



Lighting up the future together

Profile

Kandenko Co., Ltd., aims for the mutual prosperity of its shareholders, customers, and the communities where it works, and finds its purpose in this pursuit. We conduct business in a wide range of fields and have grown into one of the largest general infrastructure companies in Japan.

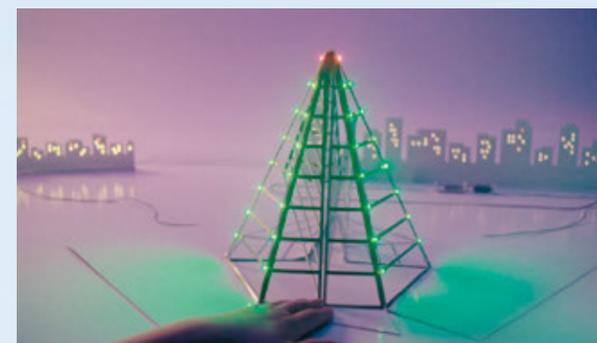
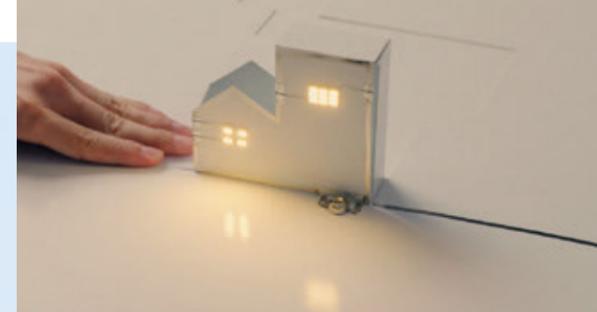
In fields such as building infrastructure, telecommunications infrastructure, and electric power infrastructure, Kandenko uses its independently developed technologies, expertise, and work methods to provide end-to-end engineering services ranging from design and execution to maintenance and renovation of electrical, telecommunications, and other kinds of work. We are also active in the renewable energy field, where the execution expertise we have accumulated in the fields of solar and wind power serves us well.

Kandenko will continue to innovate on the technology front, nurture its human resources, and build a sounder financial structure while making a long-lasting contribution to society as a partner in social infrastructure.

Your Partner in Social Infrastructure

Here we present the new online commercial that Kandenko launched in July 2016 under the title "Lighting Up."

Based around the key phrase "Lighting up the future together," this commercial depicts in images how actual structures take shape out of a design on paper, spreading light throughout the city. In this way, it communicates the importance and value of Kandenko's work to support the vital infrastructure of electric power.



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The Kandenko Group

The Kandenko Group consists of Kandenko Co., Ltd. and 20 consolidated subsidiaries whose businesses comprise facility installation, electrical equipment sales, real estate and leasing operations, and electric power generation. The positions of these businesses within the Group and the business segment to which they belong are explained below.

Facility Installation Business

Kandenko operates a facility installation business and subcontracts some of this work to Kawasaki Setsubi Kogyo Co., Ltd.; Kanko Facilities Co., Ltd.; Kanko Power Techno 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.; NETSAVE Co., Ltd.; and HANDEKCO CORPORATION. Worksite security is outsourced to Tokyo Kouji Keibi Co., Ltd., and design and estimation work are given to Bay Techno Co., Ltd. Kandenko and Transmission Line Construction Co., Ltd., receive orders from Tokyo Electric Power Company, Incorporated (TEPCO) and its affiliates, for the installation of electrical facilities.

Tama K-Techno Co., Ltd. is the new trading name of consolidated subsidiary Yamanashi K-Techno Co., Ltd., which was adopted with effect from January 29, 2016.

Other Businesses

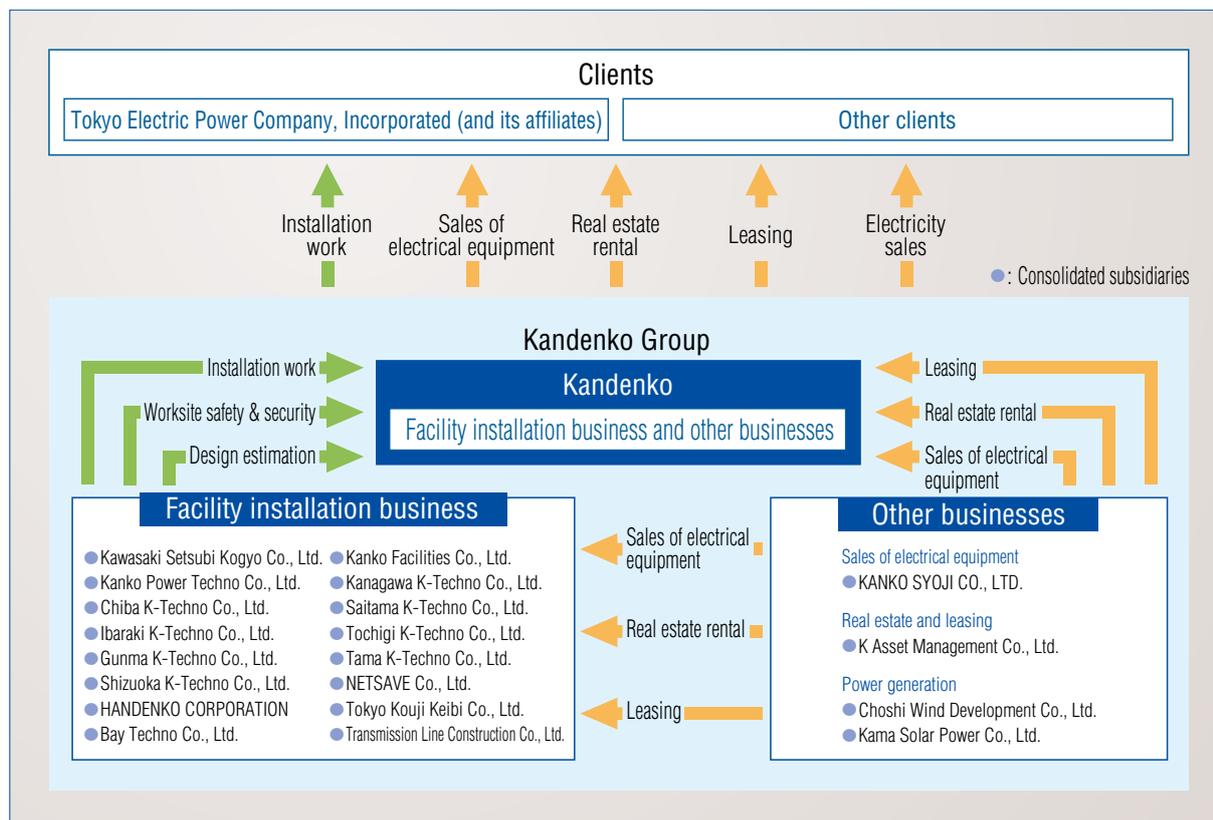
Kandenko Co., Ltd., operates in the real estate and electric power generation businesses; KANKO SYOJI CO., LTD., in the electrical equipment sales business; K Asset Management Co., Ltd., in the real estate and leasing businesses; and Choshi Wind Development Co., Ltd., and Kama Solar Power Co., Ltd., in the electric power generation business. Kandenko Co., Ltd., purchases from KANKO SYOJI CO., LTD., part of the materials and other supplies required for installation work, and leases from K Asset Management Co., Ltd., land and buildings as well as vehicles and other equipment.

Effective July 1, 2015, the consolidated subsidiary K Lease Co., Ltd., was merged into K Asset Management Co., Ltd. (the new trading name of Kanko Fudousan Kanri Co., Ltd.).

The businesses mentioned above are arranged in a schematic diagram below showing the Kandenko Group's structure.

Kandenko Group Structure

(As of March 31, 2016)



Consolidated Financial Highlights

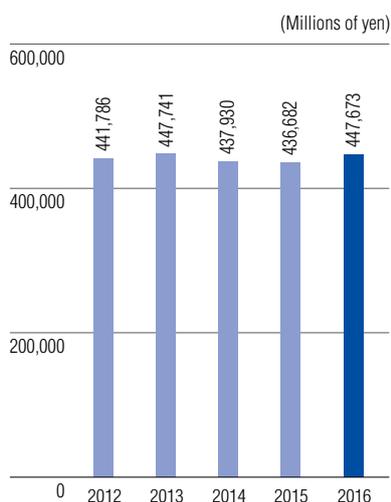
Kandenko Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

Millions of yen

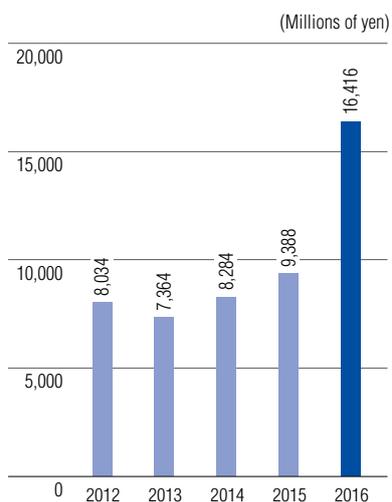
	2015	2016	Reference: 2016 (Kandenko, nonconsolidated)
Net sales	¥ 436,682	¥ 447,673	¥ 398,495
Operating income	9,388	16,416	12,642
Ordinary income	10,336	17,077	13,280
Profit attributable to owners of parent*	4,615	9,412	7,480
Comprehensive income	11,984	7,137	-
Total assets	366,177	407,681	359,657
Total net assets	193,345	197,980	175,155
Equity ratio (%)	51.44	47.22	48.70
Net assets per share (yen)	922.05	942.42	857.43
Earnings per share (yen)	22.59	46.07	36.62
Cash dividends per share (yen)	14.00	14.00	-
Number of employees (persons)	8,839	8,915	6,660

*In the column for Kandenko's nonconsolidated results, the figure indicates profit.

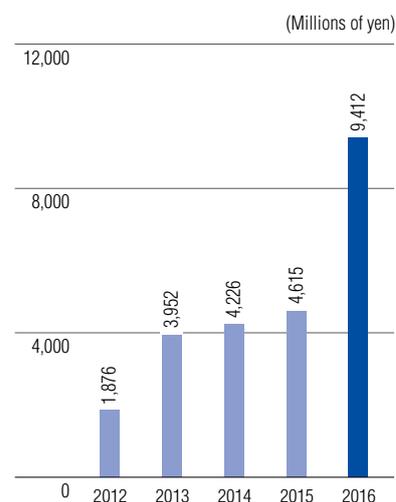
Net Sales



Operating Income



Profit Attributable to Owners of Parent



Message from the Management



Manabu Yamaguchi
Chairman and Director

Manabu Yamaguchi



Yoshimi Morito
President and Director

Yoshimi Morito

Fiscal 2015 Business Environment

In fiscal 2015, ended March 31, 2016, the Japanese economy was affected by negative factors such as the slowdown in China and other emerging Asian economies and the financial instability in Europe. It nevertheless continued on an overall course of gradual recovery, backed by solid corporate earnings and an improving employment situation.

This resulted in a trend toward growth in private-sector construction investment based on major redevelopment projects, especially in the greater Tokyo area, and market demand for office buildings and other new construction. In the electric power-related sector as well, the market showed early signs of a pickup, especially with regard to investment in power distribution facilities.

In response to these conditions, Kandenko was guided by the new management vision it launched in fiscal 2015 under the title “Kandenko, a 100-Year Company Supporting Society.” Based on this vision, we moved forward energetically with locally focused sales activities and wide-area deployment of work execution capabilities, while implementing comprehensive cost-cutting measures and other strategies.

As a result, we succeeded in posting favorable results for the fiscal year, improving on the previous year’s performance as detailed

below. In particular, we achieved strong profit growth based on the success of the concerted corporate effort to fundamentally reform cost structures that has been ongoing since the Great East Japan Earthquake.

Outlook

Looking ahead, there are plans for infrastructural provision ahead of the Tokyo Olympic and Paralympic Games and other opportunities including large-scale redevelopment projects, especially in the greater Tokyo area. Investment in the electric power-related sector is also expected to show an increasing trend, particularly in facility upgrades and related operations.

In response to these conditions, Kandenko will work to realize its vision as a “100-Year Company Supporting Society” by ensuring that its business base is firmly grounded. To do so, we will accelerate the structural reforms implemented thus far and reformulate the growth strategy due for launch in fiscal 2016, implementing the key management policies outlined below.

First of all, we will put in place a locally focused repair and maintenance system that can respond accurately to customer needs. We will do this by drawing on our advanced technological and solutions capabilities and our comprehensive work execution capabilities, realizing a maintenance system that is responsive to medium- to

Establishing a Resilient and Highly Profitable Corporate Structure Capable of Sustained Growth

long-term trends in client markets. Concurrently, we will enhance our building renovation systems and roll out one-stop services promoting the introduction of energy-saving and long-lifespan construction equipment, among others.

Next, we will upgrade our sales systems to take account of progress with the reform of Japan's electric power system, while working to expand our range of business fields to secure increased orders from infrastructural networks such as railways, roads, waterways, and gas supply. In parallel, we will draw on the technologies and expertise acquired in the design and installation of solar and wind power generation systems and related facilities to participate in renewable energy generation projects.

Meanwhile, alongside sustained efforts to assist recovery in the Fukushima area, we will work to ensure stable supply of electric power and effective response to large-scale disasters as part of our social mission as a public utility company.

Additionally, as well as developing the human resources that are essential to the implementation of our growth strategy, we will strengthen on-the-job training, reform work practices and annual leave systems, promote opportunities for women and older employees, and take other measures to enhance the work environment.

We will also undertake investment to expand work execution capabilities, for instance by developing technologies and IT systems that will raise efficiency and promote labor-saving, ensuring safety measures for vehicles, machinery, and other environments, and upgrading our offices and facilities.

Going forward, Kandenko will continue to ensure fair and appropriate business operations to establish a resilient and highly profitable corporate structure capable of sustained growth. In this way, we are committed to meeting the expectations of our shareholders.

Basic Policy on Sharing Profits: Dividends for Fiscal 2015 and 2016

Our basic policy on profit sharing calls for maintaining a stable return through twice-yearly payment of an interim dividend and a year-end dividend. By actively reflecting profit growth in the dividend payment and using other measures, we are committed to returning profit to shareholders.

The dividend for fiscal 2015 consists of an interim dividend of ¥6 and a year-end dividend of ¥8, including a special dividend of ¥2, for an annual dividend of ¥14 per share.

For fiscal 2016, we plan to increase the regular dividend by ¥4 to give an annual dividend of ¥16 per share (an interim dividend of ¥8 and a year-end dividend of ¥8).

