ANNUAL REPORT 2017

KINDEN CORPORATION

Kinden

Profile

Since its establishment in 1944 to undertake construction of urban and corporate infrastructure, Kinden Corporation has expanded its business as a company established to benefit the public. Even amidst the rapid changes of today, Kinden has grown into one of Japan's leading integrated electrical and facility engineering companies with a nationwide business structure by demonstrating a future-oriented entrepreneurial spirit and picking up on the needs of the market. Kinden also expanded overseas in the 1950s ahead of competitors in the industry, and we have built up over 60 years of experience and credentials in over 90 countries around the globe, including such locations as Hawaii, Guam, countries in Asia, the Middle East and Africa. In recent years, Kinden has expanded proactively into the installation of social infrastructure, primarily in Southeast Asia.

In the more than 70 years since our founding, we have become a Company able to clearly demonstrate its value to society. In April 2017, all Kinden employees gathered to share the social significance and mission we inherited as a "Corporate Philosophy" to move forward with society engaging in work with pride and a sense of responsibility.

We create superior facilities and services, support social infrastructure, and contribute to realize a bright, affluent future. (See pages 2–3.)

Kinden aims to further enhance its corporate value in the future as an integrated electrical and facility engineering company with three pillars in **energy**, **environment** and **information**.

CONTENTS

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

The future prospects described in this annual report concerning business planning, earnings, and management strategies are based on management views derived from supporting information available to Kinden Corporation at the time such information was prepared. Accordingly, readers are cautioned against relying solely on these forward-looking prospects because actual results and strategies may differ substantially depending on changes in the Company's business environment.

Business Results in the Year Ended March 2017

Amid the challenging operating environment, although sales declined we succeeded in boosting income on a consolidated basis.

During the fiscal year ended March 2017, the Japanese economy was characterized by a modest overall recovery, as government economic stimulus and monetary easing led to signs of expansion in corporate production and profit as well as improved employment conditions.

In the construction industry, although public works and private investment remained firm, intensified competition for orders and increased labor costs created a challenging operating environment.

Under these conditions, the Kinden Group actively developed sales activities capitalizing on its comprehensive strengths and maintaining management policies to ensure construction volumes and profits. Even there were peaks and troughs depending on areas at overseas subsidiaries, net sales, operating income and net income in our whole subsidiaries were higher than in the previous fiscal year due to high performance of domestic subsidiaries representing Nishihara Engineering. On a consolidated basis, sales declined, but ongoing efforts to curtail cost of sales, bolster productivity and raise operating efficiencies resulted in higher income. On a non-consolidated basis, operating income was higher despite net sales and net income being lower than the previous fiscal year.

Consolidated net sales decreased 0.6% from the previous fiscal year, to ¥472,591 million. Operating income increased 7.8%, to ¥36,062 million, and profit attributable to owners of parent expanded 11.4%, to ¥26,375 million, resulting in ROE of 6.8%, improving 0.5 percentage points in the previous term.

On a non-consolidated basis, net sales amounted to ¥410,703 million, down 1.3%, while operating income grew 4.2%, to ¥29,336 million and profit declined 4.3%, to ¥22,169 million.

Profit attributable to owners of parent per common share increased ¥12.48 year on year on a consolidated basis, to ¥121.57. On a non-consolidated basis, profit per common share declined ¥4.54, to ¥102.18.

* *Refer to the Management's Discussion and Analysis on page 16 for further details.*

Consolidated Financial Highlights

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2016 and 2017

	Millions of yen			Thousands of U.S. dollars*
	2016	2017	YoY change	2017
Net sales	¥475,345	**¥472,591**	(0.6)%	**$4,212,424**
Operating income	33,450	**36,062**	7.8%	**321,445**
Profit attributable to owners of parent	23,669	**26,375**	11.4%	**235,098**
Total assets	547,554	**570,037**	4.1%	**5,080,997**
Total net assets	376,521	**399,228**	6.0%	**3,558,502**
Return on equity (ROE)	6.3%	**6.8%**	0.5pt	—
	Yen			U.S. dollars*
Profit attributable to owners of parent per common share	¥109.09	**¥121.57**	11.4%	**$1.08**
Cash dividends per common share	24.00	**26.00**	8.3%	**0.23**

* U.S. dollar amounts are computed using the March 31, 2017 exchange rate of ¥112.19=US$1.

