

KANDENKO

<https://www.kandenko.co.jp/>

KANDENKO CORPORATE REPORT 2019



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Printed in Japan

KANDENKO



Kandenko is the most experienced firm in general infrastructure works in the Tokyo metropolitan district at 75 years since its establishment

Imagine looking down from the air on the Marunouchi area in Tokyo, Japan’s finance and economic center, and you will see that Kandenko was involved in the construction of most of the buildings there. Not only in and around the capital but throughout the nation, Kandenko has provided end-to-end engineering services ranging from design and execution to maintenance and renovation, regarding electrical, telecommunications, air conditioning and sanitation systems and other kinds of building infrastructure.

Upgrading electrical infrastructure, the main artery of cities is also an important business of ours. From power plants to households, we play a part in stable energy supply to support urban functions.

Our mission is to protect the lives of people, the economy, and a safe and comfortable environment. With incomparable experiences and excellent technology, Kandenko is committed to fulfilling this mission.

Delivering electricity with secure construction, we light buildings with high-quality facilities and lighten the spirits of the people living inside. Kandenko aims to be an exceptionally brilliant company that illuminates the nation.

Kandenko Network	
Head Office	Tokyo
Divisions	Sales Division, Social Infrastructure Division, Tokyo Sales Division, Kitakanto & Hokushinetsu Sales Division, Higashikanto Sales Division, Minamikanto & Tokai Sales Division, Nishikanto Sales Division, West Japan Sales Division, Fukushima Division
Branches	Tokyo Branch, Kanagawa Branch, Chiba Branch, Saitama Branch, Ibaraki Branch, Tochigi Branch, Gunma Branch, Yamanashi Branch, Shizuoka Branch, Tama Branch, Kansai Branch, Nagoya Branch, Kyushu Branch, Hokkaido Branch, Tohoku Branch, Nagano Branch
Branches, Representative Offices	Tokyo: 12, Kanagawa: 13, Chiba: 12, Saitama: 10, Ibaraki: 10, Tochigi: 8, Gunma: 6, Niigata: 1, Toyama: 1, Ishikawa: 1, Yamanashi: 2, Shizuoka: 5, Hiroshima: 1, Kyoto: 1, Hyogo: 1, Okinawa: 1, Kumamoto: 1, Miyazaki: 1, Kagoshima: 1, Fukushima: 2, Nagano: 1

Corporate
Motto

"People First"

Corporate
Philosophy

- 1 | Based on respect for humanity, Kandenko fulfills its duty of corporate social contribution and contributes to creating richer human environments.
- 2 | By anticipating the needs of customers and seeking technological innovation, Kandenko provides optimal services and facilities.
- 3 | By working for human resource development and continual improvement, Kandenko aims to be a future-oriented company.

Tool map

To facilitate communication with its stakeholders, the Kandenko Group conveys multifaceted information by means of various tools. In addition to the information provided in this report, we make available on our website the Group's services, CSR activities, and other diverse information.

 The Company's website: <https://www.kandenko.co.jp/>

Corporate Report

Quarterly Financial Results and
Reference Documents for
Financial Results

Securities Report

Corporate Governance Report

Financial information

Non-financial information

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Editorial Policy

This integrated report introduces various aspects of the Company for the purpose of facilitating stakeholders' understanding of our businesses and medium- to long-term value creation.

<Notes on proper use of the business result forecast>

The business result forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and thus actual results may differ significantly from these forecasts due to a wide range of factors.

Reporting Period:

From April 1, 2018 to March 31, 2019
(Includes reports on some activities outside this period)

History

Kandenko will mark the 75th anniversary of its foundation on September 1, 2019.

This section presents the Company's history of stably supplying electric power and supporting people's lives alongside postwar development in Japan.

Late 1940's

Large-scale transmission line works gain momentum



1947

Transport of power poles by hand-drawn cart



September 1944

Kanto Denki Koji Co., Ltd., was established.
Head office at 2 Tameikemachi, Akasaka Ward (current Minato Ward), Tokyo



September 1959

The Company provides disaster recovery support beyond its jurisdiction in the wake of the Isewan Typhoon



1958

Tokyo Tower completed.



1981

Power distribution network in Nepal upgraded.



1978

New Tokyo International Airport (current Narita International Airport) opened.



Photo courtesy of Narita International Airport

1968

Kasumigaseki Building completed as the first skyscraper in Japan.



1991

Tokyo Metropolitan Government No.1 Building completed.



July 1986

The Company participated in the Japanese Antarctic Research Expedition for the first time.



September 1984

40th anniversary of establishment
The Company name is changed to Kandenko Co., Ltd., and the company flag and emblem are also changed.



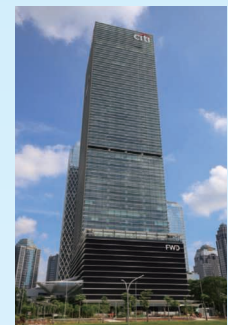
2012

TOKYO SKY TREE®, the world's highest self-supporting broadcast tower opened.



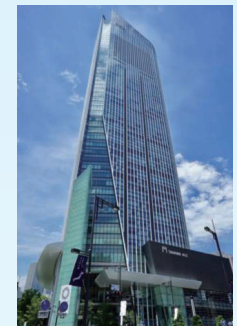
2017

Pacific Century Place Jakarta completed.



2014

TORANOMON HILLS completed.



March 2011

The Company engaged in disaster recovery work following the Great East Japan Earthquake



Operating profit
(Millions of yen)

30,000

20,000

10,000

0

1944

1950

1955

1960

1965

1970

1975

1980

1985

1990

1995

2000

2005

2010

2018

Net sales/Operating profit

■ Net sales ■ Operating profit

Net sales
(Millions of yen)

600,000

500,000

400,000

300,000

200,000

100,000

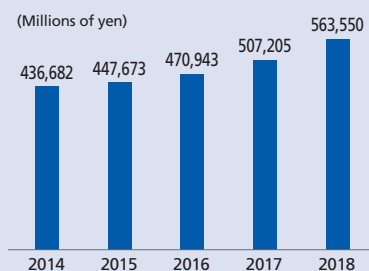
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At a Glance

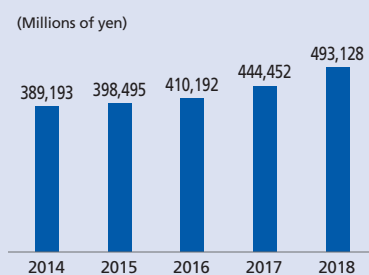
Financial Information

Net sales

Consolidated ¥563,550 million

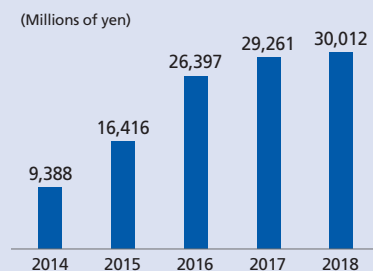


Non-consolidated ¥493,128 million

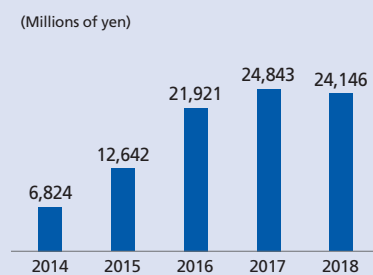


Operating profit

Consolidated ¥30,012 million

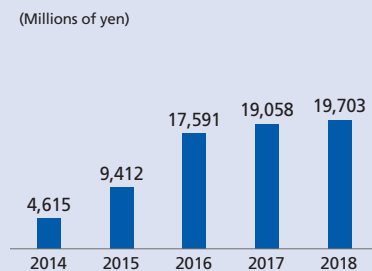


Non-consolidated ¥24,146 million

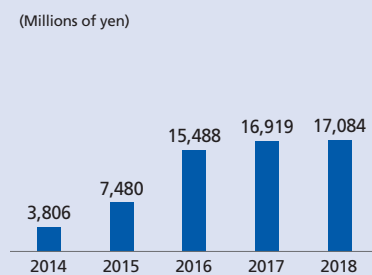


Profit

Consolidated ¥19,703 million

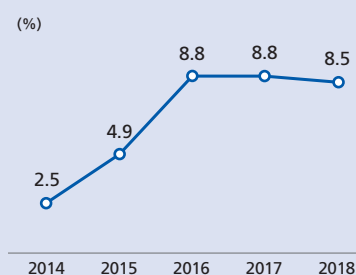


Non-consolidated ¥17,084 million

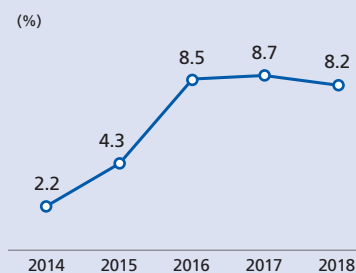


ROE

Consolidated 8.5%

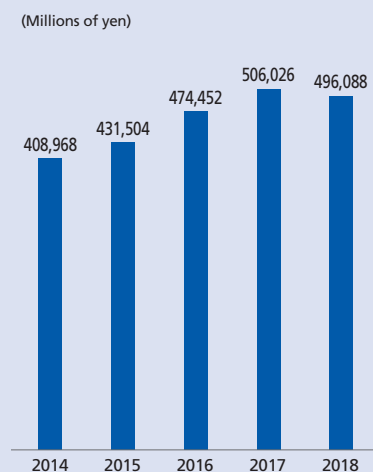


Non-consolidated 8.2%



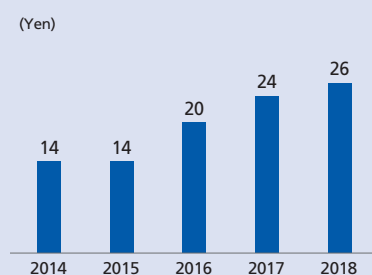
New orders received

¥496,088 million

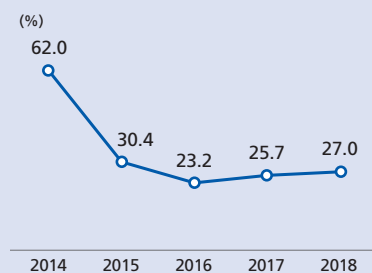


Dividend / Dividend payout ratio

Dividend / Consolidated ¥26



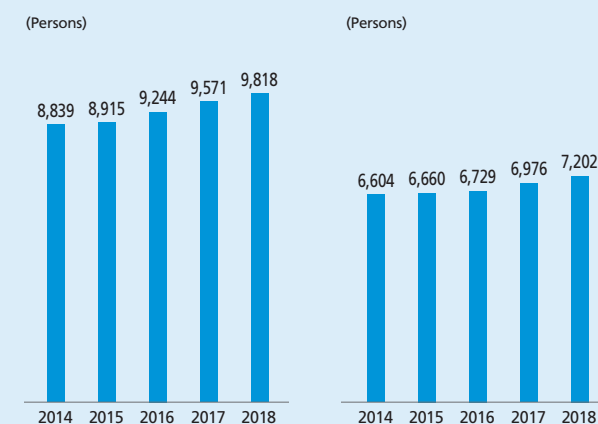
Dividend payout ratio / Consolidated 27.0%



Non-financial information

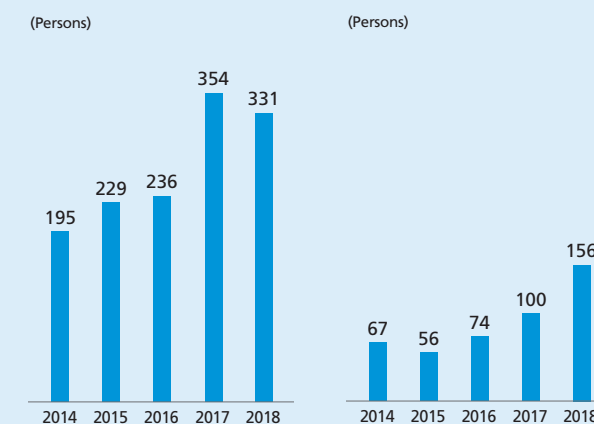
Number of employees

Consolidated 9,818 persons **Non-consolidated** 7,202 persons



Number of new recruits

New graduates 331 persons **Year-round recruitment** 156 persons



Directors' average attendance at Board of Director's meetings

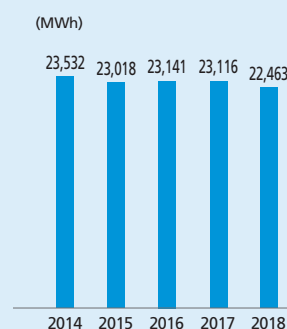
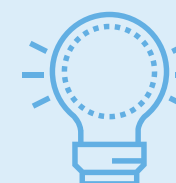
99%



Electricity usage

Compared to fiscal 2014 (4.5%)

Compared to fiscal 2010 (28.5%)



Number of Skills Competitions winners

	Gold	Silver	Bronze
Electrical Installations	14	25	29
Information Network Cabling	2	5	8
Plumbing and Heating	2	2	1

* In Electrical Installations, one first place winner and two second place winners in the World Skills Competition.



| Message from the Management |

Think outside the box and take on aggressive targets with bold ideas. With this resolve in mind, Kandenko will move forward with business operations toward becoming a 100-Year Company.



Chairman and Director
Kiyoshi Goto



President and Director
Yoshimi Morito

Fiscal 2018 Business Environment and Business Results

In the year ended March 31, 2019 (fiscal 2018), the Japanese economy was affected by U.S. protectionist trade policies and a series of natural disasters but backed by solid corporate earnings and a favorable employment and income environment, it took a gradual path of recovery on the whole.

On the other hand, the business environment surrounding Kandenko saw a lingering contraction trend in electric power-related investment by the Tokyo Electric Power Company (TEPCO) Group. Meanwhile, private-sector construction investment continued to increase with the construction of factories intended for labor-saving and greater efficiency, and reconstruction demand in office and commercial buildings for replacement.

Against this background, Kandenko rolled out one-stop sales to respond to the diverse needs of customers and strove to improve productivity through the standardization of the operational process, covering stages from proposals to order intake and construction.

As a result, the Kandenko Group's consolidated business result for fiscal 2018 was as follows: net sales of ¥563,550 million (11.1% increase year-on-year), operating profit of ¥30,012 million (2.6% increase year-

on-year), ordinary profit of ¥30,795 million (2.5% increase year-on-year), and profit attributable to owners of parent of ¥19,703 million (3.4% increase year-on-year), which were record-high business results ever since we began consolidated financial reporting. This was achieved by a steady improvement in profitability of Group companies while the Company maintained excellent results on a non-consolidated basis.

Outlook for Fiscal 2019 Onward and Key Management Policies

Looking ahead, from fiscal 2019 onward, we forecast continued measures to squeeze electric power-related investment. Meanwhile, domestic construction investment is expected to remain at high levels on the back of a number of large-scale redevelopment projects in the planning pipeline after the completion of Olympics-related projects, along with the construction of factories and logistics facilities owing to an upbeat trend in capital investment.

To respond to these conditions accurately, the Group will implement the key management policies shown below on a group-wide basis to achieve sustained growth into the future.

First, we will work to improve productivity by effectively deploying work execution abilities and having

○Fiscal 2018 Business Results

Consolidated results (Billions of yen)	
Net sales	¥563.5 (up 11.1% YoY)
Operating profit	30.0 (up 2.6% YoY)
Ordinary profit	30.7 (up 2.5% YoY)
Profit attributable to owners of parent	19.7 (up 3.4% YoY)

Non-consolidated results (Billions of yen)	
New orders received	¥496.0 (down 2.0% YoY)
Net sales	493.1 (up 11.0% YoY)
Operating profit	24.1 (down 2.8% YoY)
Ordinary profit	25.1 (down 2.5% YoY)
Profit	17.0 (up 1.0% YoY)

Message from the Management

worksite support systems in place. At the same time, we will pursue a range of profit-generating strategies including further spreading cost management methods and thorough reduction of operational unit costs by strengthening procurement functions.

In parallel, we will seek to secure contracts by rolling out total solution services encompassing everything from design and execution to maintenance and renovation of building infrastructures and aggressively expand into the field of social infrastructure construction by making use of our technologies and expertise accumulated as a general infrastructure company.

Next, we will move forward with the utilization of advanced technologies for higher safety, quality, and operational efficiency, such as artificial intelligence, virtual reality, and robots. Also, we will promote technologies that may expand business fields such as upgrade of our small diameter pipe jacking method and the development of systems related to virtual power plants (VPP). Furthermore, as a response to customer needs, we will engage in research on quake resistance and lightning damage countermeasures, and introduce the Internet of Things to diagnose facility failures and energy use.

We will also develop human resources that bear our future by implementing on-the-job training (OJT) that contributes to skill development among young and mid-

level employees and introduce training programs using IT. In addition to the above, we will create a vibrant work environment by promoting reforms for work practices and annual leave systems and nurturing an open workplace environment.

In parallel, we will stay closely attuned to contemporary social changes, from the full-fledged arrival of a society based on long-lasting infrastructure and the progress of electric power system reforms to the decline in the domestic working population. This will give us a new set of eyes in carrying out dynamic structural reforms in business.

Finally, Kandenko will mark the 75th anniversary of its foundation on September 1, 2019. We appreciate the support from all of our stakeholders including shareholders, customers and business partners, and local residents who have made it possible. To mark the occasion of the 75th anniversary, we decided to pay a commemorative dividend of ¥2 together with an interim dividend for a total annual dividend of ¥28 per share. Going forward, Kandenko is committed to working as one to ensure thorough compliance and further enhance safety and quality while devoting all of its energy to establishing a flexible and resilient corporate structure capable of transforming itself to innovate the future, with the aim of achieving greater corporate value.

○Fiscal 2019 Business Results (Forecast)

Consolidated results (Billions of yen)	
Net sales	¥600.0 (up 6.5% YoY)
Operating profit	33.0 (up 10.0% YoY)
Ordinary profit	33.6 (up 9.1% YoY)
Profit attributable to owners of parent	21.6 (up 9.6% YoY)

Non-consolidated results (Billions of yen)	
New orders received	¥516.0 (up 4.0% YoY)
Net sales	525.0 (up 6.5% YoY)
Operating profit	27.5 (up 13.9% YoY)
Ordinary profit	28.5 (up 13.2% YoY)
Profit	19.0 (up 11.2% YoY)

Progress of the Growth Strategy and Business Results Outlook

The Kandenko Group is now focusing on promoting its growth strategy for the period from fiscal 2016 to fiscal 2020. Recently, as we maintain record-high levels of work in hand, we have reviewed non-consolidated numerical targets for fiscal 2020, the final year of this growth strategy, and revised our targets for new orders received from ¥610 billion to ¥550 billion and net sales from ¥580 billion to ¥550 billion in order to promote orders that provide an effective balance with our work execution abilities and to take into account the fact that initiatives to

reduce workloads such as reforms for work practices and annual leave systems have been identified as issues to be addressed.

With regard to non-consolidated profit targets and consolidated numerical targets, our original targets will remain unchanged in order to ensure that initiatives for business activities which prioritize profit acquisition and improving productivity are carried out thoroughly and to promote an expansion of business fields and areas throughout the Group.

○Numerical targets

	Fiscal 2018 (Actual)	Fiscal 2019	Fiscal 2020
Consolidated net sales	¥563.5 billion	¥600.0 billion	¥650.0 billion
Consolidated operating profit	¥30.0 billion	¥33.0 billion	¥36.0 billion
New orders received (non-consolidated)	¥496.0 billion	¥516.0 billion	¥550.0 billion
Net sales (non-consolidated)	¥493.1 billion	¥525.0 billion	¥550.0 billion
Operating profit (non-consolidated)	¥24.1 billion	¥27.5 billion	¥30.0 billion

Key Management Policies for Fiscal 2019

Focus on initiatives to improve customer confidence	<ul style="list-style-type: none"> ● Focus on safety education and practices that prioritize safety ● Emphasize and entrench work rules
Reinforce profit-generating capacity and ability to win orders	<ul style="list-style-type: none"> ● Focus on income/expenditures and cost management ● Extreme reduction of controllable expenses ● Implement sales strategy under the leadership of the Construction Headquarters
Develop technologies to support business activities	<ul style="list-style-type: none"> ● Develop technologies to contribute to improving productivity at the worksite by strengthening internal and external coordination
 Reinforce “people first” principle to motivate staff and energize the workplace	<ul style="list-style-type: none"> ● Reinforce human resources development ● Promote reforms for work practices and annual leave systems ● Create an open and free workplace
Progress with structural reform of business	<ul style="list-style-type: none"> ● Establish maintenance and renovation work as a major focus ● Nationwide development in the field of social infrastructure

Business Model

The Company aims for the mutual prosperity of its customers and the communities where it works and finds its purpose in this pursuit. We are a general infrastructure company that conducts business in a wide range of fields from building infrastructure to electric power infrastructure, and telecommunications infrastructure. Through its safe and high-quality facilities and services, Kandenko will make a long-lasting contribution to society as a partner in social infrastructure.

Social issues

- Reduction of energy costs
 - Prevention of global warming
 - Damage to infrastructure due to natural disasters
 - Arrival of an aging society
 - Correcting long working hours
 - Increase in cybercrime and accidents
- etc.

Corporate Motto

"People First"

Corporate Philosophy

1. Based on respect for humanity, Kandenko fulfills its duty of corporate social contribution and contributes to creating richer human environments.
2. By anticipating the needs of customers and seeking technological innovation, Kandenko provides optimal services and facilities.
3. By working for human resource development and continual improvement, Kandenko aims to be a future-oriented company.

Business Fields

Electrical Engineering, Environmental Facilities and Systems, and Renovation Work

The segment covers the design, construction, maintenance, and renovation of electrical facilities, air-conditioning and sanitation work for various structures including office buildings, department stores, theaters, hospitals, and factories.



Power Distribution Line Engineering Work

The segment covers installation and maintenance work of power distribution lines that deliver electricity directly to households, stores, and other customers.



Information & Communication Work

The segment is engaged in all types of works related to information and communication, including upgrades to optical fiber cable networks, installation of transmission base stations for mobile communications, and construction of networks for cable TV and municipalities.