Fiscal 2015 Business Results

Consolidated results (Billions of yen)

Net sales	¥ 447.6 (Up 2.5% YoY)
Operating income	16.4 (Up 74.9% YoY)
Ordinary income	17.0 (Up 65.2% YoY)
Profit attributable to owners of parent	9.4 (Up 103.9% YoY)

Non-consolidated results

New orders received	¥ 431.5 (Up 5.5% YoY)
Net sales	398.4 (Up 2.4% YoY)
Operating income	12.6 (Up 85.3% YoY)
Ordinary income	13.2 (Up 70.7% YoY)
Profit	7.4 (Up 96.5% YoY)

Fiscal 2016 Business Results (Forecast)

Consolidated results (Billions of yen)

Net sales	¥ 490.0 (Up 9.5% YoY)
Operating income	20.0 (Up 21.8% YoY)
Ordinary income	20.6 (Up 20.6% YoY)
Profit attributable to owners of parent	12.2 (Up 29.6% YoY)

Non-consolidated results

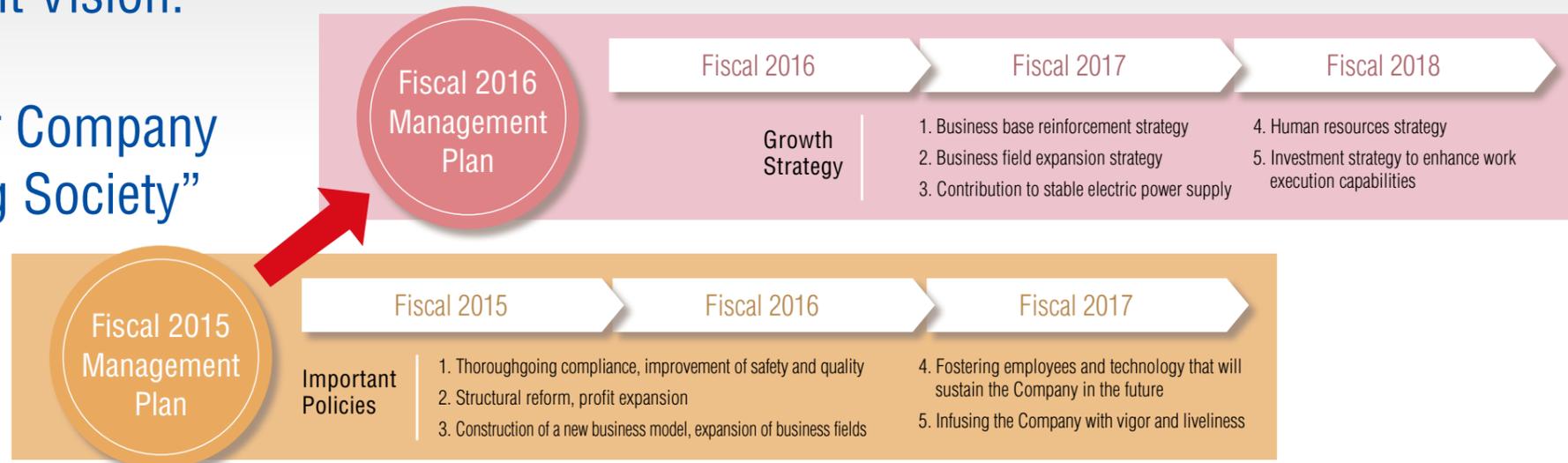
New orders received	¥ 470.0 (Up 8.9% YoY)
Net sales	440.0 (Up 10.4% YoY)
Operating income	16.0 (Up 26.6% YoY)
Ordinary income	17.0 (Up 28.0% YoY)
Profit	10.5 (Up 40.4% YoY)

Setting Out a Growth Strategy for Further New Achievements

Guided by its management vision, “Kandenko, a 100-Year Company Supporting Society,” the Kandenko Group is currently implementing the Medium-Term Management Plan it launched in fiscal 2015. To build on these results, we have set out a new growth strategy to realize high profitability and a resilient corporate structure for sustained growth.

the Medium-Term Management Plan it launched in fiscal 2015. Results for the first year of the plan have been positive.

Management Vision: “Kandenko, a 100-Year Company Supporting Society”



Based on fiscal 2015 results, we have revised the plan for operations from fiscal 2016.

- Fiscal 2015 results
- Fiscal 2015 original plan
- Fiscal 2016 revision



Fiscal 2020 targets

Consolidated

Net sales	¥650.0 billion
Operating income	¥36.0 billion
ROE	9.0% or more

Non-consolidated

New orders received	¥610.0 billion
Net sales	¥580.0 billion
Operating income	¥30.0 billion
ROE	9.0% or more
Dividend payout ratio	30%–40%
Number of employees	8,000 people

Concrete Policies

1 Business Base Reinforcement Strategy

- Secure renovation project contracts by putting in place a one-stop sales system covering electric power supply, air conditioning and sanitation systems, information and communications, and building interiors
- Put in place systems for customer-focused repair and maintenance works and to increase the number of contracts for small-scale projects
- Strengthen operations in the air conditioning and sanitation works field to enable total solutions for electric power and gas supply
- Cut costs to strengthen price-competitiveness

2 Business Field Expansion Strategy

- Expand into new fields and overseas markets on a comprehensive foundation in the electric power field consisting of work execution capabilities, technological capabilities, and expertise
- Develop business in the renewable energy generation sector
- Respond to liberalization of electric power retailing
- Respond to plans for undergrounding of power lines to eliminate above-ground power masts and cables
- Reorganize overseas business systems
- Utilize in-house technology to expand operations in the field of social infrastructure networks and related areas
- Leverage company-owned real estate to boost earnings

3 Contribution to Stable Electric Power Supply

- Initiatives to assist post-disaster reconstruction in Fukushima
- Maintenance initiatives for electric power transmission, transformation, and distribution facilities, etc.
- Respond to updating of electric power facilities to support customer businesses
- Strengthen the ability to provide recovery and reconstruction response following large-scale natural disasters

4 Human Resources Strategy

- Reform employee attitudes to support growth strategy
- Expand the workforce
- Initiatives to improve productivity
- Initiatives to activate and cultivate human resources
- Strengthen coordination with partner companies

5 Investment Strategy to Enhance Work Execution Capabilities

- Invest in enhanced work execution capabilities by expanding the network of operational bases and upgrading offices and facilities, vehicles, and so on
- Invest in safety measures, technology development, and IT

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

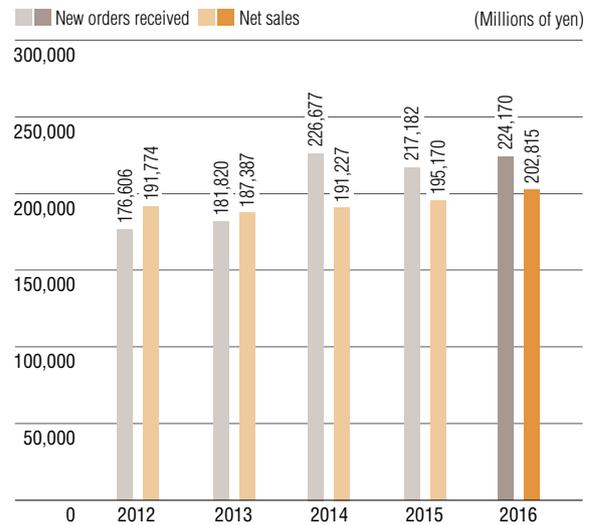
Environmental Facilities and Systems, and Renovation Work: Work on air conditioning and sanitation systems, heat supplying systems, and disaster prevention systems

In the segment covering electrical engineering, environmental facilities and systems, and renovation work, we strove to meet lively construction demand, particularly in the greater Tokyo area. We achieved this through finely targeted sales activities based on advance gathering and analysis of market information, presentation of renovation solutions matched to customer needs, and a range of other proactive strategies. By additionally strengthening cost management functions and promoting efficient operation of work execution capabilities, we reduced work costs and boosted productivity. As a result, both new orders received and net sales increased from the previous fiscal year, as shown below.

New orders received: ¥224,170 million (up 3.2% year on year)

Net sales: ¥202,815 million (up 3.9% year on year)

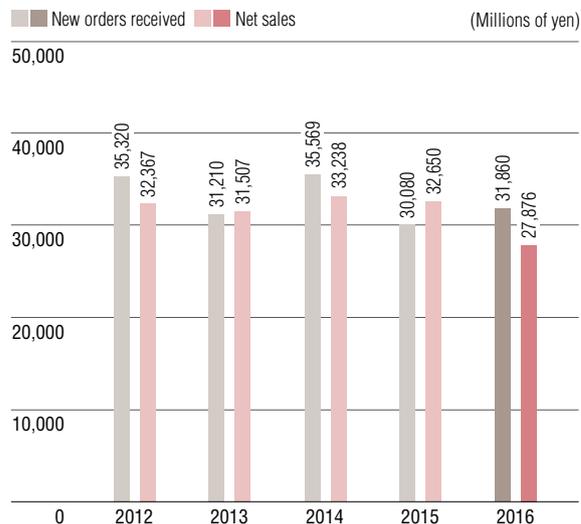
Business results by type of work



TEKKO BUILDING

Information & Communication Work

Business results by type of 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, carry out building and maintenance of transmission base stations for mobile communications, carry out building and maintenance of networks for cable TV and municipalities, and carry out maintenance of telecommunications facilities for electric power providers

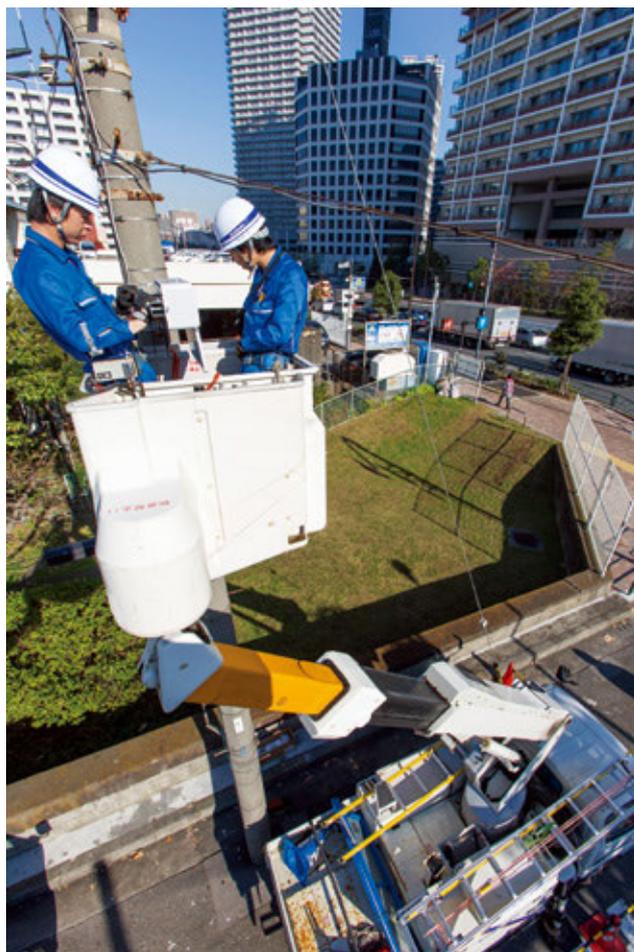
In the segment covering information & communication work, we carried out joint sales activities with other divisions to attract new customers. We also worked to secure orders for large-scale renovation works on cable TV broadcasting facilities and for communication cable works accompanying the expansion of the expressway network.

As a result, new orders received expanded compared with the previous fiscal year, to ¥31,860 million (up 5.9% year on year).

However, partly due to the impact of measures by communications business operators to cut capital investment, net sales decreased to ¥27,876 million (down 14.6% year on year).



Adjusting equipment inside a cable TV operating station



Installing a smart meter data aggregation device

Business Review by Division

Power Distribution Lines Engineering Work

Description
of
Business

Construction and maintenance of TEPCO's electric power facilities

In the segment covering engineering work on overhead and underground power distribution lines, there was a shift to recovery in the level of capital investment in electric power distribution facilities, which had previously been sluggish. We responded by working to raise productivity through flexible deployment of work execution capabilities over a wide area and stringent control of work procedures. We also took steps to cut work costs through close monitoring of earnings and expenditures at each branch office and improvements to working methods. As a result, both new orders received and net sales rose from the previous fiscal year, as shown below.

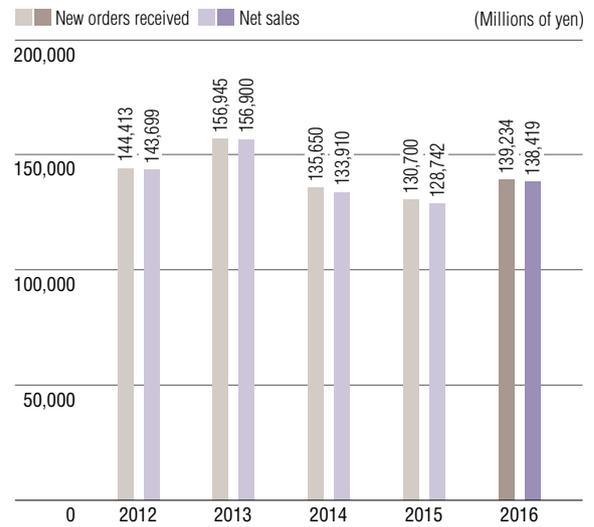
New orders received: ¥139,234 million (up 6.5% year on year)

Net sales: ¥138,419 million (up 7.5% year on year)



Laying cable for underground power distribution facilities

Business results by type of work



Work on overhead power distribution lines using hot sticks

Electric Power & Civil Engineering Work

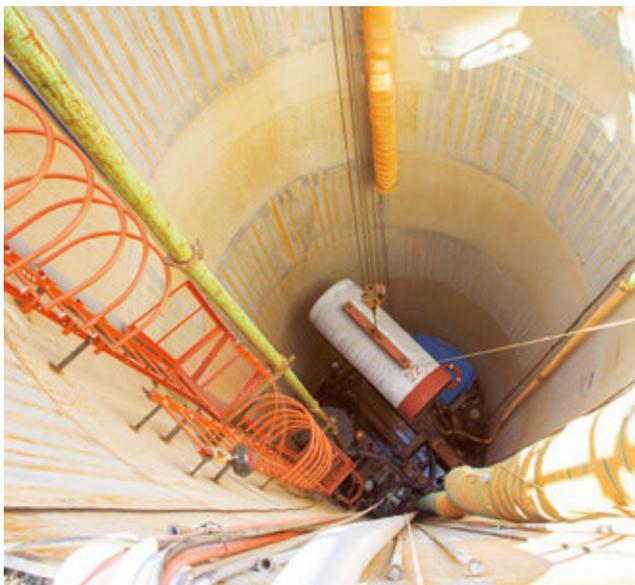
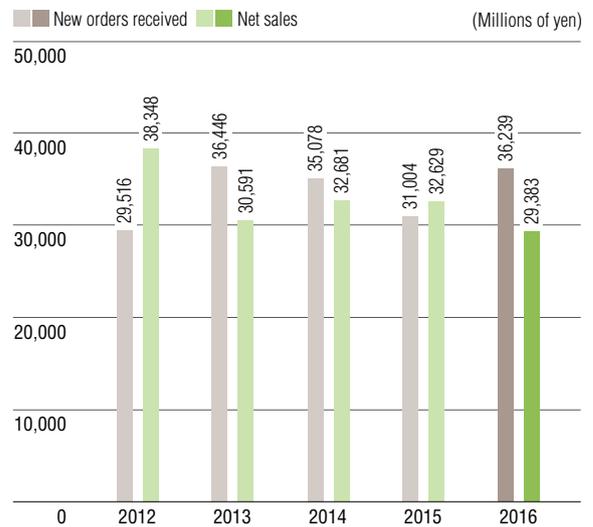
Description
of
Business

Power Generation and Transformation Work: Work on power stations and substations, and wind 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 utilizing C.C. Box
Nuclear Power Work: Conduct regular inspections and maintenance of nuclear power plant facilities and equipment

This segment covers power generation and transformation, overhead and underground power transmission lines, civil engineering, and nuclear and wind power generation. During the fiscal year under review, to respond to solid investment in power source and trunk network facilities, we worked to secure orders by bringing together divisional engineering capabilities. Additionally, we drew on our accumulated store of technologies and expertise to roll out energetic solutions-based sales activities, while focusing on business fields such as railways, gas supply, and waterways.

