, 2004 to July 16, 2010.
2. Due to no accumulation of sufficient data, it is difficult to estimate rationally. The Company estimates to be exercised in the mid-point of the exercise period.
3. (a) The second series of share subscription rights (A) and the second series of share subscription rights (B)
Actual dividend for the year ended March 2009.
- (b) The third series of share subscription rights (A)
Actual dividend for the year ended March 2010.
4. Government bond yield over a period corresponding to the expected remaining life.

(4) Method to estimate number of vested stock options

As a rational estimate of the forfeited number of stock options in the future is generally difficult, the company adopts a method whereby only forfeited numbers are reflected.

24. Subsequent Event

On June 29, 2011, the shareholders of the Company approved the appropriations of retained earnings to pay cash dividends in the amount of ¥259 million (US\$3,115 thousand).

Independent Auditors' Report

To the Board of Directors of HAZAMA CORPORATION:

We have audited the accompanying consolidated balance sheets of HAZAMA CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. 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 believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HAZAMA CORPORATION and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 2 (2) to the consolidated financial statements, effective for the year ended March 31, 2010, the Companies adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 29, 2011

Corporate Data

(As of March 31, 2011)

<p>Name Hazama Corporation</p> <p>Address 2-5, Toranomom 2-chome, Minato-ku, Tokyo 105-8479, Japan</p> <p>Branch Offices Sapporo, Tohoku, Hokuriku, Kanto Civil Engineering, Tokyo Building Construction,</p>	<p>Nagoya, Osaka, Shikoku, Hiroshima, Kyushu, International Division</p> <p>Founded April 1889</p> <p>Established October 1, 2003</p> <p>Paid-in Capital ¥12,000,000 thousand</p>	<p>Authorized Shares Common stock 397,250,000 Preferred stock 2,750,000</p> <p>Issued Shares Common stock 100,000,000 Preferred stock 2,750,000</p>	<p>Number of Shareholders 35,763 (Note: This total includes three shareholders of preferred stock.)</p> <p>Number of Employees 2,030</p>
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Board of Directors

(As of July 1, 2011)

<p>President & Representative Director Toshio ONO</p> <p>Vice Presidents & Representative Directors Hisanori UENO Shinichi KANAZAWA</p> <p>Senior Managing Executive Officer & Representative Director Haruyuki KANEKO</p> <p>Director/ Senior Managing Executive Officer Hikari YAMAZAKI</p>	<p>Directors/ Managing Executive Officers Tohachiro ISHIDA Mitsuaki HIGO Hidekazu KOJIMA</p> <p>Director/ Executive Officer Hidetoshi YOICHI</p> <p>Standing Corporate Auditor Eiji ISHIMATSU</p> <p>Corporate Auditors Chikara TANAKA Takashi YAMADA Kaoru NOHARA</p>	<p>Senior Managing Executive Officer Toshioki NISHIDA</p> <p>Managing Executive Officers Fumio SUGIMOTO Takashi ENDO Osamu HOSOKAWA Toru KUMAKI Hisayoshi KINOSHITA</p> <p>Executive Officers Toshimitsu UENO Yoshimi AKIBA Hiroyuki YASUHARA Hiroshi YOKOI Daizo YOSHIKAWA</p>	<p>Shigenobu AOKI Sei ISOGAI Tatsuhiko MATSUMOTO Hiromitsu MAEHARA Tadashi CHIBA Mamoru IWAO Katsuhiko KOUSAKA Toshihiko KITANO Masato FUKUTOMI</p>
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Major Subsidiaries and Affiliates

(As of July 1, 2011)

Name	Paid-in capital	Equity Ownership	Main business	Address
Hazama Kogyo Co., Ltd.	¥152.5 million	100	Sales of construction materials	1-38-4 Kameido, Koto-ku, Tokyo, Japan Tel:81-3-5626-7130
Aoyama Kiko Co., Ltd.	¥80 million	100	Procurement and construction	1-38-4 Kameido, Koto-ku, Tokyo, Japan Tel:81-3-5626-8111
Vietnam Development Construction Co., Ltd.	US\$1 million	95	Construction	14 th floor, Harbour View Tower, 35 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam Tel:84-8-38221246