Electric Power & Civil Engineering Work

The segment is engaged in electrical work in nuclear power plants, in addition to work on power stations and substations, and on transmission lines. Recently, the division covers the construction of wind power plants and solar power plants, as well as work on transmission line networks.



For details, see page 15

Strengths
of the
Company

Technology

Experience

Research
and
development

Quality

Customer
confidence

Corporate Governance

For details, see page 35

Value to be Provided to Society

- Provision of comfortable living environments
- Stable supply of electric power
- Provision of stable communication services
- Restoration of infrastructure damaged by natural disasters
- Maintenance and updates for aging social infrastructure
- Energy-saving initiatives for building infrastructure

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Business Review by Division

Electrical Engineering, Environmental Facilities and Systems, and Renovation Work

Description of Business

Electrical engineering work: Work on electrical facilities and equipment inside all types of buildings and structures, building interiors, and control equipment

Environmental facilities and systems, and renovation work: Work on air conditioning and sanitation systems as well as water, heat and disaster prevention systems



Toshio Nakama

Executive Vice President and Executive Officer,
Division Manager of Sales Division

Electrical Engineering, Environmental Facilities and Systems, and Renovation Work is a growth driver of Kandenko. We are focusing on expanding renovation work and improving worksite profitability to raise overall profitability as we strengthen our operational abilities to realize steady progress in construction.

Results of operations in fiscal 2018

In fiscal 2018, we won a number of large-scale projects including Tokyo Big Sight maintenance work (Tokyo), electrical work for the CR Building of Toshiba Memory Iwate Corporation (Iwate Prefecture), and headquarters building reconstruction planning for the Chiba Bank (Chiba Prefecture). As a result, new orders received grew 0.9%, or ¥2,398 million from the previous fiscal year, to ¥265,741 million, maintaining a result roughly on par with the previous year.

Net sales retained double-digit growth of 13.4%, or ¥31,479 million, to ¥266,520 million. Major projects completed during the year include Marunouchi Nijubashi Building new construction work (Tokyo) and plant construction work for electricity and heat supply operations in the Nihonbashi Muromachi area (Tokyo).

Construction contracts brought forward as of March 31, 2019, remained high, amounting to ¥302,234 million, a decrease of ¥779 million, or 0.3% year on year.

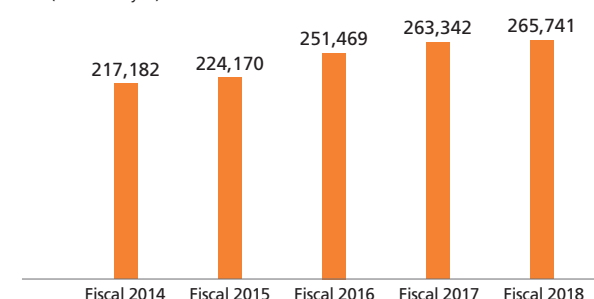
Expanding Renovation Work and Improving Profitability at Worksites

The division of Electrical Engineering, Environmental Facilities and Systems, and Renovation Work is the largest segment of the Company in financial terms. In addition to electrical engineering work on electrical facilities and control equipment works for all types of buildings and structures, the segment provides environmental facilities and systems and renovation work such as air conditioning, sanitation systems, water, heat, and disaster prevention systems. Redevelopment projects and factory construction subcontracted by general constructors make up about 60% of overall sales, while the remainder is direct orders from property owners.

Our strength lies in the sales foundation in the Kanto area that the Company has built throughout its history. In order to keep defending our high market share centered in Tokyo, we will implement growth investment

New orders received

(Millions of yen)



to enhance work execution abilities.

Amid the labor shortage faced by the entire construction industry, the Company has succeeded in securing much talent thanks to the recognition for its brand and good working environment. This is another one of our strengths. We not only enhance our in-house human resources but also work to build close partnerships with subcontractors to secure work execution abilities.

The division currently focuses on “expanding renovation work” and “improving worksite profitability” as key management policies.

Compared to new construction work involving fierce competition for orders, renovation work is highly profitable despite being small in monetary amount, bringing about an overall improvement in earnings as it directly targets our many existing customers and leads. In recent years, the amount of orders received for renovation work has been increasing due to reinforced sales structure to make proposals, which resulted in an increased number of proposals. In fiscal 2018, the amount came to ¥139.7 billion, exceeding that for new construction work.

As for “improving worksite profitability,” we provide training to sales office managers in order for them to thoroughly control costs as well as income and outlays while helping them improve management methods and share information with an aim to increase cost performance.

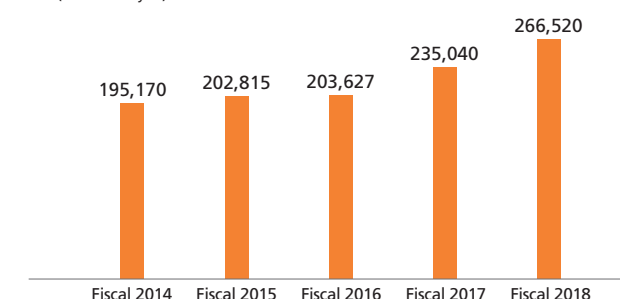
Driving growth and profitability

The Company aims to “establish a resilient corporate structure” and “achieve high profitability” with a view to fulfilling the growth strategy covering the period up to the end of fiscal 2020. We recognize that the mission of Electrical Engineering, Environmental Facilities and Systems, and Renovation Work is to capture market share in this competitive climate and drive growth and profitability. As performance targets for fiscal 2020, the growth strategy dictates consolidated net sales of ¥650 billion, and new orders received and net sales of ¥550 billion each on a non-consolidated basis. This is based on the premise that the division further expands the volume of work it handles.

Our strategic pillar to achieve this is the promotion of one-stop sales activities aimed at winning orders by

Net sales

(Millions of yen)



handling electrical, air conditioning and sanitation system work end to end. By receiving orders for multiple works that call for high-level expertise in a one-stop process, we will be able to facilitate scheduling and field operations and reduce costs while boosting sales efficiency. This will benefit both customers and the Company. With regard to the renovation work mentioned earlier, we will seek to enhance sales performance and expand new orders by using IT systems aimed at strengthening our information gathering and proposal capabilities.

While accumulating orders through the abovementioned initiatives, our policy for fiscal 2019 (ending March 31, 2020) is to further focus on securing work execution abilities and engineer training, aiming for steady progress in construction works to bolster sales. Spearheaded by the Sales Division, we will exert the comprehensive power of Electrical Engineering, Environmental Facilities and Systems, and Renovation Work as a whole to raise productivity.

To become a segment that creates social value for the future

In Japan, investment in construction and facilities is forecast to hit a peak ahead of the Tokyo Olympic and Paralympic Games, however, the market is projected to retain a certain level of growth instead of shrinking shortly after 2020. Under such an environment, the Electrical Engineering, Environmental Facilities and Systems, and Renovation Work segment plans to continue investment toward expanding new orders received and accumulating net sales.

Our business has operational abilities capable of providing all types of facilities in places for living and for industrial use. Moreover, in response to changes in society, we are actively introducing cutting-edge engineering technology and telecommunication technology. Anticipating new fields with business possibilities opened up by such technologies that will also meet customer needs, we will endeavor to keep creating social value toward a more abundant future. At the same time, we will raise the growth potential of our business so as to become a company of choice for all stakeholders surrounding the Company including customers and business partners.

Business Review by Division

Information & Communication Work

Description of Business

Develop proposals for and carry out installation and maintenance of information and telecommunications systems, lay optical fiber cables for telecommunications providers, install optical transmission equipment, build and maintain transmission base stations for mobile communications, build and maintain networks for cable TV and municipalities, and maintain telecommunications facilities for electric power providers.



Shinichiro Kitayama

Senior Managing Director, Executive Officer, and Division Manager of Social Infrastructure Division

In the Information & Communication Work sector, we need to keep up with fast-evolving technological innovation. Acting as a catalyst for the spread of 4K/8K satellite broadcasting and next-generation mobile communications, the division aims to provide value appreciated by users.

Results of operations in fiscal 2018

During fiscal 2018, the division acquired orders such as the Azumino Television Fiber-to-the-Home (FTTH) project (Nagano Prefecture) and digital system updating work for the disaster prevention radio system in Misatomachi, Kodama-gun (Saitama Prefecture). While large-scale updating work for cable television operators and work for mobile communications base stations were solid, orders for upgrading work of highway telecommunications networks and those by new customers were stagnant, causing new orders received to decrease ¥9,097 million, or 20.4% year on year, to ¥35,548 million.



Shigeyuki Uchida

Senior Executive Managing Officer and Head of Information & Communication Unit

Net sales retained double-digit growth of 11.0%, or ¥4,139 million to ¥41,790 million owing to steady progress in construction works.

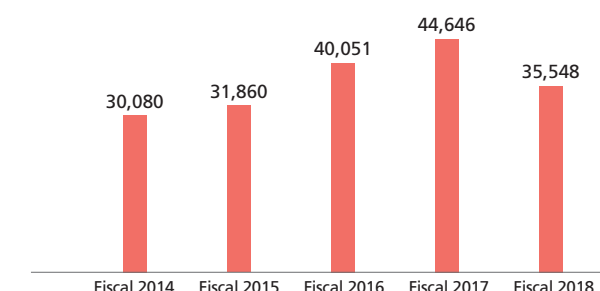
Construction contracts brought forward as of March 31, 2019, amounted to ¥21,753 million, a decrease by ¥6,242 million, or 22.3% year on year.

Growth opportunities driven by technological innovation and addressing its issues

The Information & Communication Work division primarily engages in laying and maintaining optical fiber cables for electric power providers and telecommunications providers; building and maintaining networks for cable TV and municipalities; and building and maintaining transmission base stations. Sales are divided almost equally among these three businesses. Nearly 90% of our customers are telecommunications providers, including cable TV. The business environment is such that capital investment, especially in 4K/8K

New orders received

(Millions of yen)



satellite broadcasting and fifth-generation mobile communication systems (5G), is projected to ramp up, with anticipation for related construction demand.

In such a market where technological innovation brings about growth opportunities, we have acquired orders by taking advantage of our expertise in overhead line construction work that we fostered as an electric construction company working for the TEPCO Group, and manpower from operational abilities that include our business partners. In businesses related to cable TV networks, we enjoy an excellent reputation for our flexible proposals suited to the needs of each customer, enabled by our status as an independent construction firm not affiliated with any equipment manufacturers. Meanwhile, as a construction company, we must maintain technological capabilities sufficient to keep up with progress made by manufacturers and vendors. As such, the constant challenge for the division is that we need to stay up to date with cutting-edge technologies through collaboration with the research and development division and external partner companies.

During fiscal 2018, in cooperation with Electrical Engineering, Environmental Facilities and Systems, and Renovation Work, we promoted initiatives to win orders by collaborative sales activity companywide in the field of network construction work. Under this integrated system, the Information & Communication Work division took charge of indoor communications network construction for general construction projects, which are usually out of its scope. We plan to continue the initiative aggressively with the aim of utilizing the Company's comprehensive capabilities to expand market share.

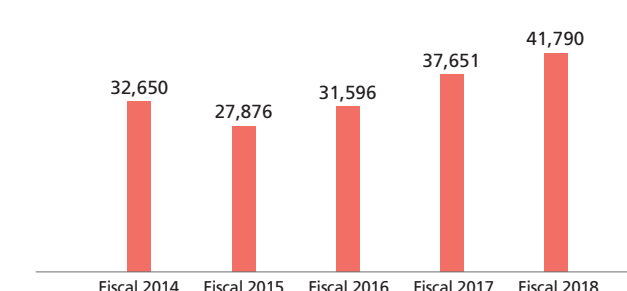
Human resources development and contribution to profit

The two themes of "establishing a resilient corporate structure" and "achieving high profitability" currently upheld by the Company directly relate to initiatives to build up a future growth foundation for the Information & Communication Work segment. Through steady implementation, we will contribute to realizing the growth strategy.

The first thing the division needs to do to "establish resilient corporate structure" is to develop highly skilled human resources. At the same time, we are tasked with strengthening capabilities to respond to market changes through alliance and collaboration with equipment

Net sales

(Millions of yen)



manufacturers and vendors dealing with advanced technologies.

"Achieving high profitability" is a pressing issue for the segment, which has been struggling in terms of profitability. We must take on the challenge of introducing new management methods and business models to raise profitability as much as possible. Specifically, we plan to take the lead in launching new initiatives and yield results in areas such as introducing work management systems utilizing IT and developing fee-based businesses such as post-completion maintenance and operational support.

In conjunction with these missions, as one of its key strategies, the division focuses on sales activities to enable independent cable TV operators to shift to FTTH, and mainline construction works are on the rise. Construction work is expected to increase in service lines for subscribers after fiscal 2020 when the period under the growth strategy runs its full course. The division will continue supporting the shift to FTTH. Another key strategy is strengthening sales to mobile communication providers. In addition to works to support 5G, we will work on order-taking from a medium- and long-term perspective, also targeting infrastructure development for a new mobile phone carrier.

In fiscal 2019, we will focus on expanding new orders received and net sales through these initiatives and increase our contributions to profit.

As a medium for advanced technologies to enter the market

The business environment surrounding the Information & Communication Work segment will see technological innovation invigorating the market and boosting demand. Meanwhile, the effects of economic fluctuations are expected to be mild. For this reason, stable and sustainable growth is anticipated for the medium to long term, without experiencing rapid expansion upon the 2020 Tokyo Olympic and Paralympic Games or subsequent contraction, for example.

Looking further ahead, to provide value appreciated by users, simply being a construction company that receives orders from manufacturers would not be enough. We aim to be a medium for advanced technologies to enter the market and become an entity required by society. Please look forward to our continued endeavors.

Business Review by Division

Power Distribution Line Engineering Work

Description of Business

Work on overhead power distribution lines: Construction and maintenance of overhead power distribution lines facilities involving power poles with power cables

Work on underground power distribution lines: Construction and maintenance of underground distribution lines facilities involving power cables underground



Shinichiro Kitayama

Senior Managing Director, Executive Officer,
and Division Manager of Social Infrastructure Division



Mitsuru Fujii

Executive Managing Officer
and Head of Power Distribution Department

Power Distribution Line Engineering Work is the division that supports the stable supply of electric power with Japan's leading operational abilities and technology. With the mission of achieving sustained growth, it will evolve with an eye to the year 2020 and beyond.

Results of operations in fiscal 2018

In fiscal 2018, underground power distribution lines saw an increase in new orders received that amounted to ¥42,785 million, an increase by ¥4,653 million, or 12.2% year on year. However, new orders received for overhead power distribution lines were ¥100,183 million, a decrease by ¥9,538 million, or 8.7% year on year due to the impact of a contraction in capital investment by the TEPCO Group. As a result, new orders received for Power Distribution Line Engineering Work as a whole came to ¥142,968 million, a decrease by ¥4,884 million, or 3.3% year on year.

Net sales achieved year-on-year growth to ¥138,992 million, an increase by ¥2,359 million, or 1.7% year on year owing to overhead power distribution lines that maintained results almost equal to the previous year and solid performance in underground power distribution lines.

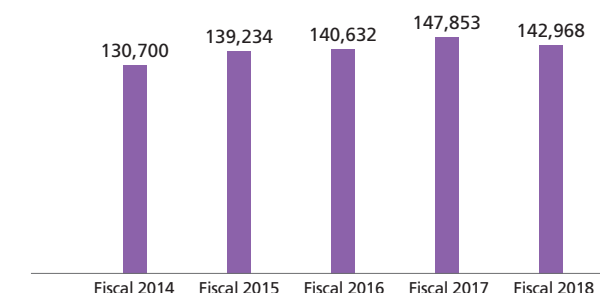
We secured construction contracts brought forward as of March 31, 2019, of ¥26,644 million, an increase by ¥3,975 million, or 17.5% year on year.

Growth in underground lines with overhead lines as a foothold

Power Distribution Line Engineering Work is the division engaged in the construction and maintenance of electric power facilities. More than 90% of sales come from the work we receive from the TEPCO Group. There are two types of works: overhead power distribution lines to fix pole-mounted power cables in between power poles; and underground power distribution lines for laying

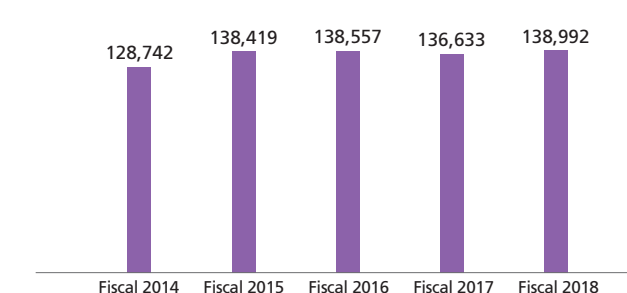
New orders received

(Millions of yen)



Net sales

(Millions of yen)



cables underground. Over 70% of sales are from overhead power distribution lines and the rest is from underground power distribution lines. Works on overhead power distribution lines involves the roughly 5.9 million power poles held by the TEPCO Group and has maintained a relatively stable amount of work. However, its volume is struggling, and the growth in underground power distribution lines makes up for it.

Currently, for overhead power distribution lines, we are working to receive general customers' orders for replacing streetlights with LEDs and power distribution work for factory facilities. For underground power distribution lines, construction works related to railways and renewable energies are on the rise, taking advantage of our strengths in civil engineering technology. In addition, demand is growing for undergrounding of power lines with the aim of strengthening disaster resilience and improving scenic amenities in cities. An increasing number of this undergrounding work is based on orders from local municipalities, in addition to those from the TEPCO Group.

Under such circumstances, growth opportunities for the division stem from an increase in demand for underground power distribution lines, such as undergrounding of power lines and renewable energy-related work. As for overhead power distribution lines, although the TEPCO Group continues to curb capital investment, its large-scale infrastructure still holds considerable potential.

Meanwhile, there is a risk that regulations could be imposed on construction work across Tokyo during and around the time of the 2020 Tokyo Olympic and Paralympic Games. Also, due to the nature of the work on power distribution lines, it is difficult to save labor or streamline work with the use of robot technologies, for example. Therefore, over the medium to long term, major issues are foreseen in workforce shortage caused by the decline in the working population, and we need to share human resources across divisions by nurturing multiskilled workers.

Reinforce profit-generating capacity and ability to win orders

In the Company's growth strategy, we believe that the mission of the Power Distribution Line Engineering Work segment is to secure the power to earn stable profits

and realize sustained growth. To that end, the business must be developed by fully utilizing the division's resources such as its core technologies and abundant human resources. While striving to maintain our work execution abilities including those at business partners, we will strengthen cooperation with other divisions.

In terms of profitability, while we are securing stable profits owing to organizational streamlining and other recent structural reform efforts, we will continue to focus on building a leaner structure to contribute to the company-wide target of "achieving high profitability."

In order to achieve the targets upheld in the growth strategy toward fiscal 2020, which are consolidated net sales of ¥650 billion and non-consolidated net sales of ¥550 billion, we must increase the scale of sales at our division.

The key policy for fiscal 2019 to that end is "Reinforce profit-generating capacity and ability to win orders." Toward increasing orders from general customers, the division will roll out initiatives under a company-wide cooperation framework based on shared sales information, targeting priority areas such as renewable energy. At the same time, we will strive for thorough profit improvement through systematic project management.

Taking to heart the social significance of the division's operation, we will offer services that provide trust and assurance to society under the banner of "safety, quality, and compliance."

Toward securing sustained growth

Undergrounding of power lines, a promising field for the Power Distribution Line Engineering Work segment, is anticipated to pick up speed after the 2020 Tokyo Olympic Paralympic Games. In light of this trend, the division's medium- to long-term vision is to secure sustained growth by diversifying orders from general customers that we have expanded transactions with, aside from the basic work volume expected from the TEPCO Group.

With the largest construction workforce and number of facilities in Japan, the division strives to maintain top-notch technology and cost competitiveness in Japan. Going forward, we will foster multiskilled workers to further enhance the division's strengths and use it as a driver to expand our business field nationwide beyond Kanto area, with the ultimate goal of developing internationally in the future.

Business Review by Division

Electric Power & Civil Engineering Work

Description of Business

Power generation and transformation work: Work on power stations and substations, and wind/solar power generation

Transmission lines work: Work on overhead transmission lines

Civil engineering work and underground lines work: Work on underground transmission lines, and civil engineering work using C.C. Box technology

Nuclear power work: Regular inspections and maintenance of nuclear power plant facilities and equipment



Shinichiro Kitayama

Senior Managing Director, Executive Officer, and Division Manager of Social Infrastructure Division



Shuichi Yamaguchi

Managing Director and Executive Officer, Head of Power Engineering Unit, in charge of Strategy & Technology Development Division

The Electric Power & Civil Engineering Work division continues to expand orders on the back of increased redevelopments centered on urban areas and the introduction of renewable energy. Focusing on its specialty business fields, the division will press forward with initiatives to support a resilient corporate structure.

Results of operations in fiscal 2018

Major projects we won during fiscal 2018 include utility tunnel relocation work for the redevelopment of the Nihonbashi 2-chome area (Tokyo) and redevelopment supply construction work in the Asamizodai and Araisono area (Kanagawa Prefecture). Also, in Hokkaido, we received an order for large-scale construction work to build a transmission line network linked to a renewable energy power plant. As a result, new orders received amounted to ¥51,829 million, an increase by ¥1,645 million, or 3.3% year on year, achieving the level of ¥50

billion for two consecutive years.

Net sales also jumped to ¥45,824 million, an increase by ¥10,697 million, or 30.5% year on year, as a result of growth in power generation and transformation work, transmission lines work, and civil engineering work and underground lines work.

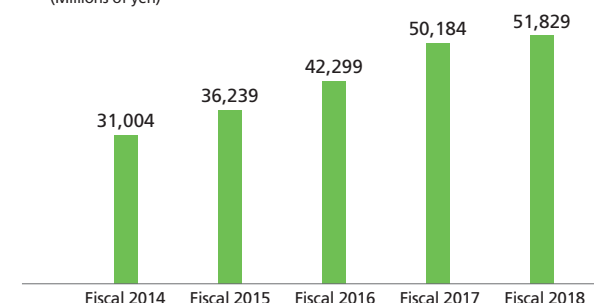
Construction contracts brought forward as of March 31, 2019, came to ¥57,439 million, an increase by ¥6,005 million, or 11.7% year on year.