As a result, new orders received reached ¥36,239 million (up 16.9% year on year), but net sales fell to ¥29,383 million (down 9.9% year on year).

Business results by type of work



Laying an underground gas pipeline using Kandenko's unique Earth Little Tunneling Method (small-diameter pipe jacking method)



Replacing a circuit breaker at a 500kV power substation

Topics: Introduction of Projects by Kandenko



1 Eurus Yurikogen Wind Farm (Akita)



2 DOME IWAKI BASE (Fukushima)



3 Nagano City Arts Center (Nagano)



10 Nikkei Inc., Osaka Head Office Building (Osaka)



11 Kure City New Office Building (Hiroshima)



12 Kama Solar Power Plant 1 (Fukuoka)



4 Lotte Co., Ltd., Urawa Factory #6 (Saitama)



5 Toukatsu Hospital (Chiba)



13 Cathay Landmark (Taipei, Taiwan)



14 Noi Bai International Airport Terminal 2 Building (Vietnam)



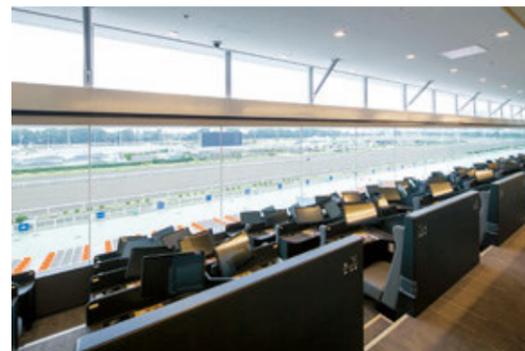
6 Dai Nippon Printing Co., Ltd., Ichigaya-Kagacho Building (Tokyo)



7 Futako Tamagawa Rise (Tokyo)



8 Sumitomo Mitsui Banking Corporation, Head Office East Building (Tokyo)



9 Oi racetrack G-FRONT (Tokyo)



Completion of the TOKYO RAKUTENCHI Asakusa Building and Opening of MARUGOTO NIPPON

Asakusa is a district of Tokyo where the traditional popular culture of old Edo remains vividly present. In December 2015, the TOKYO RAKUTENCHI Asakusa Building was completed in Asakusa Rokku, the area that is the district's western gateway, and MARUGOTO NIPPON was opened.

MARUGOTO NIPPON is a facility bringing together 50 retail outlets designed to allow a virtual tour of the regions of Japan. With seasonal foods sourced directly from the producer region and handcrafted objects showcasing traditional artisan skills, visitors can enjoy a variety of attractions under one roof in a facility that, it is hoped, will further boost tourism and contribute to locally based production.

Kandenko was commissioned to install the building's electric facilities, including an LED lighting system that achieves energy savings through self-regulating adjustment. The facility will add to the charms of Asakusa, a major tourist center that receives more than 20 million visitors a year.



“Gujjoba!!” Opens at Yomiuriland

In March 2016, the Yomiuriland amusement park at Inagi City in Tokyo saw the opening of “Gujjoba (Good/Job/Attractions)!!,” one of Japan’s largest leisure facilities offering a hands-on experience of manufacturing culture.

“Gujjoba!!” is made up of four attraction zones, or “factories,” themed around automobiles, foods, fashion, and stationery. The total of 15 attractions—offering the opportunity to have fun while learning how things are made—includes the Custom Garage, which illustrates all stages of car manufacture from automobile design and assembly through to vehicle shipment. There is also the Spin Runway, where visitors can experience the garment manufacturing process from cloth cutting to stitching while sitting in the comfort of a fairground ridecar.

Alongside these are four workshops where visitors can actually make their own products, including cups of *yakisoba* noodles made by combining ingredients of their own choosing and colorfully decorated personalized stationery.

Kandenko technology is also used in amusement facilities of this kind, where people can spend enjoyable times with family and friends.



Aspiring to Be “Kandenko, a 100-Year Company Supporting Society”: Initiatives in Social Infrastructure

As part of its social mission to support the stable supply of electric power, Kandenko has since its foundation in 1944 worked to develop advanced and unique technologies and accumulate rich expertise. This enables it to undertake work on facilities beyond the electric power field, such as water supply and sewerage facilities, subways, and expressways.

Going forward, we will continue to draw on this store of technologies and expertise to strengthen business operations in the field of social infrastructure projects, moving toward our aspiration to become “Kandenko, a 100-Year Company Supporting Society.”



Working on water main pipes



Installing an expressway information board



Yakushido Station on the Sendai City Subway Tozai Line

Undertaking Infrastructure Projects in Vietnam

In recent years, Vietnam has attracted interest as a new investment target among the emerging economies of Asia, and has posted continuing high levels of growth. Kandenko carried out a project here to lay underground power distribution lines to supply electricity to an industrial park.

Thang Long Industrial Park II, where the works took place, is located in the north of Vietnam around 30 kilometers southeast of the capital of Hanoi, and is surrounded by peaceful rural landscapes. This region, which is characterized by a humid subtropical climate, has muddy soil that made operations difficult. From the preparatory earthworks to the underground laying of the cables and pipes that constituted the major part of the works, our team faced mud-drenched conditions. However, by drawing to the full on their accumulated expertise and building a close working relationship with local staff, they were able to make steady progress and succeeded in completing the project on time.

In this way, Kandenko's highly developed technologies and skills are contributing overseas to infrastructure provision and the development of local communities.



Pipe and cable laying operations were made complicated because of sludge.



This transformer will be the power source of the industrial park.

Excellent Results at the National Technical Skills Olympics with Two Gold Prizes

In December 2015, the 53rd National Technical Skills Olympics, at which young engineers compete in displays of their accomplishments, was held in the main hall of the Makuhari Messe exhibition center in Chiba Prefecture. Kandenko employees distinguished themselves with gold prizes in the Electric Power Works and the Information Network Installation categories.

At the Olympics, besides the sessions announced in advance, there are additions and alterations on the day of the event, so not only accuracy and speed but also flexibility and adaptability are important skills. It was the two Kandenko competitors' ample demonstration of the fruits of their day-to-day training, as well as their ability to adapt as needed to the additions and alterations, that secured their gold prize victories.

These wins in two categories reflect the human resource development that we have been promoting. We are committed to continuing to work to transmit technologies and skills to the generations that are our future.



Koichiro Yumoto (left), gold prize winner in the Electric Power Works category, and Sho Tokumori, gold prize winner in the Information Network Installation category



Research and Development Activities

To respond to customer requirements and worksite issues, the Kandenko Group is focusing on the key areas of technology development to answer customer needs, as well as technology development to contribute to worksite safety, labor saving, and cost reduction, and to support the expansion of business fields. In fiscal 2015, we moved forward aggressively with technology development in specific areas, to improve the lifespan and reliability of customer facilities, introduce new operational techniques and robots to contribute to operational safety and labor saving, and support operations, maintenance, and increased efficiency in the solar power business.

R&D expenses amounted to ¥1,093 million (consolidated) in fiscal 2015, and the main results are detailed below. (R&D expenses are not broken down by segment.)

Facility Installation Business

Development of a High-Function Insulation Monitoring Device

Electric power facilities are legally required to carry out periodic testing of insulation resistance, but as testing that involves electric power interruption is impractical at certain facilities, such as data centers and production plants that operate 24 hours a day, a method is needed to measure insulation resistance that does not require power shutdown. We addressed this need by developing a device that allows accurate measurement of insulation resistance throughout even a live circuit, by passing a weak signal through a low-voltage ungrounded circuit on the transformer secondary side. The resulting continuous data recording means that any insulation weakening in the circuit can be detected at an early stage.

We will market this device to customer facilities to expand orders received, which will contribute to improved reliability at customer facilities.



High-function insulation monitoring device

Development of Self-Propelled Ceiling Wiring Robot

Previously, wiring work within ceilings required operatives to climb onto unstable work platforms every time that work within the ceiling was necessary, which made for a poor work environment and greatly reduced work efficiency.

In response, we developed a highly mobile self-propelled ceiling wiring

robot, operated by remote control, that can deliver wires for cable wiring to the required position within the ceiling. We will use this device to ensure the safety of wiring operations within ceilings and boost operational efficiency.



Self-propelled ceiling wiring robot

Development of a Cable Laying Technique Using Automatically Controlled Cable Transport

Under the existing technique for laying of cable in underground service trenches, electric rollers are placed at three-meter intervals to transport the cable, with a hauling machine required at curved or inclined sections of the trench to grasp and carry the cable. This operation requires not only a large deployment of labor but also a major commitment of time and resources to prepare materials and machinery, for example. We responded by developing a technique

that combines a web camera-based monitoring system with an operational control system that can simultaneously manage a number of machines that integrate the functions of cable transport and hauling. We will roll out this technique to enhance operational efficiency and achieve cost reductions.



Development of a System to Manage Electric Power Interruption and Restoration Procedures

At present, to ensure the reliability of electric power interruption and restoration procedures during annual inspections and facility updating at electric power facilities, display labels are used to show the status of operations, with double-checking carried out by a team of two operatives. However, to answer the need for further safety enhancement, we developed procedure input support software that can check the sequence of procedures in advance, and a tablet-based visualization system to replace the display labels that relays and displays operating status from the control panel in real time. This system will be used to ensure safety and improve operational efficiency.



System to manage electric power interruption and restoration procedures

Other Businesses

Upgrade of the Mega-Solar Power Plant Measurement and Monitoring System

A system developed by Kandenko for measurement and monitoring at mega-solar power plants has been enhanced by the addition of a function that can infer estimated parameters from past electric power generation data and improved diagnostic algorithms. We are using the system to boost operational safety and reliability at our power generation plants. We plan to market this system to our customers so it that contributes directly to sales.



Mega-solar power plant measurement and monitoring system

Corporate Governance

Corporate Governance

As Kandenko's operating environment drastically changes, we are working to make management more efficient and transparent while ensuring the fairness of business execution. We realize that Kandenko's continued existence as a company with high value to its stakeholders depends on a robust corporate governance system. We are therefore unstinting in our efforts to strengthen corporate governance.

Basic Corporate Governance Policy

In keeping with the content and the spirit of the Corporate Governance Code established by the Tokyo Stock Exchange, Kandenko implements a basic corporate governance policy that sets out its basic approach with the aim of enhancing the practical effectiveness of corporate governance.

Outline of the Current Corporate Governance System

Board of Directors

The Kandenko Board of Directors, which consists of 15 members including two outside directors, meets regularly once a month, and additionally whenever necessary, to discuss important business matters and to reach final decisions, taking account of the contributions of the independent directors and other considerations. The Board also oversees the execution of business by the directors. A designated corporate department is in place to provide support to the outside directors, for instance by briefing them where necessary on items due to be discussed at Board meetings. Important managerial issues, including those that will be brought up at a Board of Directors' meeting, are discussed by the Management Committee, which meets regularly each week and additionally whenever necessary. In these ways, we strive for rational corporate administration. Moreover, we have introduced an executive officer system, which separates managerial oversight from business execution, to accelerate the decision-making process and reinforce business execution while enhancing the efficiency of the directors' business execution system. To foster swift responses to changes in the operating environment and invigorate management, directors' terms are limited to one year from the time of appointment.

Audit & Supervisory Board Members

Kandenko has employed an Audit & Supervisory Board member system for some time. Five Audit & Supervisory Board members, including three from outside the Company, conduct audits appropriately based on legal stipulations and Kandenko's audit policy. The outside members heighten our system's independence and neutrality. They attend our Board of Directors' meetings and other important meetings, where they express their independent and objective opinions. Audit & Supervisory Board members, including outside members, meet with the Company's directors on a regular and irregular basis to ask about the state of the latter's work. We provide the

Audit & Supervisory Board members with the Auditing Office to enable the complete and effective fulfillment of their duties.

Independent Accounting Auditor

Kandenko has appointed Inoue Audit Corporation as its independent accounting auditor. The three CPAs who audited Kandenko's accounts are Hideo Kayashima, Teruo Hayashi, and Hiroyuki Yoshimatsu, none of whom has audited our accounts for over seven consecutive years. Six other CPAs and three additional people assist with the account audit.

Internal Audit

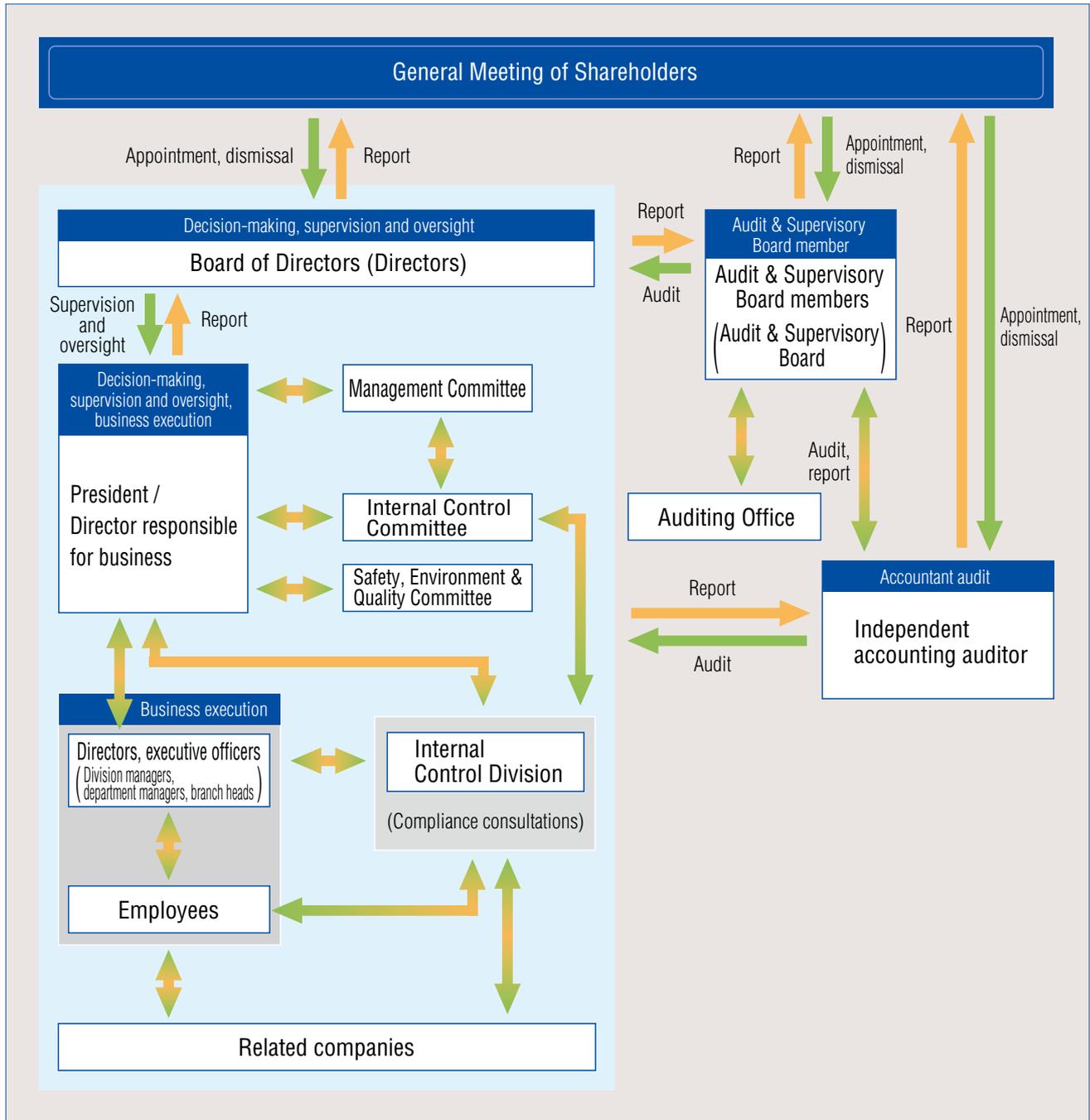
For internal audit, the 18-strong staff of the Internal Audit Division carries out the audit in accordance with the Internal Control Enhancement Plan. The audit results are reported to the Internal Control Committee and the Management Committee, and as appropriate to the Board of Directors, to enable any required remedial action to be taken.