Documenting Our Corporate Philosophy to Boldly Move Forward

We are clarifying our meaning, mission and direction to advance toward further growth.

The fiscal year under review was the final year of our medium-term management plan. Up to now, we have executed business policies based on four pillars: "contributions to the power infrastructure business," "further strengthening of community-focused business activities," "further expansion in the Greater Metropolitan Area" and "long-term expansion overseas," while promoting sound corporate activities to ensure safety, quality and compliance-based management.

Operating in an environment that fluctuates widely moment by moment, the Kinden Group is endeavoring to solidify the strengths it has cultivated to date as it looks to the future. At the same time, we will move forward with efforts to reinforce our base of operations where necessary and strive to become a company that creates customer satisfaction.

To further clarify and communicate our direction up to now within and outside the Company, in March 2017

Corporate Philosophy

We create superior facilities and services, support social infrastructure, and contribute to realize a bright, affluent future.

- We provide peace of mind, safety, comfort by meeting customer needs with technology and humanity.
- We realize the happiness of all people concerned with our business by sound corporate activities.
- We continue being a company in which we feel satisfaction of our job and live a life full of smiles with our family.

Growth Strategy

Performance Targets

Operating margin 8%, Payout ratio 30%

Business Strategy

- Strengthen and link the three main pillars (Electrical, Environmental Management Facilities and Information and Communications Network) as integrated electrical and facility engineering
- Contribute to the power infrastructure
- Conduct long-term expansion overseas
- Expand Renovation and Maintenance Work

Medium-term management plan

(Fiscal years ending March 2018 to March 2021)

1. Slogan

KINDEN CHALLENGE 2020

Deeper, Change and Forward

2. Basic Policies

- Establish a strong business foundation independent of economic trends
- Further improve productivity through utilization of knowledge and participation of all employees
- Improve work environment and increase employee satisfaction

3. Performance Targets (fiscal year ending March 2021)

Net sales: ¥530,000 million
Operating income: ¥39,000 million

Management Creed

Harmony and Cheerfulness
Research and Hard Work
Sincerity and Service

II

Corporate Spirit

Kinden Group Behavioral Guidelines

we announced a corporate philosophy, growth strategy and new medium-term management plan.

To date, the Company's management creed has served as its management philosophy. We have now positioned the management creed as defining the Company spirit and code of conduct. We have also stated our corporate philosophy clearly, indicating our reason for existence as a company, our mission and our direction, in which we have remained steadfast since the time of our founding.

The corporate philosophy we formulated is shown on the previous page. The main sentence indicates the Company's social mission and meaning, through which we aim to strengthen our core business. The three points underneath indicate our management vision in terms of customers, society and employees.

The growth strategy is based on the corporate philosophy, indicating a long-term stance toward management focused on the next 10 years that aims to enhance corporate value and ongoing efforts to become a leading integrated electrical and facility engineering company. To this end, we will double the amount of trust earned from customers and move forward with them, aiming for a consolidated operating profit margin of 8% and a dividend payout ratio of 30%.

This growth strategy is predicated on four specific business strategies: Strengthen and link the three main pillars of Electrical, Environmental Management Facilities and Information and Communications Network as integrated electrical and facility engineering; contribute to power infrastructure; conduct long-term expansion overseas and expand renovation and maintenance work.

To realize our growth strategy, we formulated a new medium-term management plan that will be promoted for four years from the fiscal year ending March 2018 to the fiscal year ending March 2021. This plan will establish and execute a course of action in terms of various priority management issues based on three basic policies with the aim of achieving net sales of ¥530,000 million and operating income of ¥39,000 million on a consolidated basis in the fiscal year ending March 2021.

Sustainable Increases in Value

Making efforts to further strengthen compliance with the Corporate Governance Code.

The Group discloses policies and the status of initiatives pertaining to the 73 General Principles, Principles and Supplementary Principles specified in the Corporate Governance Code, which went into effect on June 1, 2015. The Company recognizes the strengthening of corporate governance as an area of topmost importance in order to reinforce, accelerate and ensure the appropriateness of business execution, as well as to respond expeditiously to changes in the business environment. Accordingly, we have established two priority measures: increasing the transparency of operations and thoroughly strengthening compliance.

Return to Shareholders and Dividend Policy

We raised the year-end dividend in line with performance that exceeded forecasts and are striving to increase liquidity of the Company's shares and expand our investor base.