Maintaining an end-to-end framework from power generation to distribution

The business handled by the Electric Power & Civil Engineering Work division is broadly classified into four groups: power generation and transformation work; transmission lines work; civil engineering work and underground lines work; and nuclear power work. Nonetheless, except for orders from the TEPCO Group, most works are undertaken as joint projects based on

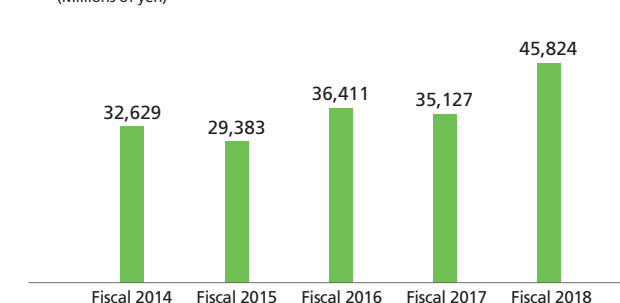
New orders received

(Millions of yen)



Net sales

(Millions of yen)



cooperation across multiple corporate divisions excluding the nuclear power division. As such, our work cannot be completed within a single construction category. In recent years, the proportion of orders from the TEPCO Group has been on a significant decline, accounting for only 23.9% in new orders received during fiscal 2018, which is extremely low. In other words, the division receives more than three-quarters of orders from general customers.

In securing orders from general customers, we mainly target power intake and transformer equipment for large factories that are known as extra-high-voltage consumers, and we engage in collaborative sales activity with the Electrical Engineering, Environmental Facilities and Systems, and Renovation Work division. Another priority target is power producers using renewable energy. In addition to the construction of power plants, we undertake the establishment of transmission line networks. Meanwhile, initiatives to win orders from customers other than the TEPCO Group are underway by our Nuclear Power Work division that provides inspections and maintenance of nuclear power plant facilities and equipment. Currently, as project orders continue on an upward trend as a whole, the volume of the division's work in hand continues to be on the rise.

Our competitive edge lies in an end-to-end framework from power generation to distribution that hands off to the Power Distribution Line Engineering Work division, including construction work related to renewable energy. Another advantage is that we do not only undertake construction but also provide support from the design stage. In terms of expertise, we believe that our construction technology to manage high-voltage current is one of the key differentiators.

Growth opportunities in the market are in the expanding demand for renovation of various social infrastructures such as electric power, gas, water and sewerage, and railways as they age. In addition to this, continued growth in demand is expected in the field of renewable energy, as mentioned earlier.

To steadily seize these growth opportunities, we will secure and develop a workforce so as to strengthen our capabilities in engineering and project management, with a view to brushing up our proposals to general customers and facilitating smooth operation from design to construction.

Focus on renewable energy and urban redevelopment

One of the Company's growth strategy themes "establishing a resilient corporate structure" from the division's standpoint, is to determine focus business fields and narrowing down the scope to a certain range. This means that the division shall concentrate efforts in its specialty business fields, such as extra-high-voltage power intake and transformer equipment and renewable energy, and enhance its capabilities in engineering and design, to contribute to a resilient corporate structure.

To work on the other theme, "achieving high profitability," we must step up our cost management upon streamlining administrative functions under efficient business operation based on a Regional Headquarters system.

In addition to extra-high-voltage power intake and transformer equipment and renewable energy-related work mentioned above, priority targets for expanding orders in the field of social infrastructure include urban civil engineering required for large-scale redevelopment projects centered on the Tokyo metropolitan area. Redevelopment in Tokyo is anticipated to continue after 2020 and our division has received many inquiries from customers.

Priority challenges for fiscal 2019 are improving profitability by thorough cost management and implementing systematic measures to strengthen engineering. Also, this year we plan to inject our construction workforce intensively mainly into large-scale projects with the aim of steadily advancing projects to secure net sales.

Entry to overseas social infrastructure

As for the expanding potential of the Electric Power & Civil Engineering Work segment, we are considering entry into overseas social infrastructure centered on Southeast Asia. In response to industry trends in Japan and circumstances in each country, we intend to develop businesses starting with the introduction of power supplies at industrial parks in Vietnam, Thailand, Myanmar, and other emerging nations. Given the population decline in Japan causing the market to shrink over the long term, seeking growth opportunities in overseas markets is an inevitable industry trend. The division kicked off exchanges of personnel and technologies with overseas design companies in an effort to foster global human resources responsible for future generations.

By exerting our strengths in operational abilities and technology, we will extend our initiatives to support social infrastructure.

Research and Development Activities |

Message from the Officer in Charge



The Research and Development Division that supports technology is the core organization for value creation, the key to securing a competitive edge in the market and contributing to sustained growth of the business. Its steady efforts will help Kandenko take the next leap forward.

Shuichi Yamaguchi

Managing Director and Executive Officer, Head of Power Engineering Unit, in charge of Strategy & Technology Development Division

Mission and overview of the research and development division

The research and development division is an organization responsible for the Company's overall technical development and improvement, and consists of the Technology Development Unit established within the Strategy & Technology Development Division, with the Technology Development Department and Technology Research & Development Institute as subordinate organizations.

In the growth strategy, the division is tasked with three policies as its mission. The first one is "improve

safety, quality, and operational efficiency," all of which are elements that serve as the basis of the Company's operations. By supporting their company-wide improvement, the division contributes to winning the trust of customers.

The second mission is "catering to customer needs." We accurately grasp customer desires and develop technologies to satisfy these needs. One recent example is a backup power supply technology offered as a response to business continuity plans.

The third is "business field expansion." We take charge headfirst into new fields to seize growth opportunities

and create value. One such example is our entry into virtual power plants (VPP), which has just started.

The division is made up of a total of 58 persons comprising 22 persons in the Technology Development Department and 36 persons in the Technology Research & Development Institute as of March 2019. An intellectual property team is also included in the organization, which is in charge of administrative work related to intellectual properties of the Company. The division's business is wide-ranging. In addition to development operation on a computer, we accompany sales staff on visits to customers when making proposals, and respond to requests for support or cooperation from the worksite and customers. As fiscal 2018 saw the occurrence of many natural disasters such as earthquakes and lightning strikes, we responded to reports on facility damage and rolled out proposal activities in cooperation with the sales division in accordance with the reports.

Technology development needs toward achieving the growth strategy

For fiscal 2019, we formulated priority action items for each type of technology development as follows, in accordance with the three policies mentioned earlier.

For "technology development to improve safety, quality, and operational efficiency," we endeavor to develop IT-based worksite support systems, prefabrication technology to boost productivity at worksites, utilization of research in advanced technologies such as virtual reality and augmented reality, and technologies to support construction.

For "technology development to cater to customer needs," we focus on research of technologies designed to support business continuity plans and electromagnetic compatibility and sales tools for telecommunications-related work.

For "technology development to support business field expansion," we engage in a demo project to build VPPs utilizing consumer-end energy sources, advanced technologies using the Internet of Things, big data and artificial intelligence, construction technologies to facilitate undergrounding of power cables, and research of technologies for energy management of air conditioning systems.

The priority action items above relate to each strategic theme of "strengthening sales base," "business field expansion," "stable supply of electric power," "manpower," and "investment to boost work execution abilities," all of which are technology development needs toward achieving the growth strategy.

Gains from coordination within and outside Kandenko

Coordination within and outside the Company is an important process for the research and development division to promote technology development. Outcomes of technology development will be proactively utilized as intellectual property information with information relayed to worksites. Also, we strive to enhance and accelerate technology development through industry-academia-government collaboration with universities, research institutes, and other companies possessing highly specialized skills and advanced expertise.

We intend to continue promoting such collaborations actively as they are expected to produce new development themes and expand business fields.

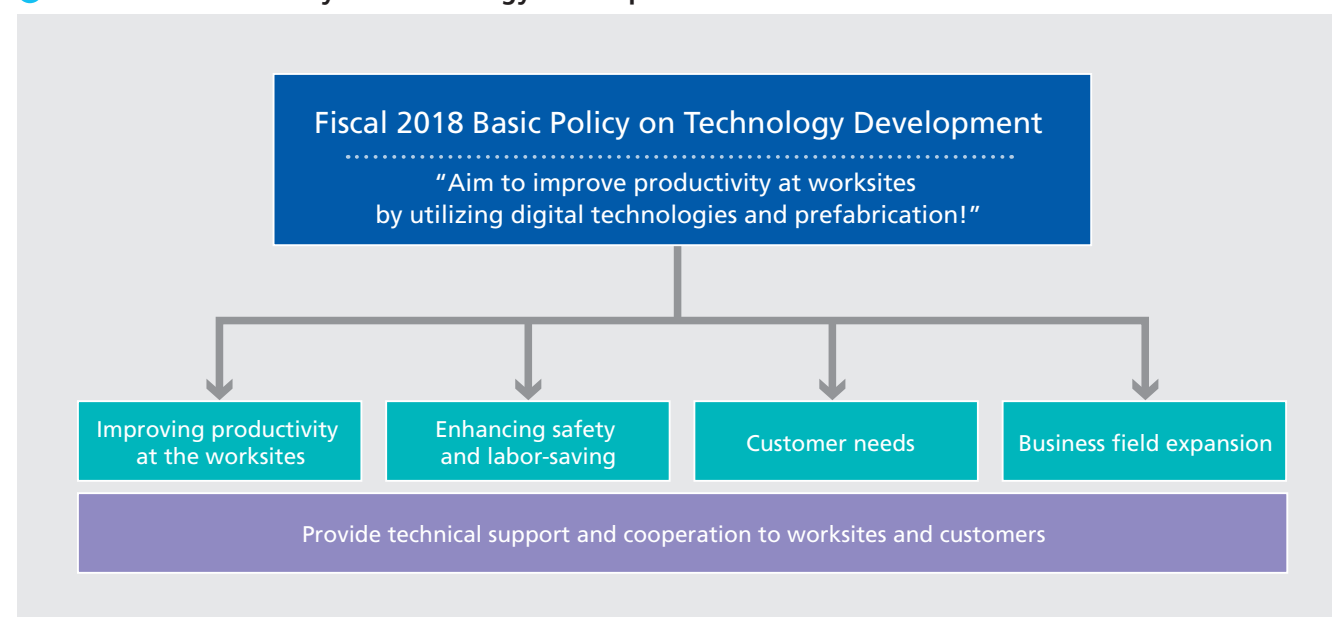
Creating new business fields and new value

Business field expansion, the theme currently undertaken by the Company, requires the research and development division to think autonomously and conduct development toward creating new value.

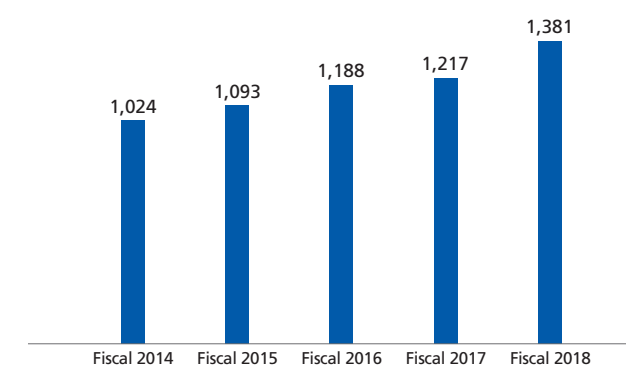
However, the division has long dedicated itself to development and improvement in response to requests from worksites. Therefore, in order to engage in research and development more independently, our Technology Development Unit, a team in charge of research and development, and the Strategic Business Unit, responsible for business development, have been collocated within the Strategy & Technology Development Division. This framework enables mutual cooperation that will open up opportunities to create new business fields and new value.

In order for Kandenko to survive as a leading company into the future, systems are required to foster the independent creation of something new and develop new businesses. Our division strives to function as a body that supports that system and contributes to the sustained growth of the Company.

Fiscal 2018 Basic Policy on Technology Development



R&D expenses (Millions of yen)



Research and Development Activities |

Research and Development System

To respond to issues at the worksite and customer needs, the Kandenko Group is focusing on four key areas: technology development to support the improvement of productivity at worksites; technology development to enhance safety and labor-saving; technology development to cater to customer needs; and technology development to support business field expansion. In fiscal 2018, our R&D was guided by the idea of “aim to improve productivity at worksites by utilizing digital technologies and prefabrication.” In particular, as technologies to contribute to improving productivity and enhancing labor-saving at worksites, we actively promoted research of prefab technologies for worksite operations, technologies using IT and robots, and technology development for undergrounding of power lines to support business field expansion. At the same time, we worked to strengthen technology development through collaborations with parties in industry, government, and academia, as well as with group companies.

Consolidated R&D expenses in fiscal 2018 totaled ¥1,381 million. Please note that R&D expenses are not broken down by business segment.

Technology Research & Development Institute

The Technology Research & Development Institute consists of a research building, experiment building, and outdoor testing site. In the laboratories of the experiment building, we conduct basic experiments to establish new systems and construction technologies, experiment to test the strengths of materials and tools and conduct verification tests for development results. The institute also houses an anechoic chamber, shielded room, blackout curtain device, and other experimental equipment utilized for developing construction technology for electrical facilities, communication facilities, and air conditioning and environment facilities.



High-Voltage Laboratory

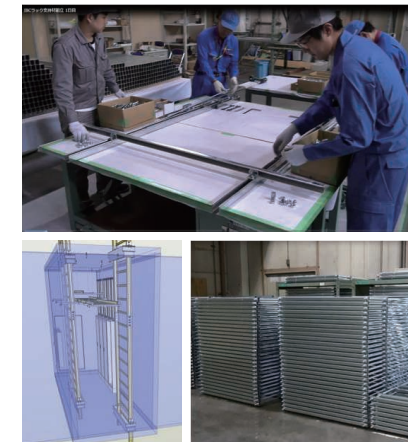
The High-Voltage Laboratory is made up of a test room, physical test room, working room, and outdoor water tank used for voltage resistance tests. In the test room, we have large-scale experiment devices, including a 350 kV-AC voltage generator, a 1,800 kV-impulse voltage generator, and a high current generator.



Examples of Initiatives

Research of prefab technologies to improve productivity at worksites

Of the operations of processing, assembly, and installation that are conducted at indoor electrical engineering worksites, we established an off-site factory for processing and assembly. Aside from this, by further promoting research of EPS prefab technology and integrated construction methods for power panels and outdoor units, we are working to improve productivity through enhancing labor-saving and efficiency of worksite operations. Also, a worksite support system will be built in the future to enable drawing data transmissions between worksites and factories, thereby further improving worksite productivity.



Development of overhead cabling robots

In the renewal work of overhead power distribution lines, efficient and safe cabling to messenger ropes is key, which has been difficult in wooded sites with poor visibility or locations that are not easily accessible, such as mountainous areas or when crossing a gorge. In response, the division developed a self-propelled overhead cabling robot with excellent traveling performance and towing capability that can make use of existing low-voltage distribution lines and can be operated remotely. We plan to utilize this robot to enhance safety and labor-saving in engineering work on overhead power distribution lines.



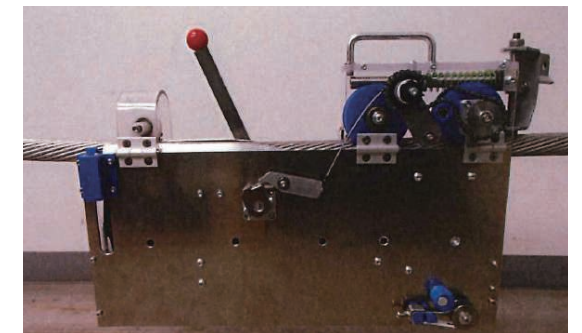
Development of device for laying small diameter curved pipes—a technology for undergrounding power lines

When laying branch circuits for use by major corporate consumers that are directly connected to core power lines without involving power poles, an open-cut method has been traditionally used, where excavation is carried out on the ground. This method had difficulty in gaining the understanding of local residents for excavation in the premises of corporate consumers, as well as presenting issues in labor and time required for removal and restoration of obstacles such as walls and concrete floor slabs. In response, we improved existing methods and developed a device for laying utility tunnels with a diameter of 80mm LEP, without digging into the ground. As the device is expected to not only enhance labor-saving in utility tunnel excavation work but also reduce consumer burden, we aim to expand orders for work on the undergrounding of power lines, an area where further growth in demand is anticipated.



Development of semi-automated device for attaching snow resistant rings

Attaching of snow resistant rings used in transmission lines work is a meticulous operation requiring labor and time, where electricians must sit on wires and attach each ring by hand. It was also difficult to reduce operation time as it calls for attention to prevent the fall of materials and tools. In response, an automated device for attaching snow resistant rings was developed jointly by the Company and group companies, with the aim of streamlining and speeding electricians' overhead wiring work done in midair. We will deploy this device to enhance labor-saving in work on transmission lines.



CSR Report – Environmental Initiatives

The human race has enjoyed many benefits of industrial and economic development, but these benefits have come at the cost of global warming, pollution, and ecological destruction. A great burden has thus been placed on the global environment.

Coexistence with the natural environment, the foundation of our existence, is essential for any healthy society. This is also a theme that we must continually keep in mind in our business activities.

At Kandenko, we take the long-term view that it is corporate management's vital social responsibility to have an environmental vision leading to the creation of a sustainable society. We will do our part to leave a safe, sound environment for future generations by implementing initiatives that reduce the burden on the environment.

Basic Policy on the Environment

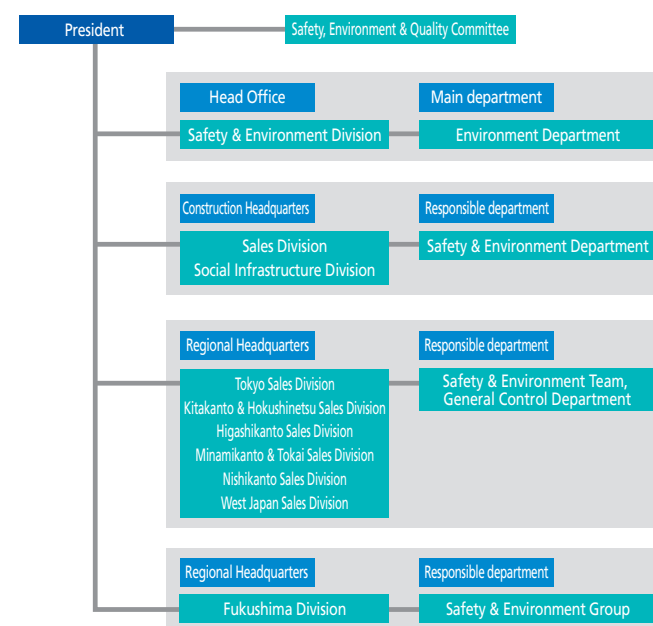
To realize a sustainable society, the Company strives for management in which business activities are in harmony with nature from a long-term view in every situation as a general infrastructure company.

Activity Plan

1. We will follow environmental legal regulations and reduce environmental risk to fulfill our corporate social responsibility.
2. To realize a low carbon, recycling-based society, we will work to conserve energy, save resources, promote recycling, and prevent pollution through development, design, and execution of environmentally-conscious technologies.
3. We consider environmental conservation to be an important management issue. We are committed to making continual improvements to our environmental management system (EMS).
4. We will educate all employees who engage in our business operations about the environment and raise their environmental awareness.
5. We will build bridges of cooperation to regional society and contribute to creating a society considerate of biodiversity.

Structure for Promoting the Environmental Management System

To facilitate a deep review of its policies and initiatives in the field of environmental conservation activities, Kandenko appoints a Safety, Environment & Quality Committee chaired by the company president. Under the control of the Environment Department of Safety & Environment Division, the departments set up to promote environmental activities are as follows: in the Construction Headquarters, the Safety & Environment Department; and in the Regional Headquarters, the Safety & Environment Team of the General Control Department, and the Safety & Environment Group.



Initiatives to Reduce the Environmental Burden

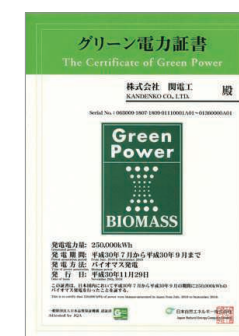
Amid intensifying global environmental issues, we believe that we can contribute to protecting the sound biodiversity of the ecosystem and realize a sustainable society by implementing systematic and efficient environmental conservation measures in all aspects of our business activities.

In addition to promoting environment-friendly procurement, Kandenko's initiatives for environmental conservation include efforts to reduce consumption of resources and energy and measures to improve industrial waste recycling rates and convert waste into valuable resources. By ensuring strict compliance with environmental laws and regulations, we are also working to eliminate environmental risk, enhance environmental awareness, and further integrate environmental conservation activities. As a corporate member of a recycling-based society, Kandenko seeks to create a rich human environment and implement unceasing innovation, contributing in this way to activities that conserve the global environment.

Examples of Initiatives

Introducing green electric power

Assenting to the wide use of green energy, the Company commissions power generation from natural energy sources of 1,000,000 kWh per year (standard generated energy) to Japan Natural Energy Company Limited, based on a Green Energy Certification System. This is equivalent to about 35% of the electric power consumed by the Kandenko head office building in fiscal 2017.



Promoting green purchasing

Kandenko engages in green purchasing activities with respect to materials used at its offices and worksites, including stationery, office supplies, office machinery, furnishings, and uniforms. To prioritize purchasing of environment-friendly eco-products, Kandenko bases its initiatives on a set of green purchasing guidelines.

Electric energy-saving initiatives

Kandenko provides a service known as Kandenko Eco-Business to respond to the many and diverse needs of customers in the field of environmental burden reduction. Covering customer facilities such as electric power, air conditioning and sanitation systems, IT networks, and security systems, it offers a one-stop service from inspection, diagnosis and planning, to design, installation and maintenance to promote energy-saving and CO₂ reduction at customer facilities.