Independent accounting auditors and the Internal Audit Division report their findings to the Audit & Supervisory Board meeting and regularly discuss these matters with the Audit & Supervisory Board members, including outside members. Opinions are exchanged whenever necessary so that cooperation is ensured. While the Audit & Supervisory Board members (including outside members), independent accounting auditors, and the Internal Audit Division carry out their audits, they receive regular reports on the maintenance and state of internal control from each division responsible for business execution.

Outside Directors and Outside Audit & Supervisory Board Members

Currently, the Company has two outside directors and three outside Audit & Supervisory Board members. We appoint outside directors and outside Audit & Supervisory Board members to fulfill audit and oversight functions and to enhance transparency, so in accordance with the Companies Act and other regulations, we look for candidates whose experience and expertise

Corporate Governance System



outside the Company will be useful to Kandenko, and who can 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 to the candidates, the Board of Directors approves them, and then they are presented to a shareholders' meeting 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.

Corporate Governance

Independence Criteria for Independent Outside Directors

Kandenko considers outside director candidates 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 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.

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 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 entrenchment of compliance, we have enacted the Kandenko Group Charter of Corporate Behavior, and we are promoting its establishment and raising the consciousness 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 soundness.

In its attitude to 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 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 on what was known up to the end of the fiscal year ended March 31, 2016.

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 TEPCO account for about 40% of the Kandenko Group's sales.

Fluctuations in Materials Costs or Labor Costs

Should materials costs 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 done 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 contract fee for one transaction is very large, and in many cases, a condition of concluding the contract is that payment of the large sum of the construction fee is to be made when the handover of the construction project is completed. 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 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 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 law, the antimonopoly law, and the industrial safety and health law. Should there be any changes, such as revision or repeal of legal regulations, or 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 required remedial action to be taken.

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

Our Philosophy

As a member of a recycling-based society, Kandenko will help to construct a rich human environment, and through unceasing innovations, will help to conserve the global environment.

Activity Plan

1. We consider environmental conservation to be an important management issue. We are committed to making continual, incremental improvements to our environmental management system (EMS).
2. While engaged in activities to save resources, conserve energy, promote recycling, and prevent pollution, we will reduce the volume of waste produced by our businesses.
3. We will follow legal regulations and agreements and enact our own environmental standards to promote environmental conservation.
4. We will educate our employees about the environment and raise their environmental awareness.
5. We will build bridges of cooperation to regional society and seek harmony with society as a whole.

Environmental Management System

In accordance with its basic environmental policy, Kandenko has built an EMS that covers the entire Company, and has been engaged in making continuous improvements to the system and carrying forward proactive environmental conservation activities.

To promote environmental conservation activities, Kandenko's head office, regional headquarters, branches, and representative offices have cooperated as one in constructing an EMS that complies with ISO 140001 standards. Seeking a fair and just assessment from a third party, we acquired ISO 140001 certification for our branches in Tokyo, Saitama, Chiba, Kanagawa, Shizuoka and Nagoya.

Structure for Promoting Environmental Preservation

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. As an additional part of its structures to promote environmental activity, Kandenko has set up departments within the construction headquarters and regional headquarters to take charge of environmental activities under the control of the Environmental Department of Safety, Environment and Quality Division. A broad range of environmental issues undergoes careful review by the Committee for Environmental Measures, which decides on concrete response initiatives and works to put them into practice.

Environmental Education

We believe that in promoting environmental activities such as energy conservation, the reduction of CO₂ emissions, and proper disposal of industrial waste, each employee's correct understanding and concern for environmental issues is critical, so we carry out environmental education for people of all ranks.

Kandenko encourages employees to take the Certification Test for Environmental Specialists (Eco Test), which is organized by the Tokyo Chamber of Commerce and Industry. People who pass the test have a broad knowledge of the environment and can voluntarily lead environmental conservation initiatives among their colleagues and in their communities, making this qualification valuable to both the individual and the Company.

Initiatives to Reduce the Environmental Burden

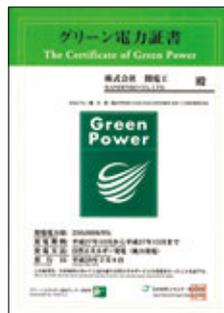
Given the increasing seriousness of global environmental issues, we believe that we can contribute to protecting the healthy biodiversity of the ecosystem and realizing a sustainable society by implementing systematic and efficient environmental conservation measures in all aspects of our business activities.

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 to conserve the global environment.

Concrete Initiatives

Introducing Green Electric Power

Kandenko is one of the first in the industry to participate in a Green Electric Power Fund, which promotes the use of natural energy sources. To receive a green electric power supply, the Company entered into a 15-year contract effective from April 2002 with Japan Natural Energy Company Limited based on a Green Energy Certification System.



Ice-based thermal storage air conditioning system (Ibaraki Branch)

Kandenko's hot-water supply system for industrial use, "EcoCute Q" (Kawasaki Representative Office)



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 is rolling out 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.

Meeting room that exclusively uses LED lighting (head office)



Environmental Initiatives

Vehicle Energy-saving Initiatives

Kandenko employs a large vehicle fleet consisting mainly of work vehicles such as aerial work platform vehicles and trucks to transport materials and equipment. To raise the fuel efficiency of vehicles, employees have worked concertedly 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 performance.



Battery-operated aerial platform vehicle



Electric vehicles and a high-speed charging device (at the back of the vehicle on the right)

Resource Conservation Initiatives

At representative offices and other business bases, leftover work materials, outdated facilities, and any other disused materials are collected. Kandenko contributes to resource conservation by sorting and storing these materials, then converting them for reuse, recycling them into new products, or reutilizing them in some other way. The sorting of waste materials at representative offices, which is essential to reducing waste emissions and ensuring efficient use of resources, unites the staff of each office in concerted efforts.

Additionally, Kandenko implements water-saving measures in the day-to-day use of restrooms and other facilities, while recycled water produced by collecting and purifying rainwater and wastewater is used at the head office for toilet cleansing.

Concurrently, to protect forestry resources, we utilize recycled paper and paper that supports forest management, work to cut the use of photocopying paper, promote the use of paper-free projectors at meetings, and take other steps to promote resource conservation.



Sorting and storage at an office



Sorting and storage of industrial waste



Collection of rainwater

Financial Section

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Consolidated 10-Year Financial Summary

(Millions of yen)

For the fiscal years ended March 31	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net sales	¥ 452,645	¥ 468,608	¥ 473,804	¥ 453,623	¥ 462,482	¥ 441,786	¥ 447,741	¥ 437,930	¥ 436,682	¥ 447,673
Operating income	4,350	6,457	8,858	9,477	10,735	8,034	7,364	8,284	9,388	16,416
Ordinary income	5,109	7,276	9,854	10,484	11,634	9,070	8,301	9,089	10,336	17,077
Profit attributable to owners of parent	4,284	4,865	5,586	5,428	5,866	1,876	3,952	4,226	4,615	9,412
Comprehensive income	–	–	–	–	1,772	4,381	8,238	7,327	11,984	7,137
Total assets	371,970	373,674	379,093	378,150	353,342	359,726	364,008	359,933	366,177	407,681
Total net assets	181,090	173,171	172,487	177,536	176,808	178,757	184,269	189,692	193,345	197,980
Equity ratio (%)	48.23	45.84	44.57	45.96	48.93	48.54	49.49	51.45	51.44	47.22
Net assets per share (yen)	876.44	837.07	826.08	850.04	845.67	854.31	881.41	906.29	922.05	942.42
Earnings per share (yen)	20.93	23.78	27.30	26.54	28.69	9.18	19.34	20.69	22.59	46.07
Cash dividends per share (yen)	12.00	12.00	12.00	14.00	12.00	12.00	12.00	12.00	14.00	14.00
Net cash provided by (used in) operating activities	(13,008)	23,153	16,947	12,236	10,257	13,035	15,401	(2,218)	2,921	18,042
Net cash provided by (used in) investing activities	(9,579)	2,439	(9,825)	(9,763)	(3,799)	1,583	(12,748)	(5,839)	2,253	(7,101)
Net cash used in operating activities	(1,529)	(1,887)	(3,519)	(4,400)	(4,037)	(5,423)	(2,900)	(4,540)	(3,743)	19,807
Cash and cash equivalents at end of period	13,834	37,503	41,060	39,142	41,539	50,725	50,550	38,697	40,157	70,899
Number of employees (persons)	7,676	7,893	8,513	8,665	8,769	8,746	8,732	8,821	8,839	8,915

Financial Position

Analysis of Consolidated Financial Position

Total assets at the end of the fiscal year under review increased ¥41,503 million over the previous fiscal year to ¥407,681 million.

Assets

Due mainly to increases of ¥33,231 million in cash and deposits and ¥12,639 million in costs on uncompleted construction contracts, total current assets grew by ¥46,233 million over the end of the previous fiscal year.

Owing to a decrease of ¥5,558 million in investment securities, total non-current assets declined by ¥4,729 million from the end of the previous fiscal year.

Liabilities

Due to an increase of ¥7,223 million in the current liabilities item of advances received on uncompleted construction contracts, and an increase in non-current liabilities including ¥20,100 million in zero coupon convertible bonds, total liabilities grew by ¥36,868 million over the end of the previous fiscal year.

Net Assets

Due mainly to a ¥6,228 million rise in retained earnings, total net assets climbed by ¥4,634 million compared to the end of the previous fiscal year.

Cash Flows

In the fiscal year under review, both operating activities and financing activities contributed to an increase in consolidated cash and cash equivalents (henceforth "funds"). Despite the negative contribution made by investing activities, consolidated funds increased ¥30,741 million from the previous fiscal year to ¥70,899 million.

Cash Flows from Operating Activities

In the fiscal year under review, cash flows from operating activities added ¥18,042 million to funds (up ¥15,121 million from the previous fiscal year). This was because factors making a positive contribution to funds, including chiefly ¥17,248 million in profit before income taxes and an increase of ¥7,223 million in advances received on uncompleted construction contracts, outweighed negative factors such as an increase of ¥12,639 million in costs on uncompleted construction contracts.

Cash Flows from Investing Activities

In the fiscal year under review, funds decreased ¥7,101 million due to investing activities (down ¥9,355 million from the previous fiscal year). Here, ¥3,537 million in proceeds from sales and redemption of investment securities was outweighed by a ¥2,570 million net increase in time deposits and ¥7,869 million for purchase of property, plant and equipment.

Cash Flows from Financing Activities

In the fiscal year under review, financing activities increased funds by ¥19,807 million (up ¥23,551 million from the previous fiscal year). This was due to income of ¥4,364 million from long-term loans payable and ¥20,100 million from the issuance of convertible bond-type bonds with subscription rights to shares, which offset ¥2,451 million in cash dividends paid.

CONSOLIDATED BALANCE SHEET

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2015 AND 2016

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2015	2016	2016	
Assets				
Current assets				
Cash and deposits	*3 ¥ 44,128	*3 ¥ 77,360	*3 \$ 684,601	
Notes receivable, accounts receivable from completed construction contracts and other	*3 129,326	*3 129,855	*3 1,149,159	
Securities	5,999	3,999	35,389	
Costs on uncompleted construction contracts	*5 21,260	*5 33,899	*5 299,991	
Raw materials and supplies	2,656	4,149	36,716	
Deferred tax assets	5,543	6,535	57,831	
Other	5,476	5,056	44,743	
Allowance for doubtful accounts	(423)	(655)	(5,796)	
Total current assets	213,967	260,200	2,302,654	
Non-current assets				
Property, plant and equipment				
Buildings and structures	*3 84,429	*3 85,438	*3 756,088	
Machinery, vehicles, tools, furniture and fixtures	*3 45,350	*3 51,759	*3 458,044	
Land	*2,*3 59,917	*2 58,803	*2 520,380	
Leased assets	2,567	2,349	20,787	
Construction in progress	4,909	353	3,123	
Accumulated depreciation	(103,455)	(105,064)	(929,769)	
Total property, plant and equipment	93,718	93,640	828,672	
Intangible assets	2,905	2,749	24,327	
Investments and other assets				
Investment securities	*1,*3 45,324	*1,*3 39,765	*1,*3 351,902	
Deferred tax assets	5,861	6,281	55,584	
Other	*3 6,326	*3 5,797	*3 51,300	
Allowance for doubtful accounts	(1,925)	(753)	(6,663)	
Total investments and other assets	55,586	51,090	452,123	
Total non-current assets	152,210	147,480	1,305,132	
Total assets	¥ 366,177	¥ 407,681	\$ 3,607,796	

The accompanying notes are an integral part of financial statements.

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2015	2016	2016	
Liabilities				
Current liabilities				
Notes payable, accounts payable for construction contracts and other	¥ 86,231	¥ 85,280	\$ 754,690	
Short-term loans payable	*3 8,728	*3 7,686	*3 68,017	
Lease obligations	516	395	3,495	
Income taxes payable	972	6,260	55,398	
Advances received on uncompleted construction contracts	11,864	19,088	168,920	
Provision for warranties for completed construction	965	974	8,619	
Provision for loss on construction contracts	*5 3,124	*5 2,391	*5 21,159	
Other	15,210	21,235	187,920	
Total current liabilities	127,614	143,312	1,268,247	
Non-current liabilities				
Convertible bond-type bonds with subscription rights to shares	—	20,100	177,876	
Long-term loans payable	*3 1,755	*3 5,567	*3 49,265	
Lease obligations	809	662	5,858	
Deferred tax liabilities for land revaluation	*2 7,304	*2 6,830	*2 60,442	
Net defined benefit liability	33,149	30,964	274,017	
Other	2,198	2,263	20,026	
Total non-current liabilities	45,217	66,388	587,504	
Total liabilities	172,832	209,700	1,855,752	
Net assets				
Shareholders' equity				
Capital stock	10,264	10,264	90,831	
Capital surplus	6,268	6,349	56,185	
Retained earnings	162,347	168,576	1,491,823	
Treasury shares	(553)	(565)	(5,000)	
Total shareholders' equity	178,327	184,624	1,633,840	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	15,402	12,460	110,265	
Deferred gains or losses on hedges	(332)	(575)	(5,088)	
Revaluation reserve for land	*2 (6,414)	*2 (5,302)	*2 (46,920)	
Remeasurements of defined benefit plans	1,385	1,309	11,584	
Total accumulated other comprehensive income	10,040	7,891	69,831	
Non-controlling interests	4,976	5,464	48,353	
Total net assets	193,345	197,980	1,752,035	
Total liabilities and net assets	¥ 366,177	¥ 407,681	\$ 3,607,796	

The accompanying notes are an integral part of financial statements.