Kinden maintains the fundamental policy of placing top priority on stable and sustainable dividends for shareholders, with a dividend policy that also takes into account business results and other factors. We have adopted a system of interim dividends to increase shareholder return opportunities, and as part of our shareholder-oriented management, we also provide commemorative dividends to mark special anniversaries and business periods. At the same time, the Group retains sufficient internal reserves to reinforce its management structure and invest in proactive business development as an integrated electrical and facility engineering company.

We paid a full-year dividend of ¥26 per common share for the fiscal year ended March 2017. The ordinary interim dividend was ¥12 per share, but the year-end dividend, initially expected to be ¥12 per common share, was increased to ¥14 per common share as earnings performance substantially exceeded initial forecasts.

Next fiscal year (ending March 2018), we plan to provide a full-year dividend of ¥26 per common share, comprising an ordinary interim dividend of ¥13 per common share and a year-end dividend of ¥13 per common share.

Moreover, to make investing easier, increase liquidity of the Company's shares and expand our shareholder base, on July 1, 2015, we revised our stock trading unit from 1,000 shares to 100.

Outlook and Strategies for the Fiscal Year Ending March 2018

We will steadily execute the new medium-term management plan and strive to leverage our strengths toward proactive business expansion.

For the fiscal year ending March 2018, we forecast consolidated net sales of ¥477,000 million, up 0.9% year on year; operating income of ¥34,000 million, down 5.7%; and profit attributable to owners of parent of ¥24,000 million, down 9.0%. On a non-consolidated basis, we anticipate net sales of ¥415,000 million, up 1.0%; operating income of ¥29,000 million, down 1.1%; and profit of ¥21,000 million, down 5.3%. Based on contract backlog conditions and the order receiving environment we forecast higher sales on a consolidated and non-consolidated basis, but expect income to decline slightly.

Looking at the operating environment going forward, despite uncertainties including political instability overseas, the economy in Japan is expected to continue its gradual recovery, which is expected to lead to increased capital investment and improved personal consumption.

In the construction industry, investment is expected in redevelopment projects and other projects related to the Tokyo Olympics and Paralympics in the Greater Metropolitan Area, thus securing construction systems is becoming a critical issue.

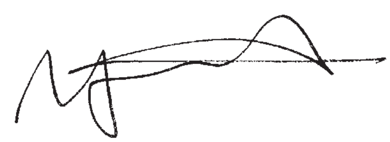
Given this situation, the Kinden Group will continue its contributions to the power infrastructure business and the further strengthening of community-focused business activities, while at the same time continuing to strengthen business development in the Greater Metropolitan Area and developing business overseas from a long-term perspective. We will contribute to society by meeting customer needs with high technologies and skills that provide safety, peace of mind and comfort.

Furthermore, we will continue to operate our internal control system, including legal compliance and risk management, engage in transparent and sound business execution, further improve our operational quality, strengthen human resource development and maintain a thorough emphasis on safety as the highest priority. We will continue to promote the development and enhancement of our business foundation to be able to respond to any and all changes in the external environment.

I would ask all our shareholders and investors for your continued support.

June 2017

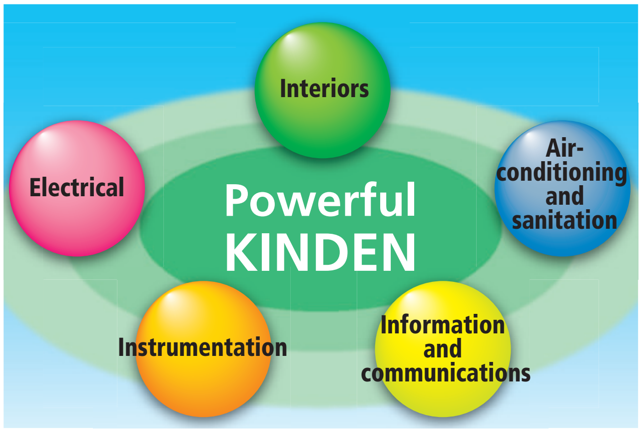
Yukikazu Maeda
President



Organizational Reforms Aimed at Growth Strategy Implementation

Aiming at Expanding Integrated Facility Engineering Work with Establishing Integrated Facility Management Department to Focus on Growing the Renovation Market

In March 2017, we established the Integrated Facility Management Department, we are making a renewed effort to secure bulk orders for facilities construction including interiors. Leveraging a dominance in interiors unmatched by other companies in this industry, we aim to build construction systems making the most of our comprehensive strengths. We provide consistent services from planning to constructions, with safety and high quality works. We plan to promote support for renovation work nationwide with a focus on the Greater Metropolitan and Kansai areas.