Kandenko's business bases are fitted with an energy-saving office lighting control system that uses daylight sensors to detect the strength of daylight from windows and personnel sensors to detect human movement and then adjusts the amount of artificial light provided accordingly. Kandenko has additionally introduced energy-saving facilities such as LED lighting, ice-based thermal storage air conditioning systems, and its hot-water supply system for industrial use: EcoCute Q.

Kandenko's other energy-saving activities include switching off unnecessary lighting and avoiding wasteful air conditioning settings that result in excessive cooling or heating of indoor spaces.

Vehicle energy-saving initiatives

Kandenko employs a large vehicle fleet consisting mainly of work vehicles such as aerial work platform trucks and other vehicles to transport materials and equipment. To

raise the fuel efficiency of all vehicles, employees have worked in concert to promote eco-driving.

Concurrently, Kandenko is promoting the introduction of electric vehicles, which have outstanding environmental performance features such as no CO₂ emissions during operation, and hybrid vehicles, which have excellent fuel efficiency.

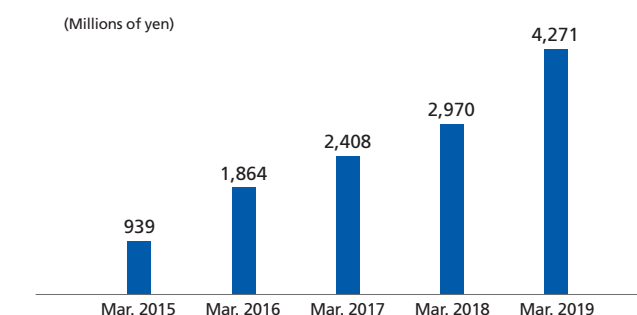
Power generation business

Generation of electricity from wind and solar power is in progress as a way to utilize natural energy. The Company has engaged in the design and construction of numerous solar and wind power generation systems and participated in experimental studies of renewable energy in and outside Japan. Leveraging our accumulated technologies and expertise, we operate a power generation business using renewable energy since fiscal 2012.

Power plants in operation (Excerpt)

	Maximum output	Location
Choshi Wind Power Plant	13.5 MW (9 windmills with a capacity of 1.5 MW each)	Choshi-shi, Chiba
Yagi Wind Power Plant	9.0 MW (6 windmills with a capacity of 1.5 MW each)	Choshi-shi, Chiba
Shiraoka Solar Power Plant	1.5 MW	Shiraoka-shi, Saitama
Kaminokawa Solar Power Plant	1.75 MW	Kaminokawamachi, Kawachi-gun, Tochigi
Sosa Solar Power Plant	1.5 MW	Sosa-shi, Chiba
Shin-Koga Solar Power Plant	1.5 MW	Sakaimachi, Sashima-gun, Ibaraki
Ushikuma Solar Power Plant	1.5 MW	Kama-shi, Fukuoka
Kama No.1 Solar Power Plant	13.75 MW	Kama-shi, Iizuka-shi, Fukuoka
Kama No.2 Solar Power Plant	5.0 MW	Kama-shi, Fukuoka
Maebashi Biomass Power Plant	6.75 MW	Maebashi-shi, Gunma

Net sales



Employee Initiatives

Under the corporate motto of “People First,” the Company strives for “human resources development,” “reforms for work practices and annual leave systems,” and “creation of an open workplace environment.” Through these measures, we work to realize a working environment where each employee can take an active role by fully realizing their potential.

Basic Policy on Human Resources Development

While continuously nurturing a “professional workforce trusted by society and customers” necessary for sustained growth, the Company will develop and raise the capabilities of each employee.

Outline of Initiatives for Human Resources Development

The Company has continuously worked to establish systems to develop excellent human resources.

An outline of specific initiatives is as follows.

1. Personnel development

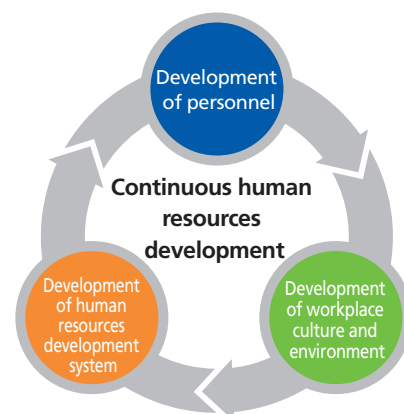
OJT: Guidance and training through workplace operation

Group seminars: Training for professional expertise and skills

Self-development: Support upskilling of employees, such as acquisition of qualifications

2. Development of a workplace culture and environment that fosters human resources

3. Development of a human resources development system (standardization of development methods)



Personnel We Aspire to Be

1. Professional workforce trusted by society and customers

- Human resources committed to a mission to live up to the trust and expectations of customers and make contributions to society
- Human resources equipped with high skills necessary to provide the best services and facilities
- Human resources respecting diverse values to cope with changes in the times and ceaselessly striving for self-development and ingenuity

2. Workplace culture and environment that foster human resources

- A workplace where everyone can learn from each other and grow together
- A workplace where employees can speak and consult with others frankly
- A workplace where each employee can exert their own abilities

Training Programs

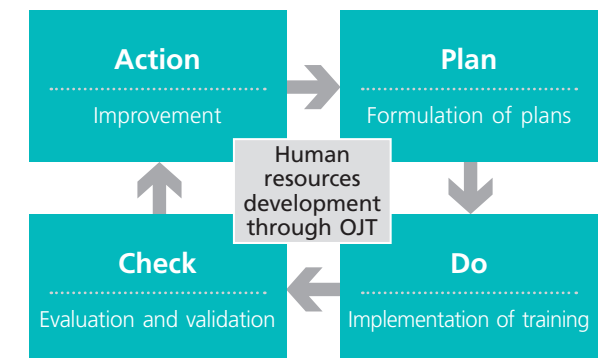
OJT training

OJT training is a program whereby senior employees in the workplace encourage junior employees to acquire business abilities by providing guidance on practical knowledge and skills in daily operations.

OJT training is also important as a way for expert employees to pass on technologies and skills to young employees.

(Status of implementation)

- OJT leadership training (Held 9 times, attended by 168 employees)
- Review of the OJT system status through worksite visits (45 sites)



Group seminars

Group seminars are held for the purpose of equipping employees of the Company with the necessary skills commensurate with their positions.

We seek to upskill each employee by classifying them into new employees, mid-level employees, and employees in managerial positions.

(Status of implementation)

- Reducing the period of training for Electrical Engineering Work through curriculum review (from 83 days to 75 days)
- Holding training that can be attended by affiliated companies and business partners
- Enhancement of curriculums regarding interpersonal skills targeted at young employees (improvement of communication skills)

Category	Level	Specialized training	
Division	Duties related to construction, sales, and administration	Duties related to construction	Duties related to sales
New employee training	Introductory training		
	Technical training		
1 - 2 years	Basic training	Design training, estimation training, etc.	New salesperson training
3 - 4 years	Intermediate training		Salesperson basic training
5 - 7 years	Advanced training		Salesperson specialized training
8 - 10 years	Special advanced training		
Team leader level	Team leader training		
Assistant section manager level	Assistant section manager training		
Section manager level	Section manager training		
Department manager and deputy department manager level	Training for next generation leaders		

Self-development

In acquiring national qualifications required for duties, the Company provides various support to employees who are willing to learn and grow on their own. Support includes in-house seminars and bearing expenses for correspondence education programs, external workshops, and examinations.

Examples of qualifications recommended by the Company

1st grade construction managing engineer
Third-class chief electricity engineer
Professional engineer and associate professional engineer
Fire defense equipment officer
First-class electrician
Construction accounting specialist

Employee Initiatives

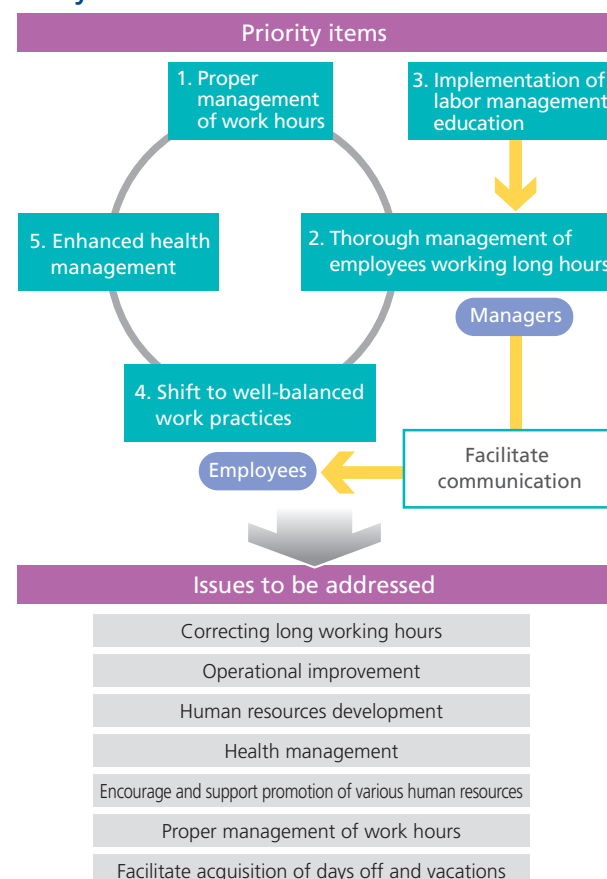
Reforms for Work Practices and Annual Leave Systems

To realize a company where each employee can work energetically in every workplace, the Company promotes various work practices and annual leave systems aiming to shorten total working hours while enhancing the health management of employees.

Basic policy

- Leading and implementing reforms by managers including executives
- Shifting to a work-life balance mindset
- Strengthening the industrial insurance system and encouraging self-care obligations

Priority items and issues to be addressed



Major initiatives

- Scheduled grant of annual paid leave (2 days)
 - Established Work and Leave Restyling Committees at all branches
 - Held 126 briefings on work hours at all offices etc.
- Average number of paid leave taken in fiscal 2018: 9.3 days

K. Assertion

To create a workplace environment with greater openness, the Company is currently engaging in “K. Assertion” activities under the slogan of “Voice your findings and appreciate voices.” Assertion* is a communication method to develop smooth relationships, and the Company’s understanding of assertion is “to respect oneself and others, and frankly voice findings, questions, and opinions.” Continuous promotion of this activity will encourage proactive communication among employees and solidify relationships of trust. Also, the activities will improve work quality and productivity as they strengthen inter-organizational cooperation and aid in preventing disasters and accidents.

***Assertions** are communication skills to assert oneself properly without causing distress in other persons. Generally, disparities in position make it difficult to assert oneself, but using this skill enables frank communication based on mutual respect, without superiors imposing their opinions on others or subordinates feeling timid. This provides additional assurance to employees in the workplace that they are allowed to voice their questions and opinions.

(Outline of activities)

- Issuing messages from executives on a regular basis
- Making activities known internally and raising awareness by displaying posters and distributing leaflets
- Implementing practical assertion training at group seminars, etc.

Implementing assertion through practical operations



Initiatives to Promote Diversity

In October 2018, Kandenko established a Diversity Promotion Team. So that each employee can demonstrate his or her capabilities irrespective of gender, nationality, age, or bodily features, we are working to develop vigorous personnel and a workplace environment in conjunction with “reforms for work practices and annual leave systems” and “measures for human resources development.” Also, by respecting the diverse ideas of employees, we aim to raise corporate value and become a company that will continue to be trusted.

Promoting employment of persons with disabilities

To step up diversity promotion, we engage in initiatives for employment and advancement of persons with disabilities.

Inclusion of LGBT

We take up LGBT at workplace training to educate and raise awareness on the issue.

Promoting the advancement of women

The Company has been promoting the Project to Promote Female Advancement as an action plan to further promote the advancement of female employees since fiscal 2016. An overview and major initiatives of the project are as follows.

Period of the Action Plan

April 1, 2016, to March 31, 2021

Action Target

A fourfold or more increase (32 or more people) in the number of women in managerial positions to the end of fiscal 2020.

Basic Policies of Initiative

■ Improvement in Workplace Culture and Awareness

Create a workplace culture and awareness that appropriately values and rewards people who work hard regardless of gender.

■ Expansion of Assigned Duties and Development of Professional Abilities

Roll out initiatives to expand the range of duties assigned to female employees, for instance by promoting the advancement of women at engineering worksites, and create an environment in which employees can take the initiative in developing their professional skills.

■ Enhanced Support for Work-Life Balance

Achieve a workplace environment that supports both male and female employees who continue working while raising children.

Examples of Initiatives

■ Kurumin Accreditation Mark Recognizing Support for Child-Rearing

In 2015, Kandenko was recognized by the Tokyo Labor Bureau as a company that supports child-rearing with the award of the Kurumin Mark.

To be recognized as a company that supports child-rearing, companies must meet a certain set of conditions, including the formulation of an Employers’ Action Plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children and achievement during the plan of a target figure for female employees taking child-rearing leave.



Kandenko received the accreditation mark in recognition of achievements during the five years of the plan starting from 2010, which included the introduction of a child-rearing leave system that exceeds the legal requirement and relaxation of the qualifying requirements for a maternity-friendly work pattern.

■ Participation in Science and Technology Challenge*

Since fiscal 2016, we have participated in the Science and Technology Challenge—an initiative organized by the Japanese Cabinet Office and the Japan Business Federation—by actively supporting female students in their choice of career paths in the fields of science and technology.



女子高校生・女子学生の理工系分野への選択

http://www.gender.co.jp/c-challenge/about_rikochalle/index.html (in Japanese)

* Through initiatives led by the Gender Equality Bureau of the Cabinet Office, the Science and Technology Challenge supports female students interested in the fields of science and technology, who are taking on the challenge of a related career path based on a clear vision of their future.

■ Held Forum for Female Technical and Engineering Staff

We hold lectures and seminars with an aim of reforming the awareness of female employees appointed at worksites and to expand the range of their duties. The lectures and seminars also serve as a networking opportunity for them.

■ Held Seminar for Employees Taking Childcare Leave

We provide a venue for information exchange regarding child-rearing and casual communication to parenting employees. We support them in balancing work and child-rearing through easing their anxiety about returning to work and sharing problems.

■ Compilation of Support for Work-Life Balance Handbook

As an aid to supporting employees’ work-life balance, the handbook provides various information such as in-house systems related to child-rearing and sends messages to bosses who are working with junior colleagues preparing for maternity leave and child-rearing leave.

CSR Report – Coexistence with Society |

Kandenko maintains that it “fulfills its duty of corporate social contribution and contributes to creating richer human environments” as one part of our Corporate Philosophy, and we are dedicated to promoting CSR management throughout the Group and contributing to the sustainable growth of society.

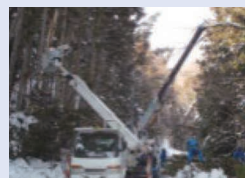
Responding after natural disasters occur

Kandenko believes that, as part of its social responsibility as a company that is involved in supplying public utilities, it is our duty to devote all of our strength to the expedited restoration of electrical infrastructure for the stable provision of electric power in the event of a disaster. We would like to take this opportunity to introduce initiatives we implemented following the Great East Japan Earthquake.

March 2011
The Great East Japan Earthquake



May 2012
Damage by tornado in Northern Kanto



September 2013
Damage by tornado in Saitama & Chiba



February 2014
Damage by heavy snow in Gunma



September 2015
Damage by heavy rain in Kanto & Tohoku



April 2016
Damage by Kumamoto Earthquake (Indoor electrical engineering)



August 2016
Damage by Typhoon No.9



September-October 2018
Damage by Typhoon No.21 & 24



Social contribution activities

The Mount Fuji Reforestation Project

The Mount Fuji Reforestation Project was undertaken with the goal of protecting the nearly untouched forest ecosystem, fearing the loss of Mount Fuji's rich forest resources and the natural ecosystem. (Operated by the Organization for Industrial, Spiritual and Cultural Advancement (OISCA), a nonprofit foundation)

Kandenko has participated in these activities since 2017, through which Kandenko employees and their families have assisted in efforts such as tree planting and the installation of nets to prevent damage from feeding deer. Participants come and listen to talks on the natural environment of Mount Fuji, and raise their awareness of environmental protection while deepening their understanding of Mount Fuji.

Activities in the past

	Participants	Activities
May 2017	123 persons	Tree planting, installing nets to prevent damage from feeding deer
May 2018	252 persons	Installing nets to prevent damage from feeding deer, forest thinning



Sponsorship of the “All-Japan High School Rugby Football Championship”

Kandenko aims for social contribution through sports promotion and serves as an Official Partner in sponsoring the “All-Japan High School Rugby Football Championship” organized by associations such as the All Japan High School Athletic Federation and the Japan Rugby Football Union.

Through sponsoring this championship, held at Hanazono Rugby Stadium, the representative symbol of high school rugby, we support the development of Japan rugby and the futures of the high school students who will carry the rugby world forward.



Sponsored events

The 97th Championship

The 98th Championship

Golf lessons for children, the “Green Classroom of the Future”

Kandenko sponsors three major national open tournaments in Japan organized by the Japan Golf Association (JGA) and golf lessons for children, the “Green Classroom of the Future,” which are held during these tournaments.

The “Green Classroom of the Future,” a project that aims to support the physical and mental development of children who will lead the next generation, is an event where participants can experience the fun and sense of accomplishment of golf under the guidance of professional golfers through a series of lessons that use SNAG Golf to teach those who have yet to fully experience golf.



Activities in the past

	Participants	Location
September 2017	21 persons	Miyawaka-shi, Fukuoka
July 2018	30 persons	Tomakomai-shi, Hokkaido

Participation in the “Kyu-Can-Cho Project”

As one of our CSR activities, Kandenko participates in the “Kyu-Can-Cho Project” (Canned help bird project), a project initiated by PAN AKIMOTO CO., LTD. to help fight against world starvation, and we have stored 1,500 cans of bread in our head office.



The “Kyu-Can-Cho Project” is a movement to collect stockpiled canned bread before its expiration date and deliver it through NGOs as relief supplies to people suffering from starvation around the world. This bread is delivered to disaster-affected areas in Japan as well, and the empty bread cans are also designed so that they can be used by the recipients as cups or bowls.



“The MICHINOKU Future Fund”



Charitable Foundation, The MICHINOKU Future Fund provides full funding for enrollment fees and tuition fees of children who lost their parents in the Great East

Japan Earthquake to continue their education after graduating high school (university, junior college, and technical school), with no repayment required. This fund was established by three private companies in 2011 and has been operated by four companies since April 2013.

Kandenko has participated in the fund since fiscal 2016 and made regular donations. We believe that supporting children in holding on to their dreams and goals without giving up on their education will help to support the process of recovery.

“KIDS EARTH FUND”

Since its establishment in 1988, KIDS EARTH FUND has sponsored and carried out the distribution of art supplies, picture books, and donations for children throughout the world who suffer from the results of disease, war, and disasters.

The fund conducts “Kids Helping Kids” activities and uses proceeds to support children afflicted by poverty who are unable to afford schooling.

Kandenko supports these “Kids Helping Kids” activities by publishing pictures drawn by children in its corporate calendar.



Corporate Governance

oversee and audit the directors' execution of duties from an independent and neutral standpoint. Regarding outside Audit & Supervisory Board members, the Audit & Supervisory Board meeting first agrees on the candidates, the Board of Directors approves them, and then they are presented at a general meeting of shareholders for a vote. In the case of outside directors, the Board of Directors nominates a number of outside director candidates who meet the independence criteria listed below, giving due consideration to the practical effectiveness of its operations. For outside members of the Audit & Supervisory Board, the Board of Directors nominates a number of candidates with the ability to audit the execution of business by the directors from a position of independence and objectivity.

Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

Kandenko considers candidates for outside director and outside Audit & Supervisory Board Members to be independent as long as they do not trigger any of the following exclusion criteria:

1. The candidate is or has been a business executive of Kandenko or a Kandenko's subsidiary.
2. The candidate is a business executive of a major shareholder of Kandenko (a shareholder with 10% or more of the voting rights including indirect holdings) or a business executive of a company of which Kandenko is a major shareholder.
3. The candidate is a business executive of a major creditor of Kandenko (a creditor who has provided loans of more than 1% of consolidated assets in the most recent fiscal year).
4. The candidate is a business executive of a major business client of Kandenko (a client accounting for more than 1% of consolidated net sales in the most recent fiscal year) or a business executive of a company of which Kandenko is a major business client.
5. The candidate is a representative employee or an employee of an accounting auditor of Kandenko.
6. The candidate is a person who has, or a member of a group that has, received from Kandenko material benefits or gifts of high value (more than ¥10 million excluding corporate officers' remuneration).
7. The candidate is a business executive of a company with a reciprocal relationship with Kandenko through outside officers.
8. The candidate has a relative (a spouse or relative within the second degree of kinship) to whom any of 1 to 6 above applies (restricted to officers and senior employees).
9. The candidate has triggered any of 2 to 8 above in the past five years.

Compensation Advisory Committee

The Company established an arbitrary advisory committee in January 2019 to secure transparency in the process of determining directors' compensation.

The outline of the committee is as follows.

Name: Compensation Advisory Committee
Composition: Chairman (Chair of the Committee), President, independent outside directors, Chair of the Audit & Supervisory Board, and independent outside Audit & Supervisory Board members

Matters for deliberation and discussion: Matters related to the compensation of directors and Audit & Supervisory Board members, and other matters related to corporate governance and compliance

Effectiveness evaluation

To secure the effectiveness of the Board of Directors, the Company carries out self-evaluation by all directors and Audit & Supervisory Board members after the end of each fiscal year regarding the effectiveness of the Board of Directors. The content of the evaluation is analyzed and assessed by the Board of Directors. In the self-evaluation implemented in April 2019, opinions were raised on discussions by the Board of Directors and the composition of the Board of Directors, but the overall effectiveness of the Board of Directors in fiscal 2018 was judged to have been secured.

The Company will continue to raise the effectiveness of the Board of Directors as a whole in light of these opinions.