CONSOLIDATED STATEMENT OF INCOME

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2015 AND 2016

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2015	2016	2016	2016
Net sales of completed construction contracts	¥ 436,682	¥ 447,673	\$ 3,961,707	
Cost of sales of completed construction contracts	*1 405,245	*1 409,491	*1 3,623,814	
Gross profit (loss) on completed construction contracts	31,436	38,182	337,893	
Selling, general and administrative expenses	*2 22,047	*2 21,765	*2 192,610	
Operating income (loss)	9,388	16,416	145,274	
Non-operating income				
Interest income	83	40	353	
Dividend income	611	712	6,300	
Foreign exchange gains	132	—	—	
Other	347	319	2,823	
Total non-operating income	1,175	1,071	9,477	
Non-operating expenses				
Interest expenses	125	110	973	
Financing expenses	—	130	1,150	
Other	101	170	1,504	
Total non-operating expenses	227	410	3,628	
Ordinary income (loss)	10,336	17,077	151,123	
Extraordinary income				
Gain on sales of investment securities	1,263	1,324	11,716	
Other	—	28	247	
Total extraordinary income	1,263	1,353	11,973	
Extraordinary losses				
Impairment loss	*4 292	*4 1,025	*4 9,070	
Other	166	156	1,380	
Total extraordinary losses	458	1,182	10,460	
Profit (loss) before income taxes	11,141	17,248	152,637	
Income taxes-current	1,553	6,777	59,973	
Income taxes-deferred	4,459	419	3,707	
Total income taxes	6,013	7,196	63,681	
Profit (loss)	5,128	10,052	88,955	
Profit (loss) attributable to non-controlling interests	513	640	5,663	
Profit (loss) attributable to owners of parent	¥ 4,615	¥ 9,412	\$ 83,292	

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, 2015 AND 2016

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2015	2016	2016	
Profit (loss)	¥ 5,128	¥ 10,052	\$ 88,955	
Other comprehensive income				
Valuation difference on available-for-sale securities	5,674	(2,983)	(26,398)	
Deferred gains or losses on hedges	(224)	(243)	(2,150)	
Revaluation reserve for land	723	379	3,353	
Remeasurements of defined benefit plans, net of tax	681	(66)	(584)	
Total other comprehensive income	¥ 6,856	¥ (2,914)	\$ (25,787)	
Comprehensive income	¥ 11,984	¥ 7,137	\$ 63,159	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	11,477	6,530	57,787	
Comprehensive income attributable to non-controlling interests	¥ 507	¥ 607	\$ 5,371	

The accompanying notes are an integral part of financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

(Millions of Yen)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares		
Balance at beginning of current period	¥ 10,264	¥ 6,425	¥ 165,656	¥ (538)	¥ 181,807	
Cumulative effects of changes in accounting policies			(5,247)		(5,247)	
Restated balance	10,264	6,425	160,408	(538)	176,559	
Changes of items during period						
Purchase of shares of consolidated subsidiaries		(156)			(156)	
Dividends of surplus			(2,860)		(2,860)	
Profit (loss) attributable to owners of parent			4,615		4,615	
Reversal of revaluation reserve for land			184		184	
Purchase of treasury shares				(14)	(14)	
Disposal of treasury shares		0		0	0	
Net changes of items other than shareholders' equity						
Total changes of items during period	—	(156)	1,939	(14)	1,768	
Balance at end of current period	¥ 10,264	¥ 6,268	¥ 162,347	¥ (553)	¥ 178,327	

	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	¥ 9,763	¥ (108)	¥ (6,953)	¥ 660	¥ 3,363	¥ 4,521	¥ 189,692
Cumulative effects of changes in accounting policies							(5,247)
Restated balance	9,763	(108)	(6,953)	660	3,363	4,521	184,444
Changes of items during period							
Purchase of shares of consolidated subsidiaries							(156)
Dividends of surplus							(2,860)
Profit (loss) attributable to owners of parent							4,615
Reversal of revaluation reserve for land							184
Purchase of treasury shares							(14)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	5,638	(224)	538	724	6,677	455	7,132
Total changes of items during period	5,638	(224)	538	724	6,677	455	8,901
Balance at end of current period	¥ 15,402	¥ (332)	¥ (6,414)	¥ 1,385	¥ 10,040	¥ 4,976	¥ 193,345

The accompanying notes are an integral part of financial statements.

YEAR ENDED MARCH 31, 2016

(Millions of Yen)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares		
Balance at beginning of current period	¥ 10,264	¥ 6,268	¥ 162,347	¥ (553)	¥ 178,327	
Cumulative effects of changes in accounting policies			—		—	
Restated balance	10,264	6,268	162,347	(553)	178,327	
Changes of items during period						
Purchase of shares of consolidated subsidiaries		80			80	
Dividends of surplus			(2,451)		(2,451)	
Profit (loss) attributable to owners of parent			9,412		9,412	
Reversal of revaluation reserve for land			(732)		(732)	
Purchase of treasury shares				(12)	(12)	
Disposal of treasury shares		—		—	—	
Net changes of items other than shareholders' equity						
Total changes of items during period	—	80	6,228	(12)	6,296	
Balance at end of current period	¥ 10,264	¥ 6,349	¥ 168,576	¥ (565)	¥ 184,624	

	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	¥ 15,402	¥ (332)	¥ (6,414)	¥ 1,385	¥ 10,040	¥ 4,976	¥ 193,345
Cumulative effects of changes in accounting policies							—
Restated balance	15,402	(332)	(6,414)	1,385	10,040	4,976	193,345
Changes of items during period							
Purchase of shares of consolidated subsidiaries							80
Dividends of surplus							(2,451)
Profit (loss) attributable to owners of parent							9,412
Reversal of revaluation reserve for land							(732)
Purchase of treasury shares							(12)
Disposal of treasury shares							—
Net changes of items other than shareholders' equity	(2,941)	(243)	1,111	(75)	(2,149)	487	(1,661)
Total changes of items during period	(2,941)	(243)	1,111	(75)	(2,149)	487	4,634
Balance at end of current period	¥ 12,460	¥ (575)	¥ (5,302)	¥ 1,309	¥ 7,891	¥ 5,464	¥ 197,980

The accompanying notes are an integral part of financial statements.

YEAR ENDED MARCH 31, 2016

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$ 90,831	\$ 55,469	\$ 1,436,699	\$ (4,893)	\$ 1,578,115
Cumulative effects of changes in accounting policies			—		—
Restated balance	90,831	55,469	1,436,699	(4,893)	1,578,115
Changes of items during period					
Purchase of shares of consolidated subsidiaries		707			707
Dividends of surplus			(21,690)		(21,690)
Profit (loss) attributable to owners of parent			83,292		83,292
Reversal of revaluation reserve for land			(6,477)		(6,477)
Purchase of treasury shares				(106)	(106)
Disposal of treasury shares		—		—	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	707	55,115	(106)	55,716
Balance at end of current period	\$ 90,831	\$ 56,185	\$ 1,491,823	\$ (5,000)	\$ 1,633,840

	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	\$ 136,300	\$ (2,938)	\$ (56,761)	\$ 12,256	\$ 88,849	\$ 44,035	\$ 1,711,017
Cumulative effects of changes in accounting policies							—
Restated balance	136,300	(2,938)	(56,761)	12,256	88,849	44,035	1,711,017
Changes of items during period							
Purchase of shares of consolidated subsidiaries							707
Dividends of surplus							(21,690)
Profit (loss) attributable to owners of parent							83,292
Reversal of revaluation reserve for land							(6,477)
Purchase of treasury shares							(106)
Disposal of treasury shares							—
Net changes of items other than shareholders' equity	(26,026)	(2,150)	9,831	(663)	(19,017)	4,309	(14,699)
Total changes of items during period	(26,026)	(2,150)	9,831	(663)	(19,017)	4,309	41,008
Balance at end of current period	\$ 110,265	\$ (5,088)	\$ (46,920)	\$ 11,584	\$ 69,831	\$ 48,353	\$ 1,752,035

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, 2015 AND 2016

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2015	2016	2016	
Cash flows from operating activities				
Profit (loss) before income taxes	¥ 11,141	¥ 17,248	\$ 152,637	
Depreciation and amortization	3,939	4,320	38,230	
Impairment loss	292	1,025	9,070	
Increase (decrease) in allowance for doubtful accounts	(213)	(940)	(8,318)	
Increase (decrease) in provision for loss on construction contracts	(1,347)	(733)	(6,486)	
Increase (decrease) in net defined benefit liability	(2,524)	(2,341)	(20,716)	
Interest and dividend income	(695)	(752)	(6,654)	
Interest expenses	125	110	973	
Loss (gain) on valuation of investment securities	11	–	–	
Loss (gain) on sales of investment securities	(1,263)	(1,309)	(11,584)	
Decrease (increase) in notes and accounts receivable-trade	(14,371)	(385)	(3,407)	
Decrease (increase) in costs on uncompleted construction contracts	10,025	(12,639)	(111,849)	
Decrease (increase) in other inventories	1,615	(1,492)	(13,203)	
Increase (decrease) in notes and accounts payable-trade	3,230	1,355	11,991	
Increase (decrease) in advances received on uncompleted construction contracts	(5,147)	7,223	63,920	
Other, net	(2,114)	8,397	74,309	
Subtotal	2,702	19,087	168,911	
Interest and dividend income received	696	754	6,672	
Interest expenses paid	(125)	(110)	(973)	
Income taxes (paid) refund	(352)	(1,688)	(14,938)	
Net cash provided by (used in) operating activities	2,921	18,042	159,663	
Cash flows from investing activities				
Net decrease (increase) in time deposits	5,970	(2,570)	(22,743)	
Purchase of securities	(2,000)	(1,000)	(8,849)	
Proceeds from sales and redemption of securities	3,000	2,000	17,699	
Purchase of property, plant and equipment	(7,390)	(7,869)	(69,637)	
Proceeds from sales of property, plant and equipment	17	161	1,424	
Purchase of investment securities	(1,978)	(495)	(4,380)	
Proceeds from sales and redemption of investment securities	2,369	3,537	31,300	
Payments of loans receivable	–	(1,100)	(9,734)	
Collection of loans receivable	1,371	30	265	
Other, net	894	203	1,796	
Net cash provided by (used in) investing activities	2,253	(7,101)	(62,840)	
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	290	(506)	(4,477)	
Proceeds from long-term loans payable	–	4,364	38,619	
Repayments of long-term loans payable	(281)	(1,088)	(9,628)	
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	–	20,100	177,876	
Repayments of lease obligations	(668)	(558)	(4,938)	
Cash dividends paid	(2,860)	(2,451)	(21,690)	
Other, net	(222)	(51)	(451)	
Net cash provided by (used in) financing activities	(3,743)	19,807	175,283	
Effect of exchange rate change on cash and cash equivalents	28	(7)	(61)	
Net increase (decrease) in cash and cash equivalents	1,460	30,741	272,044	
Cash and cash equivalents at beginning of period	38,697	40,157	355,371	
Cash and cash equivalents at end of period	¥ 40,157	¥ 70,899	\$ 627,424	

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, 2015 AND 2016

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, 2016 have been translated from yen amounts into U.S. dollar amounts at the rate of ¥113 =U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

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: 20

Names of the consolidated subsidiaries: K asset management Co., Ltd., Kanko Power Techno Co., Ltd., KANKO SYOJI CO., LTD., Kanko Facilities Co., Ltd., Bay Techno Co., Ltd., Tokyo Kouji Keibi 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., NETSAVE Co., Ltd., HANDENKO CORPORATION, Kawasaki Setsubi Kogyo Co., Ltd., Transmission Line Construction Co., Ltd., Choshi Wind Development Co., Ltd., Kama Solar Power Co., Ltd.

Among these subsidiaries, K asset management Co., Ltd., which changed its company name from Kanko Fudosan Kanri Co., Ltd. to the current name, conducted an absorption-type merger of K Lease Co., Ltd., a consolidated subsidiary, effective July 1, 2015. Tama K - Techno Co., Ltd. changed its company name from Yamanashi K - Techno Co., Ltd. to the current name effective January 29, 2016.

(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, net income (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 net income (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 Corporate Tax Act.

Useful lives of certain buildings are deemed as 30 years although their useful lives based on the Corporate 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 and past service cost

Past service costs are being amortized as incurred by the straight-line method over a certain period (5 years) within the average remaining years of service of the eligible employees.

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 revenues 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

“Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 26, March 28, 2016)

(1) Outline

The practical guidance on accounting standards and the practical guidance on auditing standards (portion relating to accounting treatments) for tax effect accounting issued by the Japanese Institute of Certified Public Accountants (hereinafter referred to as “JICPA”) are to be transferred to the ASBJ. In this regard, “Implementation Guidance on Recoverability of Deferred Tax Assets” still basically follows the framework of the guidance on recoverability of deferred tax assets, which is principally stipulated in the JICPA Auditing Committee Report No. 66 “Audit Treatment Regarding Judgment of Recoverability of Deferred Tax Assets,” where entities are classified into five categories and the amount of deferred tax assets recorded is estimated

according to those categories, but it has made necessary revisions on the category criteria and part of the treatment of the amount of deferred tax assets recorded. This implementation guidance provides guidelines in applying the “Accounting Standards for Tax Effect Accounting” (Business Accounting Council) with regard to recoverability of deferred tax assets.

(2) Scheduled date of application

This implementation guidance will be applied from the beginning of the year beginning on or after April 1, 2016.

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

The effects of the application of the “Implementation Guidance on Recoverability of Deferred Tax Assets” on the consolidated financial statements are currently under assessment.

CHANGES IN PRESENTATION

Consolidated statement of income

Because the amount of “loss on retirement of non-current assets” in “extraordinary losses,” which was presented as a separate item in the year ended March 31, 2015, is 10% or less of the total amount of extraordinary losses, this item is included in “other” in “extraordinary losses” from the year ended March 31, 2016. The consolidated financial statements for the year ended March 31, 2015 have been reclassified to reflect this change in presentation.

As a result, ¥119 million, which was presented in “loss on retirement of non-current assets” in “extraordinary losses,” has been reclassified to “other.”

Changes in line with the application of the “Accounting Standard for Business Combinations,” etc.

The provisions stipulated in Paragraph 39 of the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and others have been applied, and a change in presentation of net income and a change in presentation from minority interests to non-controlling interests have been made. The consolidated financial statements for the year ended March 31, 2015 have been reclassified to reflect these changes in presentation.

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	
	2015		2016		2016	
Investment securities (Stocks)	¥	653	¥	826	\$	7,309

*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 "Ordinance for Enforcement of the Act on Revaluation of Land" (Ordinance 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 "Ordinance for Enforcement of the Act on Revaluation of Land."

(b) Date of revaluation:

March 31, 2002

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2016		2016	
Difference between the fair value of the revalued land at end of year and its book value after revaluation	¥	(6,680)	¥	(4,627)	\$	(40,946)

*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							
	2015		2016		2016							
Cash and deposits	¥	958	¥	[-]	¥	1,380	¥	[-]	\$	12,212	\$	[-]
Notes receivable, accounts receivable from completed construction contracts and other		92		[-]		175		[-]		1,548		[-]
Buildings and structures		1,248		[133]		546		[546]		4,831		[4,831]
Machinery, vehicles, tools, furniture and fixtures		1,910		[1,909]		5,662		[5,662]		50,106		[50,106]
Land		1,668		[-]		-		[-]		-		[-]
Investments and other assets – Other (lease deposits)		-		[-]		7		[-]		61		[-]
Total	¥	5,878	¥	[2,042]	¥	7,772	¥	[6,209]	\$	68,778	\$	[54,946]
Short-term loans payable	¥	1,288	¥	[288]	¥	746	¥	[746]	\$	6,601	\$	[6,601]
Long-term loans payable		1,555		[1,555]		4,967		[4,967]		43,955		[43,955]
Total	¥	2,844	¥	[1,844]	¥	5,713	¥	[5,713]	\$	50,557	\$	[50,557]

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

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

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2016		2016	
Investment securities	¥	44	¥	44	\$	389
Investments and other assets – Other (long-term loans receivable)		131		130		1,150
Total	¥	175	¥	174	\$	1,539

4. Contingent liabilities

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

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Employees (housing loans)	¥ 1,800	¥ 1,581	\$	13,991

*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	
	2015	2016	2016	
	¥ 264	¥ 16	\$	141

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	
	2015	2016	2016	
	¥ 2,522	¥ 1,849	\$	16,362

*2. Principal accounts and amounts in selling, general and administrative expenses

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Employees' salaries and allowances	¥ 11,095	¥ 10,541	\$	93,283
Retirement benefit expenses	798	762		6,743

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

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
	¥ 1,024	¥ 1,093	\$	9,672

*4. Impairment loss

The Companies recorded impairment losses for the following asset groups.

For the year ended March 31, 2015			
Location	Purpose of Use	Type	Number of assets
Ibaraki prefecture and others	Idle assets	Land	12

Idle assets that impairment losses were recognized were grouped by individual properties.

The book value of the above asset group was reduced to the respective recoverable amount, due to decline in land prices of the idle assets. The decline was recorded as impairment losses of ¥292 million in extraordinary losses.

The recoverable amount of the asset group was measured at the net sales price, primarily based on the market value of standard sites and the assessed value of inheritance tax by roadside land prices.

For the year ended March 31, 2016			
Location	Purpose of Use	Type	Number of assets
Tochigi prefecture and others	Idle assets	Land	27

Idle assets that impairment losses were recognized were grouped by individual properties.

The book value of the above asset group was reduced to the respective recoverable amount, due to decline in land prices of the idle assets. The decline was recorded as impairment losses of ¥1,025 million (\$9,070 thousand) in extraordinary losses.

The recoverable amount of the asset group was measured at the net sales price, primarily based on the market value of standard sites and the assessed value of inheritance tax by roadside land prices.

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	
	2015	2016	2016	
Valuation difference on available-for-sale securities:				
Gains (losses) arising during the year	¥ 7,604	¥ (3,718)	\$	(32,902)
Reclassification adjustments	(8)	(1,094)		(9,681)
Amount before income tax effect	7,595	(4,812)		(42,584)
Income tax effect	(1,921)	1,829		16,185
Valuation difference on available-for-sale securities	5,674	(2,983)		(26,398)
Deferred gains or losses on hedges				
Losses arising during the year	(224)	(243)		(2,150)
Revaluation reserve for land				
Income tax effect	723	379		3,353
Remeasurements of defined benefit plans:				
Gains (losses) arising during the year	1,255	(156)		(1,380)
Reclassification adjustments	(258)	(0)		(0)
Amount before income tax effect	996	(156)		(1,380)
Income tax effect	(315)	90		796
Remeasurements of defined benefit plans, net of tax	681	(66)		(584)
Total other comprehensive income	¥ 6,856	¥ (2,914)	\$	(25,787)

NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2015

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

	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
(Shares)				
Shares issued:				
Common shares	205,288,338	–	–	205,288,338
Total	205,288,338	–	–	205,288,338
Treasury shares:				
Common shares	970,842	23,736	805	993,773
Total	970,842	23,736	805	993,773

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 26, 2014	Common shares	¥1,225 million	¥6.0	March 31, 2014	June 27, 2014
Board of directors' meeting on October 29, 2014	Common shares	¥1,634 million	¥8.0	September 30, 2014	December 5, 2014

(2) Dividends whose record date fell in the year ended March 31, 2015, but whose effective date comes after March 31, 2015

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 26, 2015	Common shares	¥1,225 million	Retained earnings	¥6.0	March 31, 2015	June 29, 2015

For the year ended March 31, 2016

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

(Shares)

	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Shares issued:				
Common shares	205,288,338	–	–	205,288,338
Total	205,288,338	–	–	205,288,338
Treasury shares:				
Common shares	993,773	15,869	–	1,009,642
Total	993,773	15,869	–	1,009,642

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

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 26, 2015	Common shares	¥1,225 million \$10,840 thousand	¥6.0 \$0.05	March 31, 2015	June 29, 2015
Board of directors' meeting on October 30, 2015	Common shares	¥1,225 million \$10,840 thousand	¥6.0 \$0.05	September 30, 2015	December 4, 2015

(2) Dividends whose record date fell in the year ended March 31, 2016, but whose effective date comes after March 31, 2016

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 29, 2016	Common shares	¥1,634 million \$14,460 thousand	Retained earnings	¥8.0 \$0.07	March 31, 2016	June 30, 2016

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	
	2015	2016	2016	
Cash and deposits	¥ 44,128	¥ 77,360	\$ 684,601	
Time deposits with maturities of more than three months	(6,971)	(9,461)	(83,725)	
Short-term investments with maturities of three months or less from the purchase date	2,999	2,999	26,539	
Cash and cash equivalents	¥ 40,157	¥ 70,899	\$ 627,424	

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 subscription rights to shares.

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 requirement and proceeds from convertible bond-type bonds with subscription rights to shares 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 the subsidiaries. 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, 2015					
	Carrying amount		Fair value		Difference	
(1) Cash and deposits	¥	44,128	¥	44,128	¥	–
(2) Notes receivable, accounts receivable from completed construction contracts and other		129,326				
Allowance for doubtful accounts (*1)		(380)				
		128,946		128,946		–
(3) Securities and investment securities						
1) Held-to-maturity securities		5,999		6,000		0
2) Available-for-sale securities		41,132		41,132		–
(4) Notes payable, accounts payable for construction contracts and other (*2)		(86,231)		(86,231)		–
(5) Short-term loans payable (*2)		(8,728)		(8,728)		–
(6) Convertible bond-type bonds with subscription rights to shares (*2)		(–)		(–)		–
(7) Long-term loans payable (*2)		(1,755)		(1,757)		1
(8) Derivative transactions (*3)	¥	(332)	¥	(332)	¥	–

(*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, 2016					
	Carrying amount		Fair value		Difference	
(1) Cash and deposits	¥	77,360	¥	77,360	¥	–
(2) Notes receivable, accounts receivable from completed construction contracts and other		129,855				
Allowance for doubtful accounts (*1)		(529)				
		129,326		129,326		–
(3) Securities and investment securities						
1) Held-to-maturity securities		3,009		3,009		(0)
2) Available-for-sale securities		37,410		37,410		–
(4) Notes payable, accounts payable for construction contracts and other (*2)		(85,280)		(85,280)		–
(5) Short-term loans payable (*2)		(7,686)		(7,686)		–
(6) Convertible bond-type bonds with subscription rights to shares (*2)		(20,100)		(20,450)		350
(7) Long-term loans payable (*2)		(5,567)		(5,585)		17
(8) Derivative transactions (*3)	¥	(575)	¥	(575)	¥	–

Thousands of U.S. Dollars

	For the year ended March 31, 2016		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 684,601	\$ 684,601	\$ –
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,149,159		
Allowance for doubtful accounts (*1)	(4,681)		
	1,144,477	1,144,477	–
(3) Securities and investment securities			
1) Held-to-maturity securities	26,628	26,628	(0)
2) Available-for-sale securities	331,061	331,061	–
(4) Notes payable, accounts payable for construction contracts and other (*2)	(754,690)	(754,690)	–
(5) Short-term loans payable (*2)	(68,017)	(68,017)	–
(6) Convertible bond-type bonds with subscription rights to shares (*2)	(177,876)	(180,973)	3,097
(7) Long-term loans payable (*2)	(49,265)	(49,424)	150
(8) Derivative transactions (*3)	\$ (5,088)	\$ (5,088)	\$ –

(*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. Jointly operated money trusts is 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 of the short maturity.

(6) Convertible bond-type bonds with subscription rights to shares

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

(7) Long-term loans payable

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. The fair value of long-term loans payable with variable interest rates subject to the exceptional accounting of interest rate swaps is calculated by discounting the sum of principal and interest that were recognized together with the interest rate swaps, with the reasonably estimated rate which would be applied if a similar new borrowing were entered into.

(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	
	2015	2016	2016	
Unlisted stocks, etc.	¥ 4,191	¥ 3,345	\$ 29,601	

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, 2015			
	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	¥ 44,128	¥ –	¥ –	¥ –
Notes receivable, accounts receivable from completed construction contracts and other	129,326	–	–	–
Securities and investment securities				
Held-to-maturity securities (government/municipal bonds)	–	–	–	–
Held-to-maturity securities (corporate bonds)	6,000	–	–	–
Available-for-sale securities with maturities (other)	–	–	–	–
Total	¥ 179,454	¥ –	¥ –	¥ –

	Millions of Yen			
	For the year ended March 31, 2016			
	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	¥ 77,360	¥ –	¥ –	¥ –
Notes receivable, accounts receivable from completed construction contracts and other	129,738	117	–	–
Securities and investment securities				
Held-to-maturity securities (government/municipal bonds)	–	10	–	–
Held-to-maturity securities (corporate bonds)	3,000	–	–	–
Available-for-sale securities with maturities (other)	1,000	–	–	–
Total	¥ 211,099	¥ 127	¥ –	¥ –

	Thousands of U.S. Dollars			
	For the year ended March 31, 2016			
	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	\$ 684,601	\$ –	\$ –	\$ –
Notes receivable, accounts receivable from completed construction contracts and other	1,148,123	1,035	–	–
Securities and investment securities				
Held-to-maturity securities (government/municipal bonds)	–	88	–	–
Held-to-maturity securities (corporate bonds)	26,548	–	–	–
Available-for-sale securities with maturities (other)	8,849	–	–	–
Total	\$ 1,868,132	\$ 1,123	\$ –	\$ –

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

Millions of Yen

	For the year ended March 31, 2015					
	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	¥ 8,728	¥ –	¥ –	¥ –	¥ –	¥ –
Convertible bond-type bonds with subscription rights to shares	–	–	–	–	–	–
Long-term loans payable	–	495	303	311	318	326
Total	¥ 8,728	¥ 495	¥ 303	¥ 311	¥ 318	¥ 326

Millions of Yen

	For the year ended March 31, 2016					
	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	¥ 7,686	¥ –	¥ –	¥ –	¥ –	¥ –
Convertible bond-type bonds with subscription rights to shares	–	–	–	–	20,000	–
Long-term loans payable	–	662	773	708	543	2,880
Total	¥ 7,686	¥ 662	¥ 773	¥ 708	¥ 20,543	¥ 2,880

Thousands of U.S. Dollars

	For the year ended March 31, 2016					
	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	\$ 68,017	\$ –	\$ –	\$ –	\$ –	\$ –
Convertible bond-type bonds with subscription rights to shares	–	–	–	–	176,991	–
Long-term loans payable	–	5,858	6,840	6,265	4,805	25,486
Total	\$ 68,017	\$ 5,858	\$ 6,840	\$ 6,265	\$ 181,796	\$ 25,486

SECURITIES

1. Held-to-maturity securities

Millions of Yen

	For the year ended March 31, 2015					
	Carrying amount		Market value		Difference	
Securities whose market value exceeds their carrying amount:						
Government/municipal bonds	¥	–	¥	–	¥	–
Corporate bonds		2,000		2,001		1
Other		–		–		–
Subtotal	¥	2,000	¥	2,001	¥	1
Securities whose market value does not exceed their carrying amount:						
Government/municipal bonds	¥	–	¥	–	¥	–
Corporate bonds		3,999		3,999		(0)
Other		–		–		–
Subtotal	¥	3,999	¥	3,999	¥	(0)
Total	¥	5,999	¥	6,000	¥	0

Millions of Yen

	For the year ended March 31, 2016					
	Carrying amount		Market value		Difference	
Securities whose market value exceeds their carrying amount:						
Government/municipal bonds	¥	–	¥	–	¥	–
Corporate bonds		–		–		–
Other		–		–		–
Subtotal	¥	–	¥	–	¥	–
Securities whose market value does not exceed their carrying amount:						
Government/municipal bonds	¥	10	¥	9	¥	(0)
Corporate bonds		2,999		2,999		(0)
Other		–		–		–
Subtotal	¥	3,009	¥	3,009	¥	(0)
Total	¥	3,009	¥	3,009	¥	(0)

Thousands of U.S. Dollars

	For the year ended March 31, 2016					
	Carrying amount		Market value		Difference	
Securities whose market value exceeds their carrying amount:						
Government/municipal bonds	\$	–	\$	–	\$	–
Corporate bonds		–		–		–
Other		–		–		–
Subtotal	\$	–	\$	–	\$	–
Securities whose market value does not exceed their carrying amount:						
Government/municipal bonds	\$	88	\$	79	\$	(0)
Corporate bonds		26,539		26,539		(0)
Other		–		–		–
Subtotal	\$	26,628	\$	26,628	\$	(0)
Total	\$	26,628	\$	26,628	\$	(0)

2. Available-for-sale securities

Millions of Yen

	For the year ended March 31, 2015		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost:			
Stocks	¥ 38,837	¥ 15,757	¥ 23,080
Bonds	—	—	—
Other	—	—	—
Subtotal	¥ 38,837	¥ 15,757	¥ 23,080
Securities whose carrying amount does not exceed their acquisition cost:			
Stocks	¥ 2,294	¥ 2,550	¥ (255)
Bonds	—	—	—
Other	—	—	—
Subtotal	¥ 2,294	¥ 2,550	¥ (255)
Total	¥ 41,132	¥ 18,308	¥ 22,824

Millions of Yen

	For the year ended March 31, 2016		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost:			
Stocks	¥ 33,560	¥ 14,873	¥ 18,687
Bonds	—	—	—
Other	—	—	—
Subtotal	¥ 33,560	¥ 14,873	¥ 18,687
Securities whose carrying amount does not exceed their acquisition cost:			
Stocks	¥ 2,849	¥ 3,524	¥ (674)
Bonds	—	—	—
Other	1,000	1,000	—
Subtotal	¥ 3,849	¥ 4,524	¥ (674)
Total	¥ 37,410	¥ 19,398	¥ 18,012

Thousands of U.S. Dollars

	For the year ended March 31, 2016		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost:			
Stocks	\$ 296,991	\$ 131,619	\$ 165,371
Bonds	—	—	—
Other	—	—	—
Subtotal	\$ 296,991	\$ 131,619	\$ 165,371
Securities whose carrying amount does not exceed their acquisition cost:			
Stocks	\$ 25,212	\$ 31,185	\$ (5,964)
Bonds	—	—	—
Other	8,849	8,849	—
Subtotal	\$ 34,061	\$ 40,035	\$ (5,964)
Total	\$ 331,061	\$ 171,663	\$ 159,398

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

		Millions of Yen		
		For the year ended March 31, 2015		
		Sales amount	Total gain on sales	Total loss on sales
Stocks	¥	1,342	¥ 1,264	¥ 2
Bonds		-	-	-
Other		-	-	-
Total	¥	1,342	¥ 1,264	¥ 2

		Millions of Yen		
		For the year ended March 31, 2016		
		Sales amount	Total gain on sales	Total loss on sales
Stocks	¥	2,537	¥ 1,324	¥ 15
Bonds		-	-	-
Other		-	-	-
Total	¥	2,537	¥ 1,324	¥ 15

		Thousands of U.S. Dollars		
		For the year ended March 31, 2016		
		Sales amount	Total gain on sales	Total loss on sales
Stocks	\$	22,451	\$ 11,716	\$ 132
Bonds		-	-	-
Other		-	-	-
Total	\$	22,451	\$ 11,716	\$ 132

4. Impairment loss on securities

For the year ended March 31, 2015

Disclosure is omitted due to immateriality.