State of Progress of the Internal Control System

Based on the Basic Policy for Enhancing the Internal Control System adopted by the Board of Directors (enacted April 2006, revised May 2015), Kandenko has established an Internal Control Committee chaired by the company president that discusses issues relating to the internal control system. The Company also lays down internal control regulations that set out the basic principles of internal control and management regulations for affiliated companies that set out relevant management principles. Through these and other measures, Kandenko has put in place a system to ensure appropriate business conduct by the Company and by the corporate group consisting of Kandenko and its subsidiaries. Additionally, to promote adaptation to the internal control reporting system introduced in fiscal 2008 in accordance with the Financial Instruments and Exchange Act, the Company has set up a department in charge of reviewing internal controls relating to financial reporting in order to promote appropriate operation and evaluation and to ensure the credibility of financial reporting.

Compliance System

To clarify important points in the Kandenko Group's business activities and encourage deeper inculcation of compliance, we have enacted the Kandenko Group Charter of Corporate Behavior, and we are promoting its establishment and raising the awareness of all Group employees about the Charter. We have set up a compliance consultation point for employees and an internal system where legal violations can be reported. We are working to establish and maintain a corporate culture of fairness and transparency.

In its attitude toward antisocial forces, the whole Kandenko organization is committed to a resolute stance rejecting any action that could raise suspicion of an inappropriate relationship. Backing this stance are the

Kandenko Group Charter of Corporate Behavior and the Internal Control Enhancement Plan adopted by the Internal Control Committee, which form the basis for education, training, and related activities to ensure compliance and promote full awareness throughout the organization.

Risk Management System

The Kandenko Group operates a set of internal regulations on risk management. Having categorized and defined risks relating to business operations item by item, Kandenko devises countermeasures to match their degree of impact and likelihood of occurrence. In addition to taking advance measures of this kind to prevent risk, Kandenko has designated reporting channels and response systems in place for the event of the risk materializing.

Additionally, the Internal Control Committee meets periodically to check the operating status of the risk management system and to analyze and evaluate risk status and related matters, while the establishment of a dedicated Internal Control Division serves to strengthen the risk management system.

Described below are factors that could possibly have a significant impact on decisions made by investors.

In recognizing that there is the potential for such risks to occur, the Kandenko Group is undertaking efforts to avoid their occurrence as well as formulating countermeasures in the event such risks occur.

Moreover, the statements described below regarding the future reflect judgments made by the Kandenko Group based information available up to the end of the fiscal year ended March 31, 2019.

Changes in the business environment

In the event that significant changes occur in the business environment, such as decreases in construction-related investments or capital investment in electric power facilities and equipment exceeding projected changes, it is possible that the actual financial performance or other results of the Company could be affected. Sales to the TEPCO Group account for about 30% of the Kandenko Group's sales.

Fluctuations in the cost of materials or labor costs

Should the cost of materials or labor costs increase significantly, and the increase cannot be reflected in the contracted fees, it is possible that the actual financial performance or other results of the Company could be affected.

Work and related risks

If work undertaken by Kandenko turns out to be seriously defective or an accident occurs in the course of work, it is possible that the actual financial performance or other results of the Company could be affected.

Credit risk of client company

In the construction industry, the contracted fee for each transaction is very large, and in many cases, the contract is subject to the payment of a large construction fee at the handover of the completed construction. Should the client company suffer from a credit shortage before the

Company can receive payment of the construction fee, it is possible that the actual financial performance or other results of the Company could be affected.

Asset holding risk

As it is necessary to have such assets as real estate and securities for business activities, should something happen, such as a significant decline in the fair value of the held assets, or a dramatic drop in the profitability of the real estate for business purposes, it is possible that the actual financial performance or other results of the Company could be affected.

Liability for employees' retirement benefits

Should the fair value of pension assets decline, or should there be changes in the assumptions, such as the return on investments or discount rate, used to calculate the liability for employees' retirement benefits, it is possible that the actual financial performance or other results of the Company could be affected.

Legal regulations

The Company is subject to legal regulations, including the Construction Business Act, the Antimonopoly Act, and the Industrial Safety and Health Act. Should there be any changes, such as the revision or repeal of legal regulations, or the enactment of new legal regulations, or if changes are made to criteria for their application or administrative sanctions are handed down based on the legal regulations, it is possible that the actual financial performance or other results of the Company could be affected.

Systems to Ensure Appropriate Business Conduct by Kandenko and the Corporate Group Consisting of Kandenko and Its Subsidiaries

Kandenko has put in place a system to promote information sharing with its subsidiaries, under which the Kandenko Board of Directors receives reports on important matters relating to the business conduct of subsidiaries, including their accounting and internal control operations.

Moreover, for the purpose of risk management at subsidiaries, internal regulations are in place whose basic aim is to prevent crisis situations in advance and to minimize the impact on business activities in the event that a crisis situation materializes. Additionally, Kandenko provides advice and other support for the creation of risk management systems at subsidiaries, and periodically checks and evaluates the status of risk management at its subsidiaries.

By periodically receiving reports from its subsidiaries, Kandenko is able to check their conduct of business, ascertain the state of management operations at the subsidiary, and offer advice and other measures to tackle management issues.

In parallel, the Internal Audit Division carries out internal audit of subsidiaries in accordance with the Internal Control Enhancement Plan. The audit results are reported to the Internal Control Committee and the Management Committee, and as appropriate to the Board of Directors, to enable any remedial action to be taken.

Management Structure

(As of July 1, 2019)

Directors



Chairman and Director
Kiyoshi Goto *

Tenure as Director:
8 years

Kiyoshi Goto was elected as a Director as he has experience and expertise, etc. gained through serving in positions that include Chairman and Director of the Company which will contribute to management of the Company.

Significant Concurrent Positions outside the Company:
President of Japan Electrical Construction Association



President and Executive Officer
Yoshimi Morito *

Tenure as Director:
5 years

Yoshimi Morito was elected as a Director as he has experience and expertise, etc. gained through serving in positions that include President and Executive Officer which will contribute to management of the Company.



Executive Vice President and Executive Officer
Shinichiro Kitayama

Administrative delegation
Division Manager of Social Infrastructure Division, and Head of Sales Unit
Tenure as Director:
5 years

Shinichiro Kitayama was elected as a Director as he has knowledge in the operation of the area of electric power & civil engineering as well as his experience and expertise, etc. gained through serving in positions that include Senior Managing Director and Executive Officer which will contribute to management of the Company.



Managing Director and Executive Officer
Toru Yukimura

Administrative delegation, jurisdiction, and responsibility
Acting Division Manager of Corporate Division (accounting and IT unit)
Tenure as Director:
3 years

Toru Yukimura was elected as a Director as he has knowledge in the operation of the area of administration as well as his experience and expertise, etc. gained through serving in positions that include Managing Director and Executive Officer which will contribute to management of the Company.



Executive Vice President
Shigenori Takaoka *

Administrative delegation, jurisdiction, and responsibility
In charge of Overall Operations, Social Infrastructure Division and Fukushima Division
Tenure as Director:
4 years

Shigenori Takaoka was elected as a Director as he has knowledge in the operation of the area of power distribution as well as his experience and expertise, etc. gained through serving in positions that include Executive Vice President of the Company which will contribute to management of the Company.



Executive Vice President and Executive Officer
Shoichiro Kashiwabara *

Administrative delegation, jurisdiction, and responsibility
Division Manager of Corporate Division in charge of Overall Operations and Internal Control Division
Tenure as Director:
4 years

Shoichiro Kashiwabara was elected as a Director as he has knowledge in the operation of the area of administration as well as his experience and expertise, etc. gained through serving in positions that include Executive Vice President which will contribute to management of the Company.



Managing Director and Executive Officer
Shigeru Nagaoka

Administrative delegation
Division Manager of Tokyo Sales Division
Tenure as Director:
2 years

Shigeru Nagaoka was elected as a Director as he has knowledge in the operation of the area of electrical engineering, environmental facilities and systems, and renovation as well as his experience and expertise, etc. gained through serving in positions that include Managing Director and Executive Officer which will contribute to management of the Company.



Managing Director and Executive Officer
Yuji Ueda

Administrative delegation, jurisdiction, and responsibility
Deputy Executive General Manager of Sales Division, in charge of Strategy & Technology Development Division and Group Business
Tenure as Director:
1 year

Yuji Ueda was elected as a Director as he has experience and expertise, etc. gained through serving in positions that include Managing Director of TEPCO Energy Partner, Inc. as well as Managing Director and Executive Officer of the Company which will contribute to management of the Company.



Executive Vice President and Executive Officer
Toshio Nakama *

Administrative delegation
Division Manager of Sales Division
Tenure as Director:
4 years

Toshio Nakama was elected as a Director as he has knowledge in the operation of the area of electrical engineering, environmental facilities and systems, and renovation as well as his experience and expertise, etc. gained through serving in positions that include Executive Vice President and Executive Officer which will contribute to management of the Company.



Executive Vice President and Executive Officer
Kenichi Takahashi

Administrative delegation, jurisdiction, and responsibility
Acting Division Manager of Sales Division, in charge of International Business Division, and Strengthening of Corporate Structure
Tenure as Director:
5 years

Kenichi Takahashi was elected as a Director as he has knowledge in the operation of the area of electrical engineering, environmental facilities and systems, and renovation as well as his experience and expertise, etc. gained through serving in positions that include Executive Vice President and Executive Officer which will contribute to management of the Company.



Managing Director and Executive Officer
Shinichi Miyauchi

Administrative delegation, jurisdiction, and responsibility
Division Manager of Cost Management Division, in charge of Safety & Environment Division
Tenure as Director:
—

Shinichi Miyauchi was elected as a Director as he has knowledge in the operation of the area of administration as well as his experience and expertise, etc. gained through serving in positions that include Division Manager of Cost Management Division.

* denotes Representative Directors

Management Structure

Outside Directors



Outside Director

Takashi Uchino

Tenure as Director:
6 years

Takashi Uchino was elected as a Director as he has broad expertise, etc. as a university professor and as a business administration expert which will contribute to management of the Company.



Outside Director

Masataka Ishizuka

Tenure as Director:
4 years

Masataka Ishizuka was elected as a Director as he has experience and expertise, etc. gained through serving as Director of Central Japan Railway Company and JR TOKAI AGENCY CO., LTD which will contribute to management of the Company.

Significant Concurrent Positions outside the Company:
Curator of GRANSHIP convention center, Shizuoka Cultural Foundation



Outside Director

Hajime Saito

Tenure as Director:
—

Hajime Saito was elected as a Director as he has experience and expertise, etc. gained through serving in positions that include Director of Mizuho Financial Group, Inc. and Mizuho Securities Co., Ltd., etc. which will contribute to the management of the Company.

Full-time Audit & Supervisory Board Members



Full-time Audit & Supervisory Board Member

Haruhiko Terauchi

Tenure as Audit & Supervisory Board Member:
3 years

Haruhiko Terauchi was elected as an Audit & Supervisory Board Member as he has knowledge in the operation of the area of administration as well as his experience and expertise, etc. gained through serving in positions that include Managing Director and Executive Officer which will contribute to effective auditing of the Company.



Full-time Audit & Supervisory Board Member

Hiroyuki Kaneko

Tenure as Audit & Supervisory Board Member:
3 years

Hiroyuki Kaneko was elected as an Audit & Supervisory Board Member as he has knowledge in the operation of the area of electrical engineering, environmental facilities and systems, and renovation as well as his experience and expertise, etc. gained through serving in positions that include Executive Officer and Branch Manager which will contribute to effective auditing of the Company.

Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member

Sumihito Okawa

Tenure as Outside Audit & Supervisory Board Member:
11 years

Sumihito Okawa was elected as an Audit & Supervisory Board Member as he has experience and expertise, etc. gained through serving in positions that include Audit & Supervisory Board Member of ANA HOLDINGS INC. and ALL NIPPON AIRWAYS CO., LTD. which will contribute to the effective auditing of the Company.

Significant Concurrent Positions outside the Company:
Outside Audit & Supervisory Board Member, ANA HOLDINGS INC.
Audit & Supervisory Board Member, ALL NIPPON AIRWAYS CO., LTD.



Outside Audit & Supervisory Board Member

Takashi Suetsuna

Tenure as Outside Audit & Supervisory Board Member:
3 years

Takashi Suetsuna was elected as an Audit & Supervisory Board Member as he has experience and expertise, etc. gained through serving in positions that include senior official of administrative agencies and outside director of Marubeni Corporation and Totetsu Kogyo Co., Ltd. which will contribute to the effective auditing of the Company.

Significant Concurrent Positions outside the Company:
Outside Director, Totetsu Kogyo Co., Ltd.
Outside Director, JCR Pharmaceuticals Co., Ltd.
Outside Auditor, Aioi Nissay Dowa Insurance Co., Ltd.
Outside Auditor, Keikyu Corporation



Outside Audit & Supervisory Board Member

Shoichi Muto

Tenure as Outside Audit & Supervisory Board Member:
—

Shoichi Muto was elected as an Audit & Supervisory Board Member as he has experience and expertise, etc. gained through serving in positions at Tokyo Electric Power Company Holdings which will contribute to effective auditing of the Company.

Consolidated 11-Year Financial Summary |

(Millions of yen)

For the fiscal years ended March 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net sales	473,804	453,623	462,482	441,786	447,741	437,930	436,682	447,673	470,943	507,205	563,550
Operating profit	8,858	9,477	10,735	8,034	7,364	8,284	9,388	16,416	26,397	29,261	30,012
Operating profit ratio (%)	1.9	2.1	2.3	1.8	1.6	1.9	2.1	3.7	5.6	5.8	5.3
Ordinary profit	9,854	10,484	11,634	9,070	8,301	9,089	10,336	17,077	27,345	30,031	30,795
Profit attributable to owners of parent	5,586	5,428	5,866	1,876	3,952	4,226	4,615	9,412	17,591	19,058	19,703
Comprehensive income	—	—	1,772	4,381	8,238	7,327	11,984	7,137	18,422	22,927	20,319
Total assets	379,093	378,150	353,342	359,726	364,008	359,933	366,177	407,681	424,874	443,751	459,854
Total net assets	172,487	177,536	176,808	178,757	184,269	189,692	193,345	197,980	213,356	230,810	245,954
ROE (%)	3.3	3.2	3.9	1.1	2.2	2.3	2.5	4.9	8.8	8.8	8.5
ROA (%)	2.6	2.8	3.2	2.5	2.3	2.5	2.8	4.4	6.6	6.9	6.8
Equity ratio (%)	44.57	45.96	48.93	48.54	49.49	51.45	51.44	47.22	48.72	50.51	51.85
Net assets per share (yen)	826.08	850.04	845.67	854.31	881.41	906.29	922.05	942.42	1,013.33	1,097.36	1,167.30
Earnings per share (yen)	27.30	26.54	28.69	9.18	19.34	20.69	22.59	46.07	86.11	93.31	96.46
Cash dividends per share (yen)	12.00	14.00	12.00	12.00	12.00	12.00	14.00	14.00	20.00	24.00	26.00
Net cash provided by (used in) operating activities	16,947	12,236	10,257	13,035	15,401	△2,218	2,921	18,042	6,751	11,469	28,251
Net cash provided by (used in) investing activities	△9,825	△9,763	△3,799	1,583	△12,748	△5,839	2,253	△7,101	△17,867	△10,015	△10,131
Net cash used in financing activities	△3,519	△4,400	△4,037	△5,423	△2,900	△4,540	△3,743	19,807	△169	△7,857	△9,153
Cash and cash equivalents at end of period	41,060	39,142	41,539	50,725	50,550	38,697	40,157	70,899	59,612	54,099	63,068
Number of employees (persons)	8,513	8,665	8,769	8,746	8,732	8,821	8,839	8,915	9,244	9,571	9,818

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2018 AND 2019

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2018	2019	2019	
Assets				
Current assets				
Cash and deposits	*3 ¥ 56,787	*3 ¥ 62,586	*3 \$ 563,837	
Notes receivable, accounts receivable from completed construction contracts and other	*3 163,061	*3 184,424	*3 1,661,477	
Securities	9,999	11,999	108,099	
Costs on uncompleted construction contracts	*5 24,040	*5 9,986	*5 89,963	
Raw materials and supplies	5,123	4,787	43,126	
Other	13,148	11,980	107,927	
Allowance for doubtful accounts	(648)	(494)	(4,450)	
Total current assets	271,512	285,269	2,569,990	
Non-current assets				
Property, plant and equipment				
Buildings and structures	*3 90,192	*3 92,813	*3 836,153	
Machinery, vehicles, tools, furniture and fixtures	*3 60,105	*3 59,651	*3 537,396	
Land	*2, *3 60,292	*2, *3 59,983	*2, *3 540,387	
Leased assets	2,537	2,825	25,450	
Construction in progress	1,095	2,331	21,000	
Accumulated depreciation	(109,140)	(109,940)	(990,450)	
Total property, plant and equipment	105,082	107,665	969,954	
Intangible assets	5,902	5,662	51,009	
Investments and other assets				
Investment securities	*1, *3 46,318	*1, *3 47,442	*1, *3 427,405	
Net defined benefit asset	0	—	—	
Deferred tax assets	9,723	8,053	72,549	
Other	*3 6,003	*3 6,467	*3 58,261	
Allowance for doubtful accounts	(792)	(705)	(6,351)	
Total investments and other assets	61,253	61,257	551,864	
Total non-current assets	172,239	174,585	1,572,837	
Total assets	¥ 443,751	¥ 459,854	\$ 4,142,828	

The accompanying notes are an integral part of financial statements.

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2018	2019	2019	
Liabilities				
Current liabilities				
Notes payable, accounts payable for construction contracts and other	¥ 89,704	¥ 98,783	\$ 889,936	
Short-term loans payable	*3 10,072	*3 6,953	*3 62,639	
Lease obligations	477	525	4,729	
Income taxes payable	4,639	4,249	38,279	
Advances received on uncompleted construction contracts	17,510	15,036	135,459	
Provision for warranties for completed construction	241	211	1,900	
Provision for loss on construction contracts	*5 3,214	*5 2,372	*5 21,369	
Other	23,361	24,862	223,981	
Total current liabilities	149,222	152,994	1,378,324	
Non-current liabilities				
Convertible bond-type bonds with share acquisition rights	20,060	20,040	180,540	
Long-term loans payable	*3 8,799	*3 8,503	*3 76,603	
Lease obligations	966	981	8,837	
Deferred tax liabilities for land revaluation	*2 6,772	*2 6,686	*2 60,234	
Net defined benefit liability	25,188	22,902	206,324	
Other	1,931	1,792	16,144	
Total non-current liabilities	63,718	60,906	548,702	
Total liabilities	212,940	213,900	1,927,027	
Net assets				
Shareholders' equity				
Capital stock	10,264	10,264	92,468	
Capital surplus	6,351	6,352	57,225	
Retained earnings	196,568	211,314	1,903,729	
Treasury shares	(585)	(586)	(5,279)	
Total shareholders' equity	212,599	227,343	2,048,135	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	15,286	15,530	139,909	
Deferred gains or losses on hedges	(471)	(334)	(3,009)	
Revaluation reserve for land	*2 (4,842)	*2 (4,990)	*2 (44,954)	
Remeasurements of defined benefit plans	1,573	883	7,954	
Total accumulated other comprehensive income	11,546	11,088	99,891	
Non-controlling interests	6,665	7,521	67,756	
Total net assets	230,810	245,954	2,215,801	
Total liabilities and net assets	¥ 443,751	¥ 459,854	\$ 4,142,828	

The accompanying notes are an integral part of financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2018 AND 2019

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2018	2019	2019	
Net sales of completed construction contracts	¥ 507,205	¥ 563,550	\$ 5,077,027	
Cost of sales of completed construction contracts	*1, *2 452,828	*1 507,874	*1 4,575,441	
Gross profit (loss) on completed construction contracts	54,377	55,675	501,576	
Selling, general and administrative expenses	*3 25,115	*3 25,663	*3 231,198	
Operating profit (loss)	29,261	30,012	270,378	
Non-operating income				
Interest income	16	17	153	
Dividend income	837	878	7,909	
Other	428	339	3,054	
Total non-operating income	1,282	1,235	11,126	
Non-operating expenses				
Interest expenses	237	224	2,018	
Business commencement expenses	95	—	—	
Other	180	227	2,045	
Total non-operating expenses	512	452	4,072	
Ordinary profit (loss)	30,031	30,795	277,432	
Extraordinary income				
Gain on sales of non-current assets	*5 150	*5 74	*5 666	
Gain on sales of investment securities	—	22	198	
Total extraordinary income	150	96	864	
Extraordinary losses				
Loss on retirement of non-current assets	621	820	7,387	
Impairment loss	*6 363	165	1,486	
Other	62	—	—	
Total extraordinary losses	1,048	986	8,882	
Profit (loss) before income taxes	29,133	29,904	269,405	
Income taxes - current	8,234	7,395	66,621	
Income taxes - deferred	1,071	1,872	16,864	
Total income taxes	9,306	9,268	83,495	
Profit (loss)	19,826	20,636	185,909	
Profit (loss) attributable to non-controlling interests	768	932	8,396	
Profit (loss) attributable to owners of parent	¥ 19,058	¥ 19,703	\$ 177,504	

The accompanying notes are an integral part of financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2018 AND 2019

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2018	2019	2019	
Profit (loss)	¥ 19,826	¥ 20,636	\$ 185,909	
Other comprehensive income				
Valuation difference on available-for-sale securities	2,899	244	2,198	
Deferred gains or losses on hedges	50	137	1,234	
Remeasurements of defined benefit plans, net of tax	150	(698)	(6,288)	
Total other comprehensive income	*1 3,100	*1 (317)	*1 (2,855)	
Comprehensive income	¥ 22,927	¥ 20,319	\$ 183,054	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	22,091	19,394	174,720	
Comprehensive income attributable to non-controlling interests	¥ 835	¥ 924	\$ 8,324	

The accompanying notes are an integral part of financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2018

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥ 10,264	¥ 6,350	¥ 182,458	¥ (575)	¥ 198,496
Changes of items during period					
Purchase of shares of consolidated subsidiaries		1			1
Dividends of surplus			(4,902)		(4,902)
Profit (loss) attributable to owners of parent			19,058		19,058
Reversal of revaluation reserve for land			(19)		(19)
Change of scope of consolidation			(26)		(26)
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1	14,110	(10)	14,102
Balance at end of current period	¥ 10,264	¥ 6,351	¥ 196,568	¥ (585)	¥ 212,599

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	¥ 12,418	¥ (522)	¥ (4,861)	¥ 1,460	¥ 8,494	¥ 6,364	¥ 213,356
Changes of items during period							
Purchase of shares of consolidated subsidiaries							1
Dividends of surplus							(4,902)
Profit (loss) attributable to owners of parent							19,058
Reversal of revaluation reserve for land							(19)
Change of scope of consolidation							(26)
Purchase of treasury shares							(10)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	2,868	50	19	112	3,051	300	3,352
Total changes of items during period	2,868	50	19	112	3,051	300	17,454
Balance at end of current period	¥ 15,286	¥ (471)	¥ (4,842)	¥ 1,573	¥ 11,546	¥ 6,665	¥ 230,810

The accompanying notes are an integral part of financial statements.