For the year ended March 31, 2016

Disclosure is omitted due to immateriality.

DERIVATIVE TRANSACTIONS

Derivative transactions to which hedge accounting is applied

Interest rate-related

For the year ended March 31, 2015					
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 (forecasted transaction)	¥4,880 million	¥4,880 million	¥(332) 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	¥614 million	¥518 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.

For the year ended March 31, 2016					
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	¥3,411 million \$30,185 thousand	¥4,804 million \$42,513 thousand	¥(575) million \$(5,088) thousand
		Long-term loans payable (forecasted transaction)	¥1,468 million \$12,991 thousand		

Notes:

1. Calculation method for fair value:

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

2. Since interest rate swaps are difficult to be classified by hedged items, the totals for "contract amount due after one year" and "fair value" are shown above.

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	¥518 million \$4,584 thousand	¥419 million \$3,707 thousand	(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.

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 a multi-employer welfare benefit 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 welfare benefit 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 retirement benefit expenses.

2. Defined benefit plans

(1) Changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	2016
Balance at beginning of year	¥ 66,526	¥ 72,683	\$ 643,212	
Cumulative effects of changes in accounting policies	8,136	–	–	
Restated balance	74,663	72,683	643,212	
Current service cost	2,272	2,234	19,769	
Interest cost	659	632	5,592	
Actuarial gains and losses	1,100	(252)	(2,230)	
Benefit paid	(6,012)	(5,245)	(46,415)	
Decrease accompanying with transfer to defined contribution plans	–	(46)	(407)	
Balance at end of year	¥ 72,683	¥ 70,005	\$ 619,513	

(2) Changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	2016
Balance at beginning of year	¥ 37,734	¥ 39,534	\$ 349,858	
Expected return on plan assets	565	592	5,238	
Actuarial gains and losses	2,355	(409)	(3,619)	
Contributions by the employer	3,205	3,239	28,663	
Benefits paid	(4,326)	(3,917)	(34,663)	
Balance at end of year	¥ 39,534	¥ 39,040	\$ 345,486	

(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	
	2015	2016	2016	2016
Funded defined benefit obligations	¥ 53,136	¥ 50,558	\$ 447,415	
Plan assets	(39,534)	(39,040)	(345,486)	
Unfunded defined benefit obligations	¥ 13,602	¥ 11,517	\$ 101,920	
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 19,547	¥ 19,447	\$ 172,097	
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 33,149	¥ 30,964	\$ 274,017	
Net defined benefit liability	¥ 33,149	¥ 30,964	\$ 274,017	
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 33,149	¥ 30,964	\$ 274,017	

(4) Breakdown of retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Current service cost	¥ 2,272	¥ 2,234	\$	19,769
Interest cost	659	632		5,592
Expected return on plan assets	(565)	(592)		(5,238)
Actuarial gains and losses recognized in the year	(270)	(12)		(106)
Past service cost recognized in the year	12	12		106
Other	—	218		1,929
Total	¥ 2,108	¥ 2,491	\$	22,044

(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	
	2015	2016	2016	
Past service cost	¥ (12)	¥ (12)	\$	(106)
Actuarial gains and losses	(984)	169		1,495
Total	¥ (996)	¥ 156	\$	1,380

(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	
	2015	2016	2016	
Unrecognized past service cost	¥ 37	¥ 25	\$	221
Unrecognized actuarial gains and losses	(2,046)	(1,876)		(16,601)
Total	¥ (2,008)	¥ (1,851)	\$	(16,380)

(7) Plan assets

(a) Breakdown of plan assets

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

	2015	2016
General account	42%	43%
Bonds	32%	35%
Equities	25%	21%
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

	2015	2016
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 welfare benefit pension fund accounted for in the same manner) of the Companies was ¥1,659 million and ¥1,646 million (\$14,566 thousand) for the years ended March 31, 2015 and 2016, respectively.

DEFERRED TAX ACCOUNTING

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

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Deferred tax assets:				
Net defined benefit liability	¥ 10,776	¥ 9,557	\$ 84,575	
Depreciation and amortization	3,795	3,652	32,318	
Provision for loss on construction contracts	1,034	738	6,530	
Allowance for doubtful accounts	739	425	3,761	
Loss carry-forward	234	119	1,053	
Others	5,918	7,485	66,238	
Subtotal	22,497	21,978	194,495	
Valuation allowance	(2,081)	(2,176)	(19,256)	
Total	¥ 20,416	¥ 19,801	\$ 175,230	
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	¥ (7,311)	¥ (5,482)	\$ (48,513)	
Reserve for advanced depreciation of non-current assets	(1,116)	(997)	(8,823)	
Reserve for special depreciation	(519)	(455)	(4,026)	
Others	(93)	(85)	(752)	
Total	¥ (9,041)	¥ (7,021)	\$ (62,132)	
Net deferred tax assets	¥ 11,374	¥ 12,779	\$ 113,088	

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

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Deferred tax liabilities for land revaluation	¥ 7,304	¥ (6,830)	\$ (60,442)	

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

	2015	2016
Statutory tax rate	35.5%	33.1%
(Adjustments)		
Expenses not deductible for tax purposes	2.4%	2.5%
Non-taxable dividend income	(1.1%)	(0.5%)
Per capita levy of inhabitant taxes	1.9%	1.2%
Increase (decrease) in valuation allowance	(0.3%)	0.8%
Adjustment of deferred tax assets at end of year resulting from tax rate changes	15.0%	6.2%
Reversal of revaluation reserve for land	—%	(1.7%)
Others-net	0.6%	0.1%
Effective tax rate after adopting tax effect accounting	54.0%	41.7%

3. Changes in the amount of deferred tax assets and deferred tax liabilities due to changes in the corporate tax rates

After the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Amendment of Local Tax Act, etc.” (Act No. 13 of 2016) passed the Diet on March 29, 2016 and corporate tax rates will be reduced effective from years beginning on or after April 1, 2016. As a result, the corporate tax rate used to calculate deferred tax assets and liabilities will be changed from 32.3%, which was used for the fiscal year ended March 31, 2016, to 30.9% for the temporary differences, etc. expected to be realized or settled for the year beginning on April 1, 2016 and for the year beginning on April 1, 2017 and to 30.6% for the temporary differences, etc. expected to be realized or settled for the year beginning on April 1, 2018.

As a result, deferred tax assets (after offsetting deferred tax liabilities) decreased by ¥732 million (\$6,477 thousand) and income taxes-deferred, valuation difference on available-for-sale securities, and remeasurements of defined benefit plans increased by ¥1,070 million (\$9,469 thousand), ¥304 million (\$2,690 thousand) and ¥33 million (\$292 thousand), respectively, as of and for the year ended March 31, 2016.

In addition, deferred tax liabilities for land revaluation decreased by ¥379 million (\$3,353 thousand) and revaluation reserve for land increased by the same amount as of March 31, 2016.

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.

“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, income or loss, assets and other items by reportable segment

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

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

Millions of Yen

	For the year ended March 31, 2015				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 426,816	¥ 9,866	¥ 436,682	¥ –	¥ 436,682
Inter-segment	4,465	30,025	34,490	(34,490)	–
Total	¥ 431,281	¥ 39,891	¥ 471,172	¥ (34,490)	¥ 436,682
Segment profit	¥ 8,514	¥ 803	¥ 9,317	¥ 70	¥ 9,388
Segment assets	¥ 336,474	¥ 53,979	¥ 390,454	¥ (24,276)	¥ 366,177
Other items:					
Depreciation and amortization	¥ 3,481	¥ 588	¥ 4,069	¥ (130)	¥ 3,939
Increase in property, plant and equipment and intangible assets	3,816	5,673	9,490	(85)	9,404

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 income presented in the consolidated statement of income.

Millions of Yen

	For the year ended March 31, 2016				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 437,231	¥ 10,442	¥ 447,673	¥ –	¥ 447,673
Inter-segment	2,247	34,947	37,195	(37,195)	–
Total	¥ 439,479	¥ 45,390	¥ 484,869	¥ (37,195)	¥ 447,673
Segment profit	¥ 15,149	¥ 1,527	¥ 16,677	¥ (260)	¥ 16,416
Segment assets	¥ 370,723	¥ 59,124	¥ 429,848	¥ (22,166)	¥ 407,681
Other items:					
Depreciation and amortization	¥ 3,545	¥ 880	¥ 4,426	¥ (105)	¥ 4,320
Increase in property, plant and equipment and intangible assets	2,990	2,859	5,849	(226)	5,622

Thousands of U.S. Dollars

	For the year ended March 31, 2016				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	\$ 3,869,300	\$ 92,407	\$ 3,961,707	\$ –	\$ 3,961,707
Inter-segment	19,884	309,265	329,159	(329,159)	–
Total	\$ 3,889,194	\$ 401,681	\$ 4,290,876	\$ (329,159)	\$ 3,961,707
Segment profit	\$ 134,061	\$ 13,513	\$ 147,584	\$ (2,300)	\$ 145,274
Segment assets	\$ 3,280,734	\$ 523,221	\$ 3,803,964	\$ (196,159)	\$ 3,607,796
Other items:					
Depreciation and amortization	\$ 31,371	\$ 7,787	\$ 39,168	\$ (929)	\$ 38,230
Increase in property, plant and equipment and intangible assets	26,460	25,300	51,761	(2,000)	49,752

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 income presented in the consolidated statement of income.

(Related information)

For the year ended March 31, 2015

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

Millions of Yen		
Customer Name	Net sales	Related segment
Tokyo Electric Power Company, Incorporated	¥155,986	Engineering

For the year ended March 31, 2016

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

Millions of Yen		
Customer Name	Net sales	Related segment
Tokyo Electric Power Company, Incorporated	¥165,459	Engineering

Thousands of U.S. Dollars		
Customer Name	Net sales	Related segment
Tokyo Electric Power Company, Incorporated	\$1,464,238	Engineering

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

Millions of Yen

	For the year ended March 31, 2015			
	Engineering	Other (Note)	Corporate/elimination	Total
Impairment loss	¥ 288	¥ 3	¥ –	¥ 292

Note: "Other" is related to real estate business.

Millions of Yen

	For the year ended March 31, 2016			
	Engineering	Other (Note)	Corporate/elimination	Total
Impairment loss	¥ 1,025	¥ 0	¥ –	¥ 1,025

Thousands of U.S. Dollars

	For the year ended March 31, 2016			
	Engineering	Other (Note)	Corporate/elimination	Total
Impairment loss	\$ 9,070	\$ 0	\$ –	\$ 9,070

Note: "Other" is related to real estate business.

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

For the year ended March 31, 2015

For the year ended March 31, 2016

Disclosure is omitted due to immateriality.

Disclosure is omitted due to immateriality.

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

For the year ended March 31, 2015

For the year ended March 31, 2016

Not applicable.

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, 2015						
Type	Name	Location	Capital stock	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company, Incorporated	Chiyoda-ku, Tokyo	¥1,400,975 million	Electric power business	(Held) Direct 46.6% Indirect 1.2%	Electric work contract

Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year
Other affiliates	Tokyo Electric Power Company, Incorporated	Installation of electric work	¥146,637 million	Notes receivable, accounts receivable from completed construction contracts and other	¥30,788 million
				Advances received on uncompleted construction contracts	¥ 468 million
		Purchase of raw materials	¥ 38,769 million	Notes payable, accounts payable for construction contracts and other	¥ 2,461 million

For the year ended March 31, 2016						
Type	Name	Location	Capital stock	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company, Incorporated	Chiyoda-ku, Tokyo	¥ 1,400,975 million \$ 12,398,008 thousand	Electric power business	(Held) Direct 46.6% Indirect 1.2%	Electric work contract

Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year
Other affiliates	Tokyo Electric Power Company, Incorporated	Installation of electric work	¥ 156,541 million \$ 1,385,318 thousand	Notes receivable, accounts receivable from completed construction contracts and other	¥ 30,614 million \$ 270,920 thousand
				Advances received on uncompleted construction contracts	¥ 281 million \$ 2,486 thousand
		Purchase of raw materials	¥ 38,344 million \$ 339,327 thousand	Notes payable, accounts payable for construction contracts and other	¥ 2,208 million \$ 19,539 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.

PER SHARE INFORMATION

	Yen		U.S. Dollars	
	2015	2016	2016	
Net assets per share	¥ 922.05	¥ 942.42	\$	8.34
Earnings per share	22.59	46.07		0.40
Diluted earnings per share	–	46.06		0.40

Notes:

1. Diluted earnings per share for the year ended March 31, 2015 has not been presented since there is no dilutive security.
2. The basis of calculating earnings per share and diluted earnings per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Earnings per share				
Profit attributable to owners of parent	¥ 4,615	¥ 9,412	\$	83,292
Amount not attributable to common shareholders	–	–		–
Profit attributable to owners of parent applicable to common shares	4,615	9,412		83,292

	Thousands of Shares	
	2015	2016
Weighted average number of common shares during the year	204,308	204,286

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Diluted earnings per share				
Adjustment of profit attributable to owners of parent	–	–		–

	Thousands of Shares	
	2015	2016
Increase in common shares	–	47
[Convertible bond-type bonds with subscription rights to shares included in the above]	[–]	[47]
Overview of dilutive securities that are not included in the computation of diluted earnings per share because of their anti-dilutive effect	–	–

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

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2016	2016	
Total net assets	¥ 193,345	¥ 197,980	\$	1,752,035
Amount deducted from total net assets	4,976	5,464		48,353
[Non-controlling interests included in the above]	[4,976]	[5,464]		[48,353]
Total net assets related to common shares	188,368	192,516		1,703,681

	Thousands of Shares	
	2015	2016
Number of common shares outstanding at end of year	204,294	204,278

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

CONSOLIDATED SUPPLEMENTAL SCHEDULES

(Schedule of bonds)

Company name	Issue type	Issuance date	As of April 1, 2015	As of March 31, 2016	Interest rate (%)	Collateral	Maturity
Kandenko Co., Ltd.	Euro-yen convertible bond-type bonds with subscription rights to shares due 2021, subject to call	March 31, 2016	–	¥ 20,100 million \$177,876 thousand	–	None	March 31, 2021
Total	–	–	–	¥ 20,100 million \$177,876 thousand	–	–	–

Notes:

1. Information on convertible bond-type bonds with subscription rights to shares is as follows:

Shares to be issued	Common shares
Issuance price of subscription rights to shares	Gratis
Issuance price of shares	¥ 1,159 \$ 10,256
Total issuance value	¥ 20,100 million \$177,876 thousand
Total issuance value of shares issued through the exercise of subscription rights to shares	¥ – million
Grant ratio of subscription rights to shares (%)	100
Exercise period of subscription rights to shares	April 14, 2016 to March 17, 2021

Upon the exercise of each of the subscription rights to shares, the bonds relating to the subscription rights to shares 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, 2016 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 \$176,991 thousand

(Schedule of loans)

	As of April 1, 2015	As of March 31, 2016	Average interest rate (%)	Maturity
Short-term loans payable	¥ 7,640 million \$ 67,610 thousand	¥ 7,134 million \$ 63,132 thousand	0.7	—
Current portion of long-term loans payable	¥ 1,088 million \$ 9,628 thousand	¥ 552 million \$ 4,884 thousand	1.9	—
Current portion of lease obligations	¥ 516 million \$ 4,566 thousand	¥ 395 million \$ 3,495 thousand	—	—
Long-term loans payable (excluding current portion of long-term loans payable)	¥ 1,755 million \$ 15,530 thousand	¥ 5,567 million \$ 49,265 thousand	2.3	2017 to 2032
Lease obligations (excluding current portion of lease obligations)	¥ 809 million \$ 7,159 thousand	¥ 662 million \$ 5,858 thousand	—	2017 to 2023
Other interest-bearing debt	—	—	—	—
Total	¥ 11,809 million \$ 104,504 thousand	¥ 14,311 million \$ 126,646 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, 2016 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	¥ 662 million \$ 5,858 thousand	¥ 773 million \$ 6,840 thousand	¥ 708 million \$ 6,265 thousand	¥ 543 million \$ 4,805 thousand
Lease obligations	¥ 290 million \$ 2,566 thousand	¥ 193 million \$ 1,707 thousand	¥ 113 million \$ 1,000 thousand	¥ 46 million \$ 407 thousand

(Schedule of Asset Retirement Obligations)

The amounts of asset retirement obligations as of April 1, 2015 and March 31, 2016 are less than 1% of the total liabilities and net assets as of April 1, 2015 and March 31, 2016. Therefore, the disclosure is omitted.

OTHERS

Quarterly information for the year ended March 31, 2016

Cumulative period	First quarter	Second quarter	Third quarter	Fourth quarter
Net sales	¥ 94,695 million \$ 838,008 thousand	¥ 200,251 million \$ 1,772,132 thousand	¥ 299,899 million \$ 2,653,973 thousand	¥ 447,673 million \$ 3,961,707 thousand
Profit before income taxes	¥ 4,498 million \$ 39,805 thousand	¥ 6,796 million \$ 60,141 thousand	¥ 10,962 million \$ 97,008 thousand	¥ 17,248 million \$ 152,637 thousand
Profit attributable to owners of parent	¥ 2,430 million \$ 21,504 thousand	¥ 3,664 million \$ 32,424 thousand	¥ 6,153 million \$ 54,451 thousand	¥ 9,412 million \$ 83,292 thousand
Earnings per share	¥ 11.90 \$ 0.10	¥ 17.94 \$ 0.15	¥ 30.12 \$ 0.26	¥ 46.07 \$ 0.40
Each quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share	¥ 11.90 \$ 0.10	¥ 6.04 \$ 0.05	¥ 12.18 \$ 0.10	¥ 15.95 \$ 0.14

Independent Auditors' Report

To The Board of Directors of Kandenko Co., Ltd.

We have audited the accompanying consolidated financial statements of Kandenko Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2016, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kandenko Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translations

The accompanying consolidated financial statements as of and for the year ended March 31, 2016 have been translated into United States dollars solely for the convenience of readers. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into dollars on the basis set forth in "BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS" of the notes to consolidated financial statements.

Inoue Audit Corporation

Inoue Audit Corporation

Tokyo, Japan

June 29, 2016

Company Profile

History

Time	Notes
Sep. 1944	Kyoritsu Kogyo Co., Ltd., and seven other companies merge to rationalize their electrical engineering work. Kanto Haiden Co., Ltd. joins the new group to form Kanto Denki Koji Co., Ltd., an electrical engineering company with capital of ¥3 million and a head office at 2 Tameike, Akasaka Ward, Tokyo. Eight regional branches are established in Kanagawa, Saitama, Chiba, Gunma, Tochigi, Ibaraki, Yamanashi, and Numazu (now Shizuoka), and operations begin.
Mar. 1948	The Tama Branch is established.
Oct. 1949	In accordance with the Construction Business Act, the Company receives ministerial registration No. 250, which it renews every two years.
Jan. 1959	The Osaka (now Kansai) Branch is established.
Sep. 1960	The head office moves to 4-1-18 Yushima, Bunkyo Ward, Tokyo.
July 1961	The Company invests in Oyo Denki Co., Ltd. (now KANKO SYOJI CO., LTD.).
Oct. 1961	The Company's stock is listed on the Second Section of the Tokyo Stock Exchange (capital: ¥350 million).
May 1962	Kanto Sekizai Kogyo Co., Ltd. (now K Lease Co., Ltd.) is established.
Jan. 1970	The Sendai (now Tohoku) Branch is established.
Feb. 1970	The Shinetsu (now Nagano) Branch is established. The civil engineering business is launched. The Company's stock listing moves to the First Section of the Tokyo Stock Exchange (capital: ¥1,700 million).
May 1970	The air-conditioning duct business (now the environmental facilities and systems and renovation business) is launched.
Aug. 1970	The Sapporo (now Hokkaido) Branch is established.
Apr. 1971	The Company invests in Dai-ichi Kigyo Co., Ltd. (now Kanko Power Techno Co., Ltd.).
June 1973	The Comprehensive Education Center (now the Education & Training Center) is established.
Apr. 1974	Due to revision of the Construction Business Act, the Company receives ministerial permit (Special – 49) No. 3885, which it currently renews every five years.
June 1976	The Company receives ministerial permit (Ordinary – 51) No. 3885, which it currently renews every five years.
July 1979	The nuclear energy-related business is launched.
Oct. 1981	The Singapore Office is established.
Sep. 1984	The Company name is changed to Kandenko Co., Ltd.
Nov. 1984	Kanko Fudousan Kanri Co., Ltd. (now K Asset Management Co., Ltd.) is established.
Jan. 1985	The Company invests in Tokyo Kouji Keibi Co., Ltd.
May 1985	The Company's first issue of unsecured convertible bonds (¥10 billion) takes place.
July 1987	Kanko Maintenance Service Co., Ltd. (now Kanko Facilities Co., Ltd.) is established.
Dec. 1988	The head office moves to 4-8-33 Shibaura, Minato Ward, Tokyo (its present location).
Apr. 1990	The Nagoya Branch is established.
July 1991	The Kyushu Branch is established.
July 1993	The Tsukuba Technology Research & Development Institute (now the Technology Research & Development Institute) is established.
July 1994	Bay Techno Co., Ltd. is established.
July 1997	The Chuo (now Tokyo) Branch is established.
Oct. 1997	Ibaraki K-Techno Co., Ltd., Tochigi K-Techno Co., Ltd., Gunma K-Techno Co., Ltd., Yamanashi K-Techno Co., Ltd. (now Tama K-Techno Co., Ltd.), and Shizuoka K-Techno Co., Ltd., are established.
July 1998	Kanagawa K-Techno Co., Ltd., Chiba K-Techno Co., Ltd., and Saitama K-Techno Co., Ltd., are established.
Nov. 2000	NETSAVE Co., Ltd. is established.
Aug. 2001	The Taiwan Branch is established.
Dec. 2001	In accordance with the Building Lots and Buildings Transaction Business Act, the Company receives a Building Lots and Building Transactions Business License (1) No. 80352 from the governor of Tokyo, which it renews every five years.
May 2003	The Company invests in Hankyu Denki Koji Co., Ltd. (now HANDENKO CORPORATION).
June 2004	The Company invests in Transmission Line Construction Co., Ltd.
Apr. 2008	The Company invests in Kawasaki Setsubi Kogyo Co., Ltd. (listed on the Second Section of the Nagoya Stock Exchange).
Oct. 2012	The Company invests in Choshi Wind Development Co., Ltd. (and launches the power generation business).
Mar. 2013	Kama Solar Power Co., Ltd. is established.
Oct. 2014	The regional headquarters system is introduced, and power line engineering work is put under the head office's direct jurisdiction.
July 2015	The Fukushima Headquarters is established. The Kanko Fudousan Kanri Co., Ltd. absorbs K Lease Co., Ltd. in a merger operation and changes its trading name to K Asset Management Co., Ltd.
Mar. 2016	The Company issues ¥20 billion of euro-yen convertible bond-type bonds with subscription rights to shares due 2021.

Stock Information (As of March 31, 2016)

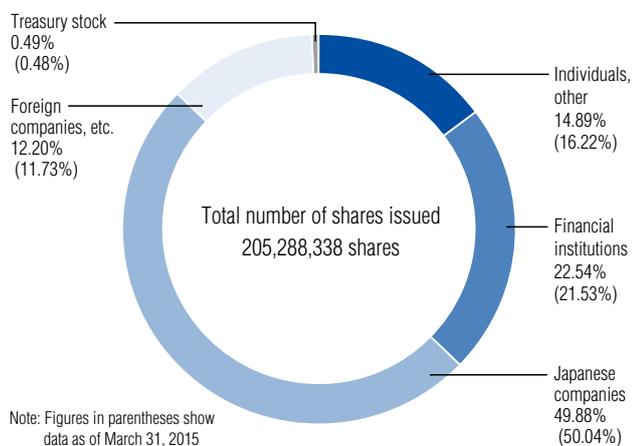
The shares of common stock of the Company are listed on the First Section of the Tokyo Stock Exchange. On March 31, 2016, there were a total of 8,363 shareholders.

The following table lists the 10 largest shareholders appearing on the register at that date.

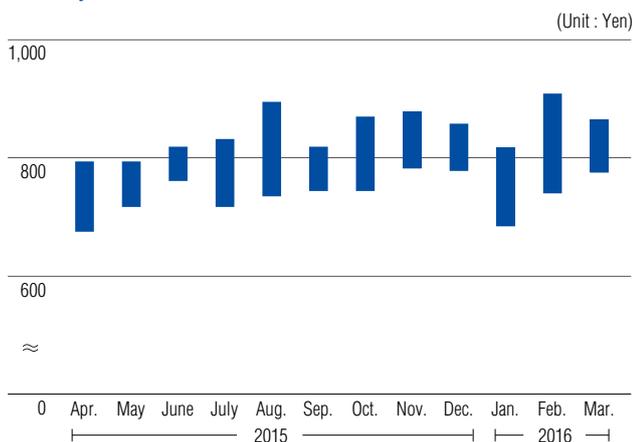
Principal Shareholders

	Name	Number of shares held	Shares held as a percentage of total outstanding shares
1	Tokyo Electric Power Company, Incorporated	94,753,552	46.16
2	Japan Trustee Services Bank, Ltd. (Trust Account)	10,788,000	5.26
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	8,692,000	4.23
4	Mizuho Bank, Ltd.	8,121,839	3.96
5	Kandenko Group Employees Shareholding Association	6,190,755	3.02
6	Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,756,000	1.34
7	CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	2,359,841	1.15
8	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1,986,000	0.97
9	CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,359,983	0.66
10	Takasago Thermal Engineering Co., Ltd.	1,318,000	0.64
	Total	138,325,970	67.38

Number of Shares Held by Type of Shareholder



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 <i>Nihon Keizai Shimbun</i> , published in Tokyo. Kandenko's URL for public notices is as follows. http://www.kandenko.co.jp/index.html
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)

Board of Directors and Audit & Supervisory Board Members (As of June 29, 2016)

Chairman	Manabu Yamaguchi	Senior Managing Directors and Executive Officers	Shinichiro Kitayama	Audit & Supervisory Board Members	Haruhiko Terauchi
Vice Chairman	Hiroshi Mizue		Shigenori Takaoka		Hiroyuki Kaneko
President and Executive Officer	Yoshimi Morito		Shoichiro Kashiwabara		Sumihito Okawa (Outside)
Executive Vice Presidents	Kiyoshi Goto	Managing Directors and Executive Officers	Toshio Nakama		Takashi Suetsuna (Outside)
	Kazuo Nagayama		Shuichi Yamaguchi		Takehiro Yamaguchi (Outside)
Executive Vice President and Executive Officer	Kenichi Takahashi		Toru Yukimura		
Senior Managing Director	Hiroshi Nomura	Directors (Outside)	Takashi Uchino		
			Masataka Ishizuka		

Network

Domestic Offices		Overseas Offices	
Head Office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan		
Tokyo Branch	4-8-33 Shibaura, Minato-ku, Tokyo, Japan	Singapore Branch	6001 Beach Road, #20-03/04 Golden Mile Tower, Singapore 199589
Kanagawa Branch	1-1-8 Hiranuma, Nishi-ku, Yokohama, Japan	Taiwan Branch	6F-1, No. 45, Section 1, Minchuan Eastern Road, Taipei, Taiwan
Chiba Branch	2-1-24 Shinjuku, Chuo-ku, Chiba, Japan	Yangon Branch	BLK-31, Room 21, 2nd Floor, Shwe Ohn Pin Apartment, Yanshin Road, Yankin Township, Yangon, Myanmar
Saitama Branch	3-22-15 Negishi, Minami-ku, Saitama, Japan	Hanoi Representative Office	17th Floor VIT Tower, 519 Kim Ma Street, Ba Dinh District, Hanoi, Vietnam
Ibaraki Branch	2-7-14 Jonan, Mito-shi, Ibaraki, Japan	Indonesia Representative Office	5th Floor, Summitas II Building, Jl. Jend. Sudirman Kav. 61-62, Jakarta 12190 Indonesia
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 3rd Floor, 1-2-7 Sakae, Naka-ku, Nagoya, 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, Japan		
Tohoku Branch	Sendai Daiichi Seimei Tower Building, 4-6-1 Ichibancho, Aoba-ku, Sendai, Japan		
Nagano Branch	1629-32 Midoricho, Nagano, Japan		

KANDENKO

<http://www.kandenko.co.jp/en/>



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