YEAR ENDED MARCH 31, 2019

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥ 10,264	¥ 6,351	¥ 196,568	¥ (585)	¥ 212,599
Changes of items during period					
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(5,106)		(5,106)
Profit (loss) attributable to owners of parent			19,703		19,703
Reversal of revaluation reserve for land			148		148
Change of scope of consolidation			—		—
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	14,745	(0)	14,744
Balance at end of current period	¥ 10,264	¥ 6,352	¥ 211,314	¥ (586)	¥ 227,343

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	¥ 15,286	¥ (471)	¥ (4,842)	¥ 1,573	¥ 11,546	¥ 6,665	¥ 230,810
Changes of items during period							
Purchase of shares of consolidated subsidiaries							(0)
Dividends of surplus							(5,106)
Profit (loss) attributable to owners of parent							19,703
Reversal of revaluation reserve for land							148
Change of scope of consolidation							—
Purchase of treasury shares							(0)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	243	137	(148)	(689)	(457)	856	399
Total changes of items during period	243	137	(148)	(689)	(457)	856	15,143
Balance at end of current period	¥ 15,530	¥ (334)	¥ (4,990)	¥ 883	¥ 11,088	¥ 7,521	¥ 245,954

The accompanying notes are an integral part of financial statements.

Consolidated Financial Statements

YEAR ENDED MARCH 31, 2019

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$ 92,468	\$ 57,216	\$ 1,770,882	\$ (5,270)	\$ 1,915,306
Changes of items during period					
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(46,000)		(46,000)
Profit (loss) attributable to owners of parent			177,504		177,504
Reversal of revaluation reserve for land			1,333		1,333
Change of scope of consolidation			—		—
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	132,837	(0)	132,828
Balance at end of current period	\$ 92,468	\$ 57,225	\$ 1,903,729	\$ (5,279)	\$ 2,048,135

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	\$ 137,711	\$ (4,243)	\$ (43,621)	\$ 14,171	\$ 104,018	\$ 60,045	\$ 2,079,369
Changes of items during period							
Purchase of shares of consolidated subsidiaries							(0)
Dividends of surplus							(46,000)
Profit (loss) attributable to owners of parent							177,504
Reversal of revaluation reserve for land							1,333
Change of scope of consolidation							—
Purchase of treasury shares							(0)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	2,189	1,234	(1,333)	(6,207)	(4,117)	7,711	3,594
Total changes of items during period	2,189	1,234	(1,333)	(6,207)	(4,117)	7,711	136,423
Balance at end of current period	\$ 139,909	\$ (3,009)	\$ (44,954)	\$ 7,954	\$ 99,891	\$ 67,756	\$ 2,215,801

The accompanying notes are an integral part of financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2018 AND 2019

(Millions of Yen)

(Thousands of U.S. Dollars)

	2018	2019	2019
Cash flows from operating activities			
Profit (loss) before income taxes	¥ 29,133	¥ 29,904	\$ 269,405
Depreciation and amortization	5,101	6,188	55,747
Impairment loss	363	165	1,486
Increase (decrease) in allowance for doubtful accounts	(26)	(240)	(2,162)
Increase (decrease) in provision for loss on construction contracts	(835)	(842)	(7,585)
Increase (decrease) in net defined benefit liability	(2,063)	(2,438)	(21,963)
Decrease (increase) in net defined benefit asset	(0)	—	—
Interest and dividend income	(854)	(895)	(8,063)
Interest expenses	237	224	2,018
Loss (gain) on valuation of investment securities	21	—	—
Loss (gain) on sales of investment securities	—	(22)	(198)
Decrease (increase) in notes and accounts receivable - trade	(23,869)	(21,289)	(191,792)
Decrease (increase) in costs on uncompleted construction contracts	6,860	14,054	126,612
Decrease (increase) in other inventories	(570)	335	3,018
Increase (decrease) in notes and accounts payable - trade	7,320	9,079	81,792
Increase (decrease) in advances received on uncompleted construction contracts	(2,089)	(2,473)	(22,279)
Other, net	851	3,616	32,576
Subtotal	19,579	35,367	318,621
Interest and dividend income received	854	895	8,063
Interest expenses paid	(257)	(244)	(2,198)
Income taxes (paid) refund	(8,706)	(7,767)	(69,972)
Net cash provided by (used in) operating activities	11,469	28,251	254,513
Cash flows from investing activities			
Net decrease (increase) in time deposits	2,873	70	630
Purchase of securities	(5,199)	(4,000)	(36,036)
Proceeds from sales and redemption of securities	5,199	5,000	45,045
Purchase of property, plant and equipment	(9,614)	(8,660)	(78,018)
Proceeds from sales of property, plant and equipment	9	636	5,729
Purchase of investment securities	(709)	(827)	(7,450)
Proceeds from sales and redemption of investment securities	26	79	711
Payments of loans receivable	(533)	(860)	(7,747)
Collection of loans receivable	220	386	3,477
Other, net	(2,287)	(1,956)	(17,621)
Net cash provided by (used in) investing activities	(10,015)	(10,131)	(91,270)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(1,632)	(2,325)	(20,945)
Proceeds from long-term loans payable	560	651	5,864
Repayments of long-term loans payable	(798)	(1,740)	(15,675)
Repayments of lease obligations	(522)	(563)	(5,072)
Cash dividends paid	(4,902)	(5,106)	(46,000)
Other, net	(562)	(69)	(621)
Net cash provided by (used in) financing activities	(7,857)	(9,153)	(82,459)
Effect of exchange rate change on cash and cash equivalents	(5)	2	18
Net increase (decrease) in cash and cash equivalents	(6,407)	8,969	80,801
Cash and cash equivalents at beginning of period	59,612	54,099	487,378
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	894	—	—
Cash and cash equivalents at end of period	*1 ¥ 54,099	*1 ¥ 63,068	*1 \$ 568,180

The accompanying notes are an integral part of financial statements.

Notes to Consolidated Financial Statements

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2018 AND 2019

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kandenکو Co., Ltd. (the “Company”) and its consolidated subsidiaries (the “Companies”) maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

For the convenience of readers, the accompanying consolidated

financial statements as of and for the year ended March 31, 2019 have been translated from yen amounts into U.S. dollar amounts at the rate of ¥111 =U.S.\$1.00, the exchange rate prevailing on March 31, 2019.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in dollars) do not necessarily agree with the sum of the individual amounts.

SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 31

Names of the consolidated subsidiaries

Kawasaki Setsubi Kogyo Co., Ltd.

Kanko Facilities Co., Ltd.

Kanagawa K - Techno Co., Ltd.

Chiba K - Techno Co., Ltd.

Saitama K - Techno Co., Ltd.

Ibaraki K - Techno Co., Ltd.

Tochigi K - Techno Co., Ltd.

Gunma K - Techno Co., Ltd.

Tama K - Techno Co., Ltd.

Shizuoka K - Techno Co., Ltd.

HANDENKO CORPORATION

Kanko Power Techno Co., Ltd.

Kanagawa Power Techno Co., Ltd.

Chiba Power Techno Co., Ltd.

Saitama Power Techno Co., Ltd.

Ibaraki Power Techno Co., Ltd.

Tochigi Power Techno Co., Ltd.

Gunma Power Techno Co., Ltd.

Nishikanto Power Techno Co., Ltd.

Transmission Line Construction Co., Ltd.

Sato Kensetsu Kogyo Co., Ltd.

SYSTEC ENGINEERING Co., Ltd.

NETSAVE Co., Ltd.

Tokyo Kouji Keibi Co., Ltd.

Bay Techno Co., Ltd.

KANKO SYOJI CO., LTD.

K asset management Co., Ltd.

Choshi Wind Development Co., Ltd.

Kama Solar Power Co., Ltd.

Maebashi Biomass Power Co., Ltd.

(2) Name of major non-consolidated subsidiary:

THAI KANDENKO CO., LTD.

(Reason for excluding from the scope of consolidation)

All of the non-consolidated subsidiaries are small in scale and have no material impact on the consolidated financial statements in terms of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest).

2.Application of equity method

(1) Number of non-consolidated subsidiaries and affiliates that are accounted for by the equity method: None

(2) Name of the major non-consolidated subsidiaries and affiliates that are not accounted for by the equity method:

THAI KANDENKO CO., LTD.

(Reason for excluding from the scope of the equity method)

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method have immaterial impact on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), and are not material, taken as a whole.

3.Accounting period of consolidated subsidiaries

The year-end date for consolidated subsidiaries is the same as the consolidated year-end date.

4.Significant accounting policies

(1) Evaluation methods for significant assets

(a) Securities

i. Held-to-maturity securities

Amortized cost method (straight-line method)

ii. Available-for-sale securities

Securities with market quotations:

Stated at market value at the end of the year (Unrealized gains or losses, net of applicable taxes, are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving-average method.).

Securities without market quotations:

Stated at cost determined by the moving-average method.

(b) Derivatives

Fair value method

(c) Inventories

i. Costs on uncompleted construction contracts

Stated at cost determined by the specific cost method.

ii. Raw materials and supplies

Stated at cost determined by the moving-average method

(Balance sheet amounts are determined by writing down the

carrying amount based on declining profitability.)

(2) Depreciation methods of significant depreciable assets

(a) Property, plant and equipment (excluding leased assets)

Depreciated mainly by the declining-balance method

Useful life and residual value are determined on the same basis as that of the method provided in the Corporation Tax Act.

Useful lives of certain buildings are deemed as 30 years

although their useful lives based on the Corporation Tax Act are longer than 30 years.

(b) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method over an estimated useful life (5 years).

(c) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method based on the assumption that the useful life equals the lease term, and the residual value equals zero.

(3) Accounting policies for significant allowance and provisions

(a) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for to the amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated by applying the percentage of actual losses on collection experienced in the past to remaining receivables.

(b) Provision for warranties for completed construction

To provide for possible future expenses under warranties for completed construction contracts, provision for construction contracts completed during the year is provided based on future estimated amount.

(c) Provision for loss on construction contracts

To provide for future losses on construction orders, provision for estimated losses is provided for uncompleted construction contracts at the end of the year that are likely to incur losses and the amount can be reasonably estimated.

(4) Accounting method relating to retirement benefits

(a) Method of attributing expected retirement benefit to periods

Method of attributing expected retirement benefit to periods is allocated by the straight-line basis (the expected benefit divided by the total service years would be deemed as arising in each period).

(b) Amortization of actuarial gains and losses

Actuarial gains and losses are amortized by the straight-line method over a certain period (5 years) within the average remaining years of service of the eligible employees commencing with the following periods.

(5) Accounting policies for significant revenues and expenses

(a) Recognition of net sales of completed construction contracts and costs of completed construction contracts

i. Construction contracts that the outcome of the construction activity is deemed certain during the course of the activity at the end of the year

Percentage-of-completion method (cost proportion method shall be applied to estimate the percentage-of-completion of such construction contract)

ii. Other construction contracts

Completed-contract method

(6) Significant hedge accounting method

(a) Hedge accounting method

The Companies use the deferral hedge accounting method.

However, the exceptional accounting is used for interest rate swaps that meet specified matching criteria.

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Loans payable

(c) Hedging policy

In accordance with internal approval procedures for derivative transactions, interest rate fluctuation risks related to the hedged items are hedged to a certain degree.

(d) Method for evaluating the effectiveness of hedges

The Companies evaluate the effectiveness of their hedging activities by comparing cumulative changes in cash flows on the hedging instruments with cumulative changes in cash flows on the related hedged items. However, the evaluation of hedging effectiveness is omitted for interest rate swaps to which the exceptional accounting is applied.

(7) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method over the estimated period that the benefits are expected to be received, not exceeding 20 years.

(8) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include cash in hand, readily available deposits and short-term investments with maturities of three months

or less from the purchase date whose value is not subject to significant fluctuation risk.

(9) Other significant accounting policies for the preparation of consolidated financial statements

Accounting method for consumption taxes:
Consumption and local consumption taxes are accounted for by the tax-exclusion method.

ACCOUNTING STANDARDS, ETC. NOT YET EFFECTIVE

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018, Accounting Standards Board of Japan)

Revenue Recognition by the ASBJ was that the accounting standard would incorporate the fundamental policy of IFRS No. 15 as the starting point from the perspective of comparability of financial statements, which is one of the benefits of achieving consistency with IFRS No. 15. For matters that require actual practice, etc. carried out in Japan up until present to be taken into consideration, alternative treatment will be added to an extent that does not impair financial statement comparability.

(1) Outline

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published “Revenue from Contracts with Customers” in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Given that IFRS No. 15 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 from fiscal years starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) developed comprehensive Accounting Standard on Revenue Recognition and published it together with implementation guidance.

The fundamental policy for developing Accounting Standard on

(2) Scheduled date of application

These accounting standard and implementation guidance will be applied from the beginning of the year ending March 31, 2022.

(3) Effects of the application of this accounting standard, etc.

The effects of the application of the “Accounting Standard for Revenue Recognition,” etc. on the consolidated financial statements are currently under assessment.

decreased by ¥6,226 million, and “deferred tax assets” in “investments and other assets” is increased by ¥6,225 million. Furthermore, “deferred tax liabilities” included in “other” under “current liabilities” is decreased by ¥11 million, and “deferred tax liabilities” included in “other” under “non-current liabilities” is increased by ¥10 million.

Note that the deferred tax assets and deferred tax liabilities of the same taxable entity are first offset before presentation, and this change has resulted in a reduction in total assets of ¥1 million compared with before the change.

CHANGES IN PRESENTATION

(Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)
The Companies have applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the year ended March 31, 2019. Accordingly, the method of presentation has been changed whereby deferred tax assets are presented under “investments and other assets” and deferred tax liabilities are presented under “non-current liabilities.”

As a result, in the consolidated balance sheet for the year ended March 31, 2018, “deferred tax assets” in “current assets” is

NOTES TO CONSOLIDATED BALANCE SHEET

*1. Amounts of non-consolidated subsidiaries and affiliates’ stocks included in investment securities

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Investment securities (Stocks)	¥ 1,687	¥ 1,675	\$ 15,090	
Investment securities (Investments in capital)	82	82	738	

*2. The Company revalued its land held for business use in accordance with the “Act on Revaluation of Land” (the Act No. 34, March 31, 1998) and recorded revaluation reserve for land in the net assets section.

(a) Method of revaluation:

Revaluation was made by reasonably adjusting the market value of standard sites as stipulated by the Article 2, Clause 1 of the “Enforcement Order of the Act on Revaluation of Land” (Cabinet Order No. 119, March 31, 1998) and value determined by the method for calculating taxable land price of land holding tax in accordance with the Article 16 of the Land-holding Tax Act as defined and published by the Commissioner of National Tax Agency as stipulated by the Article 2, Clause 4 of the “Enforcement Order of the Act on Revaluation of Land.”

(b) Date of revaluation:

March 31, 2002

*3. Assets pledged as collateral and secured obligations

(1) Assets pledged as collateral which the Company’s subsidiaries provide and secured obligations

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2019		2019	
Cash and deposits	¥ 2,082	¥ [–]	¥ 1,471	¥ [–]	\$ 13,252	\$ [–]
Notes receivable, accounts receivable from completed construction contracts and other	107	[–]	94	[–]	846	[–]
Buildings and structures	1,557	[587]	1,351	[444]	12,171	[4,000]
Machinery, vehicles, tools, furniture and fixtures	10,097	[6,366]	8,243	[4,693]	74,261	[42,279]
Land	657	[–]	744	[–]	6,702	[–]
Investments and other assets – Other (lease deposits)	7	[–]	7	[–]	63	[–]
Total	¥ 14,510	¥ [6,954]	¥ 11,911	¥ [5,137]	\$ 107,306	\$ [46,279]
Short-term loans payable	¥ 1,562	¥ [615]	¥588	¥[314]	\$5,297	\$ [2,828]
Long-term loans payable	8,419	[5,558]	8,503	[4,598]	76,603	[41,423]
Total	¥ 9,981	¥ [6,173]	¥ 9,092	¥ [4,912]	\$ 81,909	\$ [44,252]

Note: The figures in the brackets show factory foundation mortgaged assets and related obligations.

(2) Assets pledged as collateral for the loans of the investing company of the Company and its subsidiaries

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Buildings and structures	¥ 0	¥ 0	\$ 0	
Land	26	26	234	
Investment securities	44	32	288	
Investments and other assets – Other (long-term loans receivable)	129	129	1,162	
Total	¥ 201	¥ 188	\$ 1,693	

4. Contingent liabilities

The Company provides guarantees of the employees' loans from financial institutions.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Employees (housing loans)	¥ 1,188	¥ 1,013	\$ 9,126

*5. Both costs on uncompleted construction contracts relating to construction contracts that are likely to incur losses and provision for loss on construction contracts are presented without offsetting.

Amount of costs on uncompleted construction contracts corresponding to provision for loss on construction contracts

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
	¥ 233	¥ 43	\$ 387

NOTES TO CONSOLIDATED STATEMENT OF INCOME

*1. Provision for loss on construction contracts included in cost of sales of completed construction contracts

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
	¥ 1,454	¥ 1,118	\$ 10,072

*2. The value of inventories at the year-end represents the value after writing down of the book value in accordance with the declining in profitability of assets, and the following loss on valuation of inventories is included in cost of sales of completed construction contracts. Disclosure for the year ended March 31, 2019 is omitted due to immateriality.

	Millions of Yen
	2018
	¥ 198

*3. Principal accounts and amounts in selling, general and administrative expenses are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Employees' salaries and allowances	¥ 11,786	¥ 11,958	\$ 107,729
Retirement benefit expenses	609	553	4,981

4. Total amount of research and development expenses included in general and administrative expenses and manufacturing costs

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
	¥ 1,217	¥ 1,381	\$ 12,441

*5. Breakdown of gain on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Land	¥ —	¥ 74	\$ 666
Intangible assets	150	—	—

*6. Impairment loss

The Companies recorded impairment loss for the following asset groups.

For the year ended March 31, 2018			
Location	Purpose of Use	Type	Number of assets
Tokyo and others	Idle assets	Land	17
Tokyo	Assets for lease	Land, etc.	3
Chiba prefecture and others	Power production facilities and others	Machinery, vehicles, tools, furniture and fixtures, etc.	3

Idle assets, assets for lease and power production facilities and others for which impairment loss was recognized were grouped mainly by individual properties.

The book value of the above asset group was reduced to the respective recoverable amount, due to a decline in land prices of the idle assets and assets for lease and a decline in the profitability of the power production facilities. The decline was recorded as impairment loss of ¥363 million in extraordinary losses. The impairment loss breaks down as ¥212 million for land, ¥91 million for buildings and structures, and ¥59 million for machinery, vehicles, tools, furniture and fixtures.

The recoverable amount for idle assets and assets for lease was measured at the net sales price, primarily based on the market value of standard sites and the assessed value of inheritance tax using roadside land prices. For power production facilities, the recoverable amount was measured based on value in use, applying a discount rate of 7.2% to future cash flow.

For the year ended March 31, 2019

Disclosure is omitted due to immateriality.

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*1. Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Valuation difference on available-for-sale securities:			
Losses arising during the year	¥ 4,192	¥ 382	\$ 3,441
Reclassification adjustments	(9)	(16)	(144)
Amount before income tax effect	4,182	366	3,297
Income tax effect	(1,283)	(121)	(1,090)
Valuation difference on available-for-sale securities	2,899	244	2,198
Deferred gains or losses on hedges			
Gains (losses) arising during the year	50	10	90
Income tax effect	—	126	1,135
Deferred gains or losses on hedges	50	137	1,234
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	1,017	(153)	(1,378)
Reclassification adjustments	(845)	(853)	(7,684)
Amount before income tax effect	172	(1,006)	(9,063)
Income tax effect	(21)	308	2,774
Remeasurements of defined benefit plans, net of tax	150	(698)	(6,288)
Total other comprehensive income	¥ 3,100	¥ (317)	\$ (2,855)

NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2018

1.Matters related to class and number of issued shares and class and number of treasury shares

				(Shares)
	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Shares issued:				
Common shares	205,288,338	—	—	205,288,338
Total	205,288,338	—	—	205,288,338
Treasury shares:				
Common shares	1,019,780	9,182	407	1,028,555
Total	1,019,780	9,182	407	1,028,555

Notes:

1. Increase in number of common shares in treasury shares is due to repurchase of shares less than one unit.

2. Decrease in number of common shares in treasury shares is due to the sales of shares less than one unit in response to repurchase requests.

2.Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 27, 2017	Common shares	¥2,451 million	¥12.0	March 31, 2017	June 28, 2017
Board of directors’ meeting on October 31, 2017	Common shares	¥2,451 million	¥12.0	September 30, 2017	December 5, 2017

(2) Dividends whose record date fell in the year ended March 31, 2018, but whose effective date comes after March 31, 2018

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 27, 2018	Common shares	¥2,451 million	Retained earnings	¥12.0	March 31, 2018	June 28, 2018

For the year ended March 31, 2019

1.Matters related to class and number of issued shares and class and number of treasury shares

	As of April 1, 2018	Increase	Decrease	(Shares)
Shares issued:				
Common shares	205,288,338	—	—	205,288,338
Total	205,288,338	—	—	205,288,338
Treasury shares:				
Common shares	1,028,555	851	81	1,029,325
Total	1,028,555	851	81	1,029,325

Notes:

1. Increase in number of common shares in treasury shares is due to repurchase of shares less than one unit.

2. Decrease in number of common shares in treasury shares is due to the sales of shares less than one unit in response to repurchase requests.

2.Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 27, 2018	Common shares	¥ 2,451 million \$22,081 thousand	¥12.0 \$0.10	March 31, 2018	June 28, 2018
Board of directors’ meeting on October 31, 2018	Common shares	¥ 2,655 million \$23,918 thousand	¥13.0 \$0.11	September 30, 2018	December 5, 2018

(2) Dividends whose record date fell in the year ended March 31, 2019, but whose effective date comes after March 31, 2019

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 27, 2019	Common shares	¥ 2,655 million \$23,918 thousand	Retained earnings	¥13.0 \$0.11	March 31, 2019	June 28, 2019

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

*1. Relationship between the balance of cash and cash equivalents at the end of the year and the amount on the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Cash and deposits	¥ 56,787	¥ 62,586	\$ 563,837	
Time deposits with maturities of more than three months	(8,687)	(8,517)	(76,729)	
Short-term investments with maturities of three months or less from the purchase date	5,999	8,999	81,072	
Cash and cash equivalents	¥ 54,099	¥ 63,068	\$ 568,180	

FINANCIAL INSTRUMENTS

1.Status of financial instruments

(1) Policies on financial instruments

The Companies manage surplus funds by investing in high security financial instruments, primarily short-term deposits and debt securities and raise funds through borrowings from banks and other financial institutions and issuance of convertible bond-type bonds with share acquisition rights.

Certain consolidated subsidiaries enter into derivative transactions to hedge interest rate fluctuation risks arising from borrowings and the Companies do not use derivative transactions for speculative purposes.

(2) Description of financial instruments and related risks

Notes receivable, accounts receivable from completed construction contracts and other, trade receivables, are exposed to customer credit risk. Securities and investment securities, primarily consist of held-to-maturity debt securities and shares of companies with business relationship, are exposed to market price fluctuation risks.

Notes payable, accounts payable for construction contracts and other, trade payables, are due within one year. Proceeds from short-term loans payable are mainly used for operational funds and proceeds from convertible bond-type bonds with share acquisition rights and long-term loans payable are mainly used for capital expenditures. Floating rate borrowings are exposed to interest rate fluctuation risks, but are hedged by using derivative transactions (interest rate swaps).

Derivative transactions are interest rate swaps used as hedging instruments, in order to hedge interest rate fluctuation risks for borrowings. Details of hedge accounting including hedging instruments and hedged items, hedging policy and method for evaluating the effectiveness of hedges are described in "SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, 4. Significant accounting policies, (6) Significant hedge accounting method."

(3) Risk management system for financial instruments

(a) Credit risk management (risks that counterparties may default)

For trade receivables, the sales administration division regularly monitors major counterparties' credit status, and performs due

date controls and balance controls for each customer to mitigate and quickly capture the collectability issues caused by deterioration in the financial conditions.

Held-to-maturity securities are invested in debt securities with high credit rating, therefore, exposed to minimum credit risk.

The Companies enter into derivative transactions with financial institutions with high credit rating in order to mitigate credit risk.

(b) Market risk management (fluctuation risks in market prices and interest rates)

Interest rate swaps are used to mitigate interest rate fluctuation risks for borrowings.

As for securities, and investment securities, except for held-to-maturity debt securities, the accounting department regularly monitors fair values and issuers' (counterparties') financial status, considers the relationships with the counterparties, and continuously reviews the Company's securities holdings.

Derivative transactions are executed and managed in accordance with the nature and limits approved by the board of directors of each company. The executed transactions are periodically reported to the board of directors.

(c) Liquidity risk management associated with financing activities (payment default risks)

The accounting department prepares and updates a monthly management plan of funds as necessary to manage the liquidity risk.

(4) Supplementary explanation on fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments, for which a quoted market price is not available, is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in "DERIVATIVE TRANSACTIONS" does not represent the market risk of the derivative transactions.

2.Fair value of financial instruments

Carrying amount and fair value of financial instruments, and differences between these values are as follows. The financial instruments whose fair values are deemed extremely difficult to determine are excluded from the table below. (See Note 2 below)

Millions of Yen				
	For the year ended March 31, 2018			
	Carrying amount		Fair value	Difference
(1) Cash and deposits	¥	56,787	¥ 56,787	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other		163,061		
Allowance for doubtful accounts (*1)		(587)		
		162,473	162,473	—
(3) Securities and investment securities				
1) Held-to-maturity securities		10,040	10,040	(0)
2) Available-for-sale securities		41,695	41,695	—
(4) Notes payable, accounts payable for construction contracts and other (*2)		(89,704)	(89,704)	—
(5) Short-term loans payable (*2)		(10,072)	(10,072)	—
(6) Convertible bond-type bonds with share acquisition rights (*2)		(20,060)	(23,330)	3,269
(7) Long-term loans payable (*2)		(8,799)	(8,764)	(35)
(8) Derivative transactions (*3)	¥	(471)	¥ (471)	¥ —

(*1) The amount of allowance for doubtful accounts related to notes receivable, accounts receivable from completed construction contracts and other is deducted.

(*2) The value of liabilities is shown in parenthesis.

(*3) The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parenthesis indicating the net liability position.

Millions of Yen						
	For the year ended March 31, 2019					
	Carrying amount		Fair value	Difference		
(1) Cash and deposits	¥	62,586	¥	62,586	¥	—
(2) Notes receivable, accounts receivable from completed construction contracts and other		184,424				
Allowance for doubtful accounts (*1)		(434)				
		183,990		183,990		—
(3) Securities and investment securities						
1) Held-to-maturity securities		11,032		11,032		(0)
2) Available-for-sale securities		43,846		43,846		—
(4) Notes payable, accounts payable for construction contracts and other (*2)		(98,783)		(98,783)		—
(5) Short-term loans payable (*2)		(6,953)		(6,953)		—
(6) Convertible bond-type bonds with share acquisition rights (*2)		(20,040)		(20,540)		499
(7) Long-term loans payable (*2)		(8,503)		(8,490)		(13)
(8) Derivative transactions (*3)	¥	(460)	¥	(460)	¥	—

Thousands of U.S. Dollars

	For the year ended March 31, 2019		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 563,837	\$ 563,837	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other Allowance for doubtful accounts (*1)	1,661,477 (3,909)		
	1,657,567	1,657,567	—
(3) Securities and investment securities			
1) Held-to-maturity securities	99,387	99,387	(0)
2) Available-for-sale securities	395,009	395,009	—
(4) Notes payable, accounts payable for construction contracts and other (*2)	(889,936)	(889,936)	—
(5) Short-term loans payable (*2)	(62,639)	(62,639)	—
(6) Convertible bond-type bonds with share acquisition rights (*2)	(180,540)	(185,045)	4,495
(7) Long-term loans payable (*2)	(76,603)	(76,486)	(117)
(8) Derivative transactions (*3)	\$ (4,144)	\$ (4,144)	\$ —

(*1) The amount of allowance for doubtful accounts related to notes receivable, accounts receivable from completed construction contracts and other is deducted.

(*2) The value of liabilities is shown in parenthesis.

(*3) The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parenthesis indicating the net liability position.

Notes:

1. The calculation methods for the fair value of financial instruments, marketable securities and derivative transactions

(1) Cash and deposits

Deposits are stated at their carrying amount as the fair value approximates the carrying amount because of the short maturity.

(2) Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these instruments is stated at the net present value by maturity group which is discounted considering the credit risk. The fair value with short maturity approximates the carrying amount.

(3) Securities and investment securities

The fair value of stocks is calculated by quoted market price and the fair value of debt securities is calculated by quoted market price or quotes from counterparty financial institutions. Negotiable certificates of deposit and jointly operated money trusts are stated at their carrying amount as the fair value approximates the carrying amount because of the short maturity.

Information by holding purpose is described in "SECURITIES."

(4) Notes payable, accounts payable for construction contracts and other, and (5) Short-term loans payable

These are stated at their carrying amount as the fair value approximates the carrying amount because these are settled in a short period of time.

(6) Convertible bond-type bonds with share acquisition rights

The fair value of convertible bond-type bonds with share acquisition rights is based on the prices presented by the counterparty financial institutions.

(7) Long-term loans payable

The fair value of long-term loans payable is based on the present value of sum of principal and interest discounted using the borrowing rate for similar new borrowings.

(8) Derivative transactions

Please refer to "DERIVATIVE TRANSACTIONS."

2. The carrying amount of financial instruments whose fair values are deemed extremely difficult to determine

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Unlisted stocks, etc.	¥ 4,582	¥ 4,563	\$ 41,108

Since no quoted market price is available, it is extremely difficult to estimate future cash flows and it is deemed extremely difficult to determine their fair value, these financial instruments are not included in "(3) Securities and investment securities."

3. Expected redemption amount of monetary receivables and securities with maturity dates after the consolidated year-end date

Millions of Yen

	For the year ended March 31, 2018			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 56,787	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	163,061	—	—	—
Securities and investment securities				
Held-to-maturity securities (government/municipal bonds)	—	10	—	—
Held-to-maturity securities (corporate bonds)	6,000	—	—	—
Held-to-maturity securities (other)	3,000	1,000	—	—
Available-for-sale securities with maturities (other)	1,000	—	—	—
Total	¥ 229,848	¥ 1,010	¥ —	¥ —

Millions of Yen

	For the year ended March 31, 2019			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 62,586	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	184,260	163	—	—
Securities and investment securities				
Held-to-maturity securities (government/municipal bonds)	—	10	—	—
Held-to-maturity securities (corporate bonds)	5,000	—	—	—
Held-to-maturity securities (other)	5,000	1,000	—	—
Available-for-sale securities with maturities (other)	2,000	—	—	—
Total	¥ 258,847	¥ 1,173	¥ —	¥ —

Thousands of U.S. Dollars

	For the year ended March 31, 2019			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 563,837	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,660,000	1,468	—	—
Securities and investment securities				
Held-to-maturity securities (government/municipal bonds)	—	90	—	—
Held-to-maturity securities (corporate bonds)	45,045	—	—	—
Held-to-maturity securities (other)	45,045	9,009	—	—
Available-for-sale securities with maturities (other)	18,018	—	—	—
Total	\$ 2,331,954	\$ 10,567	\$ —	\$ —

4. Scheduled amount of repayment of short-term loans payable, convertible bond-type bonds with share acquisition rights and long-term loans payable after the consolidated year-end date

Millions of Yen						
	For the year ended March 31, 2018					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	¥ 10,072	¥ —	¥ —	¥ —	¥ —	¥ —
Convertible bond-type bonds with share acquisition rights	—	—	20,000	—	—	—
Long-term loans payable	—	1,245	874	557	567	5,554
Total	¥ 10,072	¥ 1,245	¥ 20,874	¥ 557	¥ 567	¥ 5,554

Millions of Yen						
	For the year ended March 31, 2019					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	¥ 6,953	¥ —	¥ —	¥ —	¥ —	¥ —
Convertible bond-type bonds with share acquisition rights	—	20,000	—	—	—	—
Long-term loans payable	—	621	632	642	1,339	5,267
Total	¥ 6,953	¥ 20,621	¥ 632	¥ 642	¥ 1,339	¥ 5,267

Thousands of U.S. Dollars						
	For the year ended March 31, 2019					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	\$ 62,639	\$ —	\$ —	\$ —	\$ —	\$ —
Convertible bond-type bonds with share acquisition rights	—	180,180	—	—	—	—
Long-term loans payable	—	5,594	5,693	5,783	12,063	47,450
Total	\$ 62,639	\$ 185,774	\$ 5,693	\$ 5,783	\$ 12,063	\$ 47,450

SECURITIES

1. Held-to-maturity securities

Millions of Yen					
	For the year ended March 31, 2018				
	Carrying amount		Fair value		Difference
Securities whose fair value exceeds their carrying amount:					
Government/municipal bonds	¥ —	¥ —	¥ —	¥ —	—
Corporate bonds	—	—	—	—	—
Other	—	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	¥ —	—
Securities whose fair value does not exceed their carrying amount:					
Government/municipal bonds	¥ 10	¥ 9	¥ (0)	¥ (0)	(0)
Corporate bonds	5,999	5,999	(0)	(0)	(0)
Other	4,030	4,030	—	—	—
Subtotal	¥ 10,040	¥ 10,040	¥ (0)	¥ (0)	(0)
Total	¥ 10,040	¥ 10,040	¥ (0)	¥ (0)	(0)

Millions of Yen					
	For the year ended March 31, 2019				
	Carrying amount		Fair value		Difference
Securities whose fair value exceeds their carrying amount:					
Government/municipal bonds	¥ —	¥ —	¥ —	¥ —	—
Corporate bonds	—	—	—	—	—
Other	—	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	¥ —	—
Securities whose fair value does not exceed their carrying amount:					
Government/municipal bonds	¥ 10	¥ 9	¥ (0)	¥ (0)	(0)
Corporate bonds	4,999	4,999	(0)	(0)	(0)
Other	6,022	6,022	—	—	—
Subtotal	¥ 11,032	¥ 11,032	¥ (0)	¥ (0)	(0)
Total	¥ 11,032	¥ 11,032	¥ (0)	¥ (0)	(0)

Thousands of U.S. Dollars					
	For the year ended March 31, 2019				
	Carrying amount		Fair value		Difference
Securities whose fair value exceeds their carrying amount:					
Government/municipal bonds	\$ —	\$ —	\$ —	\$ —	—
Corporate bonds	—	—	—	—	—
Other	—	—	—	—	—
Subtotal	\$ —	\$ —	\$ —	\$ —	—
Securities whose fair value does not exceed their carrying amount:					
Government/municipal bonds	\$ 90	\$ 81	\$ (0)	\$ (0)	(0)
Corporate bonds	45,036	45,036	(0)	(0)	(0)
Other	54,252	54,252	—	—	—
Subtotal	\$ 99,387	\$ 99,387	\$ (0)	\$ (0)	(0)
Total	\$ 99,387	\$ 99,387	\$ (0)	\$ (0)	(0)

2.Available-for-sale securities

Millions of Yen					
	For the year ended March 31, 2018				
	Carrying amount		Acquisition cost		Difference
Securities whose carrying amount exceeds their acquisition cost:					
Stocks	¥ 38,472		¥ 15,948		¥ 22,524
Bonds	—		—		—
Other	—		—		—
Subtotal	¥ 38,472		¥ 15,948		¥ 22,524
Securities whose carrying amount does not exceed their acquisition cost:					
Stocks	¥ 2,223		¥ 2,607		¥ (384)
Bonds	—		—		—
Other	1,000		1,000		—
Subtotal	¥ 3,223		¥ 3,607		¥ (384)
Total	¥ 41,695		¥ 19,556		¥ 22,139

Millions of Yen					
	For the year ended March 31, 2019				
	Carrying amount		Acquisition cost		Difference
Securities whose carrying amount exceeds their acquisition cost:					
Stocks	¥ 41,556		¥ 18,998		¥ 22,557
Bonds	—		—		—
Other	—		—		—
Subtotal	¥ 41,556		¥ 18,998		¥ 22,557
Securities whose carrying amount does not exceed their acquisition cost:					
Stocks	¥ 290		¥ 341		¥ (51)
Bonds	—		—		—
Other	2,000		2,000		—
Subtotal	¥ 2,290		¥ 2,341		¥ (51)
Total	¥ 43,846		¥ 21,340		¥ 22,505

Thousands of U.S. Dollars					
	For the year ended March 31, 2019				
	Carrying amount		Acquisition cost		Difference
Securities whose carrying amount exceeds their acquisition cost:					
Stocks	\$ 374,378		\$ 171,153		\$ 203,216
Bonds	—		—		—
Other	—		—		—
Subtotal	\$ 374,378		\$ 171,153		\$ 203,216
Securities whose carrying amount does not exceed their acquisition cost:					
Stocks	\$ 2,612		\$ 3,072		\$ (459)
Bonds	—		—		—
Other	18,018		18,018		—
Subtotal	\$ 20,630		\$ 21,090		\$ (459)
Total	\$ 395,009		\$ 192,252		\$ 202,747

3.Available-for-sale securities sold during the year

For the year ended March 31, 2018

Disclosure is omitted due to immateriality.

For the year ended March 31, 2019

Disclosure is omitted due to immateriality.

4.Impairment loss on securities

For the year ended March 31, 2018

Disclosure is omitted due to immateriality.

For the year ended March 31, 2019

Not applicable.

DERIVATIVE TRANSACTIONS

Derivative transactions to which hedge accounting is applied

Interest rate-related

For the year ended March 31, 2018					
Hedge accounting method	Type of transactions	Primary hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge	Interest rate swaps: fixed payment, floating receipt	Long-term loans payable	¥4,540 million	¥4,270 million	¥(471) million

Note: Calculation method for fair value:

Fair value is based on the prices presented by the counterparty financial institutions.

Hedge accounting method	Type of transactions	Primary hedged items	Contract amount	Contract amount due after one year	Fair value
Exceptional accounting of the interest rate swaps	Interest rate swaps: fixed payment, floating receipt	Long-term loans payable	¥1,018 million	¥215 million	(Note)

Note: The fair value of interest rate swaps subject to the application of the exceptional accounting is recognized together with long-term loans payable, which is designated as the hedged item, therefore their fair value is included in the fair value of the relevant long-term loans payable (the fair value of current portion of long-term loans payable is included in the fair value of short-term loans payable).

For the year ended March 31, 2019					
Hedge accounting method	Type of transactions	Primary hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge	Interest rate swaps: fixed payment, floating receipt	Long-term loans payable	¥ 4,270 million \$ 38,468 thousand	¥ 3,991 million \$ 35,954 thousand	¥ (460) million \$(4,144) thousand

Note: Calculation method for fair value:

Fair value is based on the prices presented by the counterparty financial institutions.

RETIREMENT BENEFITS

1. Overview of retirement benefit plans

The Companies have funded and unfunded defined benefit plans and defined contribution plans to prepare for retirement benefits to employees. Defined benefit pension plans (funded plans) offer retirement lump-sum payments or pensions according to the salary and service period of the eligible employees. Retirement lump-sum payment plans (unfunded plans) offer retirement lump-sum payments according to the salary and service period of the eligible employees. When employees retire, the Companies may provide them with additional retirement benefits, etc.

Certain consolidated subsidiaries participate in multi-employer corporate pension fund, which is accounted for in the same manner as defined contribution plans because it is impracticable to reasonably estimate an amount of plan assets for the contributions made by the subsidiaries. In addition, regarding the multi-employer corporate pension fund, note on the multi-employer plan is omitted due to immateriality.

Certain consolidated subsidiaries use the simplified method in calculating net defined benefit liability and asset, and retirement benefit expenses.

2. Defined benefit plans

(1) Changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Balance at beginning of year	¥ 67,940	¥ 66,508	\$ 599,171	
Current service cost	2,242	2,199	19,810	
Interest cost	581	567	5,108	
Actuarial gains and losses	(98)	(38)	(342)	
Benefit paid	(4,157)	(4,318)	(38,900)	
Balance at end of year	¥ 66,508	¥ 64,919	\$ 584,855	

(2) Changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Balance at beginning of year	¥ 39,670	¥ 41,320	\$ 372,252	
Expected return on plan assets	589	614	5,531	
Actuarial gains and losses	919	(191)	(1,720)	
Contributions by the employer	3,360	3,454	31,117	
Benefits paid	(3,217)	(3,178)	(28,630)	
Other	(2)	(2)	(18)	
Balance at end of year	¥ 41,320	¥ 42,017	\$ 378,531	

(3) Reconciliation between ending balances of defined benefit obligations and plan assets and the net defined benefit liability and net defined benefit asset reported on the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Funded defined benefit obligations	¥ 46,661	¥ 44,869	\$ 404,225	
Plan assets	(41,320)	(42,017)	(378,531)	
	¥ 5,341	¥ 2,852	\$ 25,693	
Unfunded defined benefit obligations	19,846	20,049	180,621	
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 25,188	¥ 22,902	\$ 206,324	
Net defined benefit liability	¥ 25,188	¥ 22,902	\$ 206,324	
Net defined benefit asset	(0)	—	—	
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 25,188	¥ 22,902	\$ 206,324	

(4) Breakdown of retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Current service cost	¥ 2,242	¥ 2,199	\$ 19,810	
Interest cost	581	567	5,108	
Expected return on plan assets	(589)	(614)	(5,531)	
Actuarial gains and losses recognized in the year	(857)	(853)	(7,684)	
Past service cost recognized in the year	12	—	—	
Other	249	195	1,756	
Total	¥ 1,639	¥ 1,495	\$ 13,468	

(5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) consist of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Past service cost	¥ (12)	¥ —	\$ —	
Actuarial gains and losses	(159)	1,006	9,063	
Total	¥ (172)	¥ 1,006	\$ 9,063	

(6) Accumulated remeasurements of defined benefit plans

Accumulated remeasurements of defined benefit plans (before tax effect) consist of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Unrecognized actuarial gains and losses	¥ (2,248)	¥ (1,241)	\$ (11,180)	

(7) Plan assets

(a) Breakdown of plan assets

The ratio of each major category to total plan assets is as follows:

	2018	2019
General account	41%	41%
Bonds	34%	35%
Equities	24%	23%
Other	1%	1%
Total	100%	100%

(b) Method of determining the long-term expected rates of return on plan assets

Expected return rate on plan assets is determined by considering the current and anticipated future portfolio of plan assets and current and anticipated future long-term performance of individual asset classes that comprise the funds' asset mix.

(8) Assumptions used in actuarial calculations

Major assumptions used in actuarial calculations

	2018	2019
Discount rate	mainly 0.9%	mainly 0.9%
Expected return rate on plan assets	mainly 1.5%	mainly 1.5%

3. Defined contribution plans

The required amount of contribution to the defined contribution plans (including the multi-employer corporate pension fund accounted for in the same manner) of the Companies was ¥1,615 million and ¥1,654 million (\$14,900 thousand) for the years ended March 31, 2018 and 2019, respectively.

DEFERRED TAX ACCOUNTING

1.Breakdown of major factors that caused deferred tax assets and liabilities

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Deferred tax assets:				
Net defined benefit liability	¥ 7,756	¥ 7,062	\$ 63,621	
Depreciation and amortization	3,674	3,689	33,234	
Accrued bonuses	3,053	3,269	29,450	
Loss on valuation of assets	1,405	1,415	12,747	
Provision for loss on construction contracts	987	732	6,594	
Allowance for doubtful accounts	474	344	3,099	
Loss carry-forward	247	197	1,774	
Others	2,792	1,879	16,927	
Subtotal	20,391	18,592	167,495	
Valuation allowance	(2,485)	(2,244)	(20,216)	
Total	¥ 17,906	¥ 16,347	\$ 147,270	
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	¥ (6,746)	¥ (6,867)	\$ (61,864)	
Reserve for advanced depreciation of non-current assets	(991)	(1,049)	(9,450)	
Reserve for special depreciation	(291)	(210)	(1,891)	
Others	(179)	(168)	(1,513)	
Total	¥ (8,209)	¥ (8,296)	\$ (74,738)	
Net deferred tax assets	¥ 9,696	¥ 8,051	\$ 72,531	

Note: Except for above, deferred tax liabilities for land revaluation are recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2019	
Deferred tax liabilities for land revaluation	¥ 6,772	¥ 6,686	\$ 60,234	

2.Breakdown of items which caused the difference between the statutory tax rate and the effective tax rate after adopting tax effect accounting

2018	2019
This note has been omitted as the difference between the statutory tax rate and the effective tax rate after adopting tax effect accounting is 5% or less of the statutory tax rate.	This note has been omitted as the difference between the statutory tax rate and the effective tax rate after adopting tax effect accounting is 5% or less of the statutory tax rate.

SEGMENT INFORMATION, ETC.

(Segment information)

1.Outline of reportable segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Companies engage in facility installation work, sales of electrical equipment, rental of real estate, leasing, sales of electrical power and others. “Engineering” is determined to be the reportable segment.

“Engineering” includes business related to electrical work, plumbing work and various other work on facilities.

2.Method of measurement for the amounts of net sales, profit or loss, assets and other items by reportable segment

The accounting treatment regarding the reportable business segments is the same as recorded in “SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS.” The profit of reportable segments is based on operating profit. The intersegment profit and transfers are based on trading prices in the market.

3.Net sales, profit or loss, assets and other items by reportable segments

	Millions of Yen				
	For the year ended March 31, 2018				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 496,633	¥ 10,571	¥ 507,205	¥ –	¥ 507,205
Inter-segment	4,716	34,243	38,960	(38,960)	–
Total	¥ 501,350	¥ 44,815	¥ 546,165	¥ (38,960)	¥ 507,205
Segment profit	¥ 27,491	¥ 1,706	¥ 29,197	¥ 64	¥ 29,261
Segment assets	¥ 394,693	¥ 72,786	¥ 467,480	¥ (23,729)	¥ 443,751
Other items:					
Depreciation and amortization	¥ 3,999	¥ 1,595	¥ 5,594	¥ (493)	¥ 5,101
Increase in property, plant and equipment and intangible assets	7,919	7,575	15,495	(1,917)	13,578

Notes:
1. The “Other” segment is a business segment which is not included in the reportable segment and includes electrical equipment sales business, real estate business, lease business and power generation business.
2. Adjustments in segment profit, segment assets and other items are elimination of internal transactions between segments.
3. Segment profit is adjusted with operating profit presented in the consolidated statement of income.

Millions of Yen

	For the year ended March 31, 2019				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 551,976	¥ 11,574	¥ 563,550	¥ —	¥ 563,550
Inter-segment	180	41,806	41,987	(41,987)	—
Total	¥ 552,156	¥ 53,381	¥ 605,537	¥ (41,987)	¥ 563,550
Segment profit	¥ 27,861	¥ 2,080	¥ 29,941	¥ 70	¥ 30,012
Segment assets	¥ 410,645	¥ 73,794	¥ 484,440	¥ (24,585)	¥ 459,854
Other items:					
Depreciation and amortization	¥ 4,337	¥ 2,040	¥ 6,378	¥ (189)	¥ 6,188
Increase in property, plant and equipment and intangible assets	7,781	3,526	11,307	(1,555)	9,752

Thousands of U.S. Dollars

	For the year ended March 31, 2019				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	\$ 4,972,756	\$ 104,270	\$ 5,077,027	\$ —	\$ 5,077,027
Inter-segment	1,621	376,630	378,261	(378,261)	—
Total	\$ 4,974,378	\$ 480,909	\$ 5,455,288	\$ (378,261)	\$ 5,077,027
Segment profit	\$ 251,000	\$ 18,738	\$ 269,738	\$ 630	\$ 270,378
Segment assets	\$ 3,699,504	\$ 664,810	\$ 4,364,324	\$ (221,486)	\$ 4,142,828
Other items:					
Depreciation and amortization	\$ 39,072	\$ 18,378	\$ 57,459	\$ (1,702)	\$ 55,747
Increase in property, plant and equipment and intangible assets	70,099	31,765	101,864	(14,009)	87,855

Notes:

1. The "Other" segment is a business segment which is not included in the reportable segment and includes electrical equipment sales business, real estate business, lease business and power generation business.
2. Adjustments in segment profit, segment assets and other items are elimination of internal transactions between segments.
3. Segment profit is adjusted with operating profit presented in the consolidated statement of income.

(Related information)

For the year ended March 31, 2018

1.Information about products and services

Information is omitted as similar information is described in the segment information.

2.Information about geographical region

(1) Net sales

Information is omitted as net sales to external customers in Japan accounted for more than 90% of net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan accounted for more than 90% of all property, plant and equipment reported on the consolidated balance sheet.

3.Information about major customers

Customer Name	Net sales	Related segment
Tokyo Electric Power Company Group	¥171,029 million	Engineering

(Information about impairment loss in non-current assets of each reportable segment)

	For the year ended March 31, 2018				
	Engineering	Other (Note)	Corporate/elimination	Total	
Impairment loss	¥ 256 million	¥ 106 million	¥ — million	¥	363 million

Note: "Other" is related to real estate business and power generation business.

For the year ended March 31, 2019

Disclosure is omitted due to immateriality.

(Information about amortization and unamortized balance of goodwill of each reportable segment)

For the year ended March 31, 2018

Disclosure is omitted due to immateriality.

For the year ended March 31, 2019

1.Information about products and services

Information is omitted as similar information is described in the segment information.

2.Information about geographical region

(1) Net sales

Information is omitted as net sales to external customers in Japan accounted for more than 90% of net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan accounted for more than 90% of all property, plant and equipment reported on the consolidated balance sheet.

3.Information about major customers

Customer Name	Net sales	Related segment
Tokyo Electric Power Company Group	¥ 172,851 million \$1,557,216 thousand	Engineering

For the year ended March 31, 2019

For the year ended March 31, 2019

Disclosure is omitted due to immateriality.

(Information about gain on bargain purchase of each reportable segment)

For the year ended March 31, 2018

Not applicable.

For the year ended March 31, 2019

Not applicable.

RELATED PARTY TRANSACTIONS

Transactions between related parties

Transactions between the Company and related parties
The parent company and major shareholders (limited to companies) of the Company

For the year ended March 31, 2018						
Type	Name	Location	Capital stock	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Chiyoda-ku, Tokyo	¥1,400,975 million	Electric power business	(Held) Direct –% Indirect 47.6%	Electric work contract
	TEPCO Power Grid, Incorporated	Chiyoda-ku, Tokyo	¥ 80,000 million	General power transmission and distribution business	(Held) Direct 46.4% Indirect 0.3%	Electric work contract
Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year	
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Installation of electric work	¥ 8,718 million	Notes receivable, accounts receivable from completed construction contracts and other	¥ 5,069 million	
				Advances received on uncompleted construction contracts	¥ 100 million	
	TEPCO Power Grid, Incorporated	Installation of electric work	¥144,059 million	Notes receivable, accounts receivable from completed construction contracts and other	¥28,457 million	
				Advances received on uncompleted construction contracts	¥ 1,250 million	
		Purchase of raw materials	¥ 34,395 million	Notes payable, accounts payable for construction contracts and other	¥ 2,670 million	

For the year ended March 31, 2019						
Type	Name	Location	Capital stock	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Chiyoda-ku, Tokyo	¥ 1,400,975 million \$12,621,396 thousand	Electric power business	(Held) Direct –% Indirect 47.6%	Electric work contract
	TEPCO Power Grid, Incorporated	Chiyoda-ku, Tokyo	¥ 80,000 million \$ 720,720 thousand	General power transmission and distribution business	(Held) Direct 46.4% Indirect 0.3%	Electric work contract
Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year	
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Installation of electric work	¥ 7,288 million \$ 65,657 thousand	Notes receivable, accounts receivable from completed construction contracts and other	¥ 5,304 million \$ 47,783 thousand	
				Advances received on uncompleted construction contracts	¥ 58 million \$ 522 thousand	
	TEPCO Power Grid, Incorporated	Installation of electric work	¥ 142,700 million \$1,285,585 thousand	Notes receivable, accounts receivable from completed construction contracts and other	¥ 27,279 million \$245,756 thousand	
				Advances received on uncompleted construction contracts	¥ 957 million \$ 8,621 thousand	
		Purchase of raw materials	¥ 33,962 million \$ 305,963 thousand	Notes payable, accounts payable for construction contracts and other	¥ 2,273 million \$ 20,477 thousand	

Notes:
1. Above transaction amounts do not include consumption taxes and above balances at the end of the year include consumption taxes.
2. Terms and conditions of the transactions and its policies
Terms and conditions for construction orders and purchase of raw materials are determined based on arm's length basis through negotiations considering market price, etc.

CONSOLIDATED SUPPLEMENTAL SCHEDULES

PER SHARE INFORMATION

	Yen		U.S. Dollars
	2018	2019	2019
Net assets per share	¥ 1,097.36	¥ 1,167.30	\$ 10.51
Earnings per share	93.31	96.46	0.86
Diluted earnings per share	85.93	88.78	0.79

Notes:
1. The basis of calculating earnings per share and diluted earnings per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Earnings per share			
Profit attributable to owners of parent	¥ 19,058	¥ 19,703	\$ 177,504
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent applicable to common shares	19,058	19,703	177,504

	Thousands of Shares	
	2018	2019
Weighted average number of common shares during the year	204,262	204,259

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Diluted earnings per share			
Adjustment of profit attributable to owners of parent	(13)	(13)	(117)
[Interest expenses, net of tax included in the above]	[(13)]	[(13)]	[(117)]

	Thousands of Shares	
	2018	2019
Increase in common shares	17,365	17,513
[Convertible bond-type bonds with share acquisition rights included in the above]	[17,365]	[17,513]
Overview of dilutive securities that are not included in the computation of diluted earnings per share because of their anti-dilutive effect	—	—

2. The basis of calculating net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Total net assets	¥ 230,810	¥ 245,954	\$ 2,215,801
Amount deducted from total net assets	6,665	7,521	67,756
[Non-controlling interests included in the above]	[6,665]	[7,521]	[67,756]
Total net assets related to common shares	224,145	238,432	2,148,036

	Thousands of Shares	
	2018	2019
Number of common shares outstanding at end of year	204,259	204,259

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

(Schedule of bonds)

Company name	Issue type	Issuance date	As of April 1, 2018	As of March 31, 2019	Interest rate (%)	Collateral	Maturity
Kandenko Co., Ltd.	Euro-yen convertible bond-type bonds with share acquisition rights due 2021, subject to call	March 31, 2016	¥ 20,060 million \$180,720 thousand	¥ 20,040 million \$180,540 thousand	—	None	March 31, 2021
Total	—	—	¥ 20,060 million \$180,720 thousand	¥ 20,040 million \$180,540 thousand	—	—	—

Notes:
1. Information on convertible bond-type bonds with share acquisition rights is as follows:

Shares to be issued	Common shares
Issuance price of share acquisition rights	Gratis
Issuance price of shares	¥ 1,142.0 \$ 10.28
Total issuance value	¥ 20,100 million \$181,081 thousand
Total issuance value of shares issued through the exercise of share acquisition rights	¥ — million
Grant ratio of share acquisition rights (%)	100
Exercise period of share acquisition rights	April 14, 2016 to March 17, 2021

Upon the exercise of each of the share acquisition rights, the bonds relating to the share acquisition rights shall be contributed. The value of the bonds shall be the same as their face amount.

2. The redemption schedule for five years subsequent to March 31, 2019 is summarized as follows:

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
—	¥ 20,000 million \$180,180 thousand	—	—	—

(Schedule of loans)

	As of April 1, 2018	As of March 31, 2019	Average interest rate (%)	Due
Short-term loans payable	¥ 8,490 million \$ 76,486 thousand	¥ 6,165 million \$ 55,540 thousand	0.7	—
Current portion of long-term loans payable	¥ 1,582 million \$ 14,252 thousand	¥ 788 million \$ 7,099 thousand	1.2	—
Current portion of lease obligations	¥ 477 million \$ 4,297 thousand	¥ 525 million \$ 4,729 thousand	—	—
Long-term loans payable (excluding current portion of long-term loans payable)	¥ 8,799 million \$ 79,270 thousand	¥ 8,503 million \$ 76,603 thousand	1.6	2023 to 2033
Lease obligations (excluding current portion of lease obligations)	¥ 966 million \$ 8,702 thousand	¥ 981 million \$ 8,837 thousand	—	2020 to 2026
Other interest-bearing debt	—	—	—	—
Total	¥ 20,315 million \$ 183,018 thousand	¥ 16,963 million \$ 152,819 thousand	—	—

Notes:
1. Interest rates and balances at the end of the year are used to calculate average interest rate. The average interest rate of lease obligations has not been presented since lease obligations before deducting the amount equivalent to interest expense included in total lease payments are recorded on the consolidated balance sheet.
2. The redemption schedule of long-term loans payable and lease obligations (excluding current portion) for five years subsequent to March 31, 2019 is summarized as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	¥ 621 million \$ 5,594 thousand	¥ 632 million \$ 5,693 thousand	¥ 642 million \$ 5,783 thousand	¥ 1,339 million \$ 12,063 thousand
Lease obligations	¥ 401 million \$ 3,612 thousand	¥ 267 million \$ 2,405 thousand	¥ 177 million \$ 1,594 thousand	¥ 82 million \$ 738 thousand

(Schedule of Asset Retirement Obligations)

The amounts of asset retirement obligations as of April 1, 2018 and March 31, 2019 are less than 1% of the total liabilities and net assets as of April 1, 2018 and March 31, 2019. Therefore, the disclosure is omitted.

OTHERS

Quarterly information for the year ended March 31, 2019

Cumulative period	First quarter	Second quarter	Third quarter	Fourth quarter
Net sales	¥ 126,737 million \$ 1,141,774 thousand	¥ 257,976 million \$ 2,324,108 thousand	¥ 387,716 million \$ 3,492,936 thousand	¥ 563,550 million \$ 5,077,027 thousand
Profit before income taxes	¥ 6,600 million \$ 59,459 thousand	¥ 14,293 million \$ 128,765 thousand	¥ 19,481 million \$ 175,504 thousand	¥ 29,904 million \$ 269,405 thousand
Profit attributable to owners of parent	¥ 4,308 million \$ 38,810 thousand	¥ 9,349 million \$ 84,225 thousand	¥ 12,733 million \$ 114,711 thousand	¥ 19,703 million \$ 177,504 thousand
Earnings per share	¥ 21.09 \$ 0.19	¥ 45.77 \$ 0.41	¥ 62.34 \$ 0.56	¥ 96.46 \$ 0.86

Each quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share	¥ 21.09 \$ 0.19	¥ 24.68 \$ 0.22	¥ 16.57 \$ 0.14	¥ 34.12 \$ 0.30

Company Profile (As of March 31, 2019)

Company outline

Company name	Kandenko Co., Ltd.
Established	September 1, 1944
Head office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Paid in capital	¥10,264 million
Total number of shares issued	205,288,338 shares
Employees	9,818 persons (consolidated), 7,202 persons (non-consolidated)

The Company's website



<https://www.kandenko.co.jp/>
(in Japanese)

The Company sees its website as one of the important sources of information. Please visit our website where we post IR information, an introduction on our technologies and services, and the latest news.

To shareholders and investors:



<https://www.kandenko.co.jp/ir>
(in Japanese)

Company Profile (As of March 31, 2019)

Network

Domestic Offices	
Head Office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Tokyo Branch	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Kanagawa Branch	1-1-8 Hiranuma, Nishi-ku, Yokohama, Japan
Chiba Branch	2-1-24 Shinjuku, Chuo-ku, Chiba, Japan
Saitama Branch	1-9-6 Sakuragicho, Omiya-ku, Saitama, Japan
Ibaraki Branch	2-7-14 Jonan, Mito-shi, Ibaraki, Japan
Tochigi Branch	91-1 Imaizumicho, Utsunomiya-shi, Tochigi, Japan
Gunma Branch	215-6 Furuichimachi, Maebashi-shi, Gunma, Japan
Yamanashi Branch	4-12-25 Chuo, Kofu-shi, Yamanashi, Japan
Shizuoka Branch	8-12 Yoneyamacho, Numazu-shi, Shizuoka, Japan
Tama Branch	2-24-6 Myojincho, Hachioji-shi, Tokyo, Japan
Kansai Branch	Nakanoshima Festival Tower 20th Floor, 2-3-18 Nakanoshima, Kita-ku, Osaka, Japan
Nagoya Branch	Nagoya Toho Building 6th Floor, 1-2-7 Sakae, Naka-ku, Nagoya-shi, Aichi, Japan
Kyushu Branch	Yakuin Business Garden 4th Floor, 1-1-1 Yakuin, Chuo-ku, Fukuoka, Japan
Hokkaido Branch	Takeda Resona Building 3rd Floor, 4-1-2 Kitaichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan
Tohoku Branch	Sendai Daiichi Seimei Tower Building, 4-6-1 Ichibancho, Aoba-ku, Sendai-shi, Miyagi, Japan
Nagano Branch	1629-32 Midoricho, Nagano, Japan

Overseas Offices	
Singapore Branch	1 Coleman Street, #10-5 The Adelphi, Singapore 179803
Taiwan Office	6F-1, No. 45, Section 1, Minchuan Eastern Road, Taipei, Taiwan
Yangon Office	Room1(A), University Paradise Condo, No.441, New University Avenue Road, Bahan Township, Yangon, Myanmar
Indonesia Office	12th Floor, Summitmas II Building, Jl. Jend. Sudirman Kav. 61-62, Jakarta 12190 Indonesia



Stock Information (As of March 31, 2019)

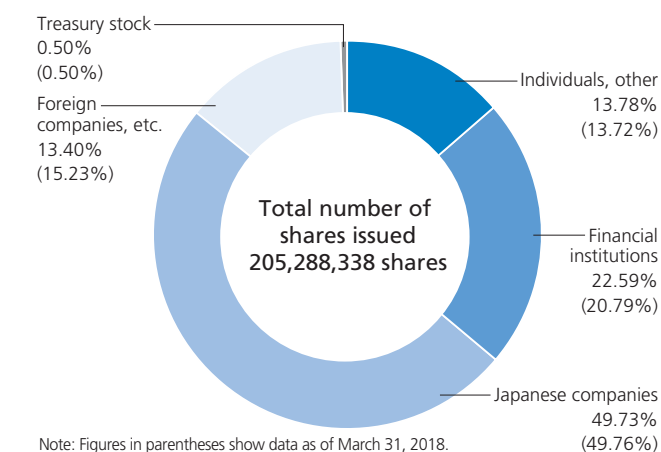
The shares of common stock of the Company are listed on the First Section of the Tokyo Stock Exchange.

On March 31, 2019, there were a total of 9,480 shareholders. The following table lists the 10 largest shareholders appearing on the register at that date.

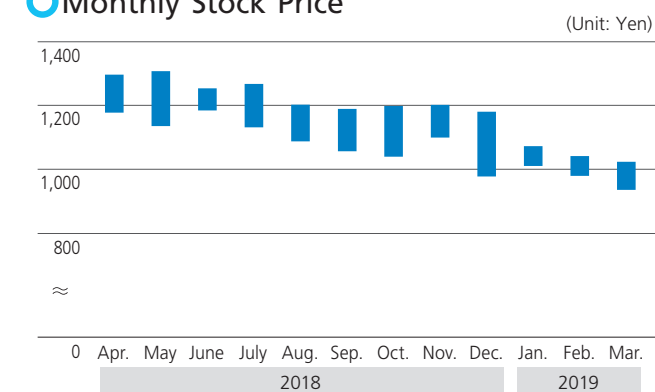
Principal Shareholders

Name	Number of shares held	Shares held as a percentage of total outstanding shares
1 TEPCO Power Grid, Inc.	94,753,552	46.15
2 The Master Trust Bank of Japan, Ltd. (Trust Account)	10,170,800	4.95
3 Japan Trustee Services Bank, Ltd. (Trust Account)	8,625,200	4.20
4 Mizuho Bank, Ltd.	8,121,839	3.96
5 Kandenko Group Employees Shareholding Association	5,657,098	2.76
6 Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,408,100	1.17
7 STATE STREET BANK AND TRUST COMPANY 505001	2,275,129	1.11
8 Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,998,800	0.97
9 NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN(CASHPB)	1,824,100	0.89
10 JP MORGAN CHASE BANK 385151	1,670,944	0.81

Number of Shares Held by Type of Shareholder (As of March 31, 2019)



Monthly Stock Price



Stock-Related Information

Fiscal year-end	March 31
Ordinary general meeting of shareholders	June
Record dates for dividend payments	March 31 for the fiscal year-end dividend. September 30 for the interim dividend.
Record date	The date on which shares must be owned for shareholders to exercise voting rights at the general meeting of shareholders is March 31. If other votes are required, the record date will be set and announced in advance.
Method of public notification	Notification will be given electronically. However, if we cannot issue an electronic notification, we will place a notice in the Nihon Keizai Shimbun, published in Tokyo. Kandenko's URL for public notices is as follows. https://www.kandenko.co.jp/
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Transfer agent contact point (inquiries about stock-related matters)	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan Tel: 0120-782-031 (toll-free)