Kinden's comprehensive strength lies in the power of knowledge amassed by each department. In addition to overwhelming construction and onsite capabilities, we provide an ALL Kinden response to various projects using our accumulated technologies and experience.

Establishing the Energy Engineering Team to Provide Integrated Support from Planning to Construction of Renewable Energy Generation Facilities and Super High Voltage Receiving and Transforming Facility Renewal Projects

In response to the increase in power facility construction related to renewable energy in line with electrical power system reforms, engineering capabilities are critical for the overall construction of high-power facilities including power generation transformation, transmission and distribution. In March 2017, Kinden will recompose the Sustainable Energy Promotion Team to create the Energy Engineering Team. Going forward, we will focus efforts on responding to energy-related projects, mainly wind and solar power generation, as well as geothermal and bio power generation.

Kinden expects to receive orders for engineering, procurement and construction (EPC) for solar and wind power facilities.

RECENT **Major Projects**

Here we feature examples of projects that leverage our integrated strengths from across a broad range of sectors.

Power Distribution Lining

Installation work on power distribution line of The Kansai Electric Power Co., Inc. (Kyoto)

Electrical

Four Seasons Hotel Kyoto (Kyoto)

Information & Communications Network

Installation of the Microwave transmission tower for a microwave communication service (Chiba)

Environmental Management Facilities

OIT Umeda Tower of Osaka Institute of Technology (Osaka)

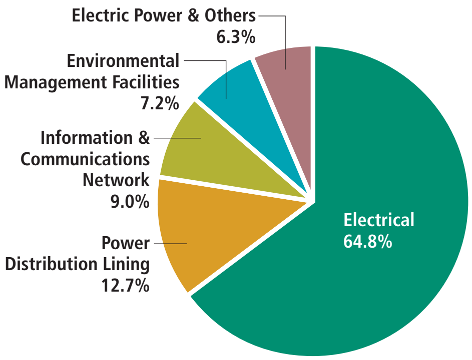
Electric Power & Others

Improvement and elimination work on the No. 319–322 of Maruyama Line (Shiga)

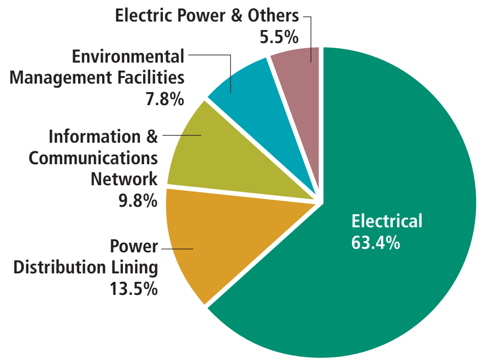
Summary by Operation

The summary by segment is on a non-consolidated basis. Orders received were up year on year in the Electrical, Environmental Management Facilities and Electric Power and Others segments, but down in the Power Distribution Lining and Information & Communications Network segments. Although net sales of completed construction contracts increased in the Electrical and Environmental Management Facilities segments, they were down in the Power Distribution Lining, Information & Communications Network and Electric Power and Others segments. Going forward, we expect the market to remain robust in the three largest metropolitan areas of Tokyo, where the Olympics and Paralympics are scheduled to be held, and the Chubu and Kansai areas. Accordingly, we anticipate higher sales. Also, while market needs are expected to shift from new construction to adding value through renovation, we will move forward with the expansion of renovation work as a business strategy.

Construction Orders



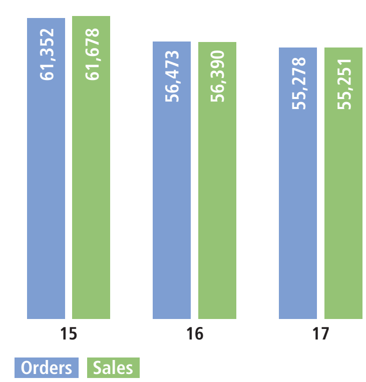
Net Sales of Completed Construction Contracts by Operation



Power Distribution Lining

Orders received declined 2.1% from the previous fiscal year to ¥55,278 million and net sales of completed construction contracts decreased 2.0% to ¥55,251 million. The main reason for this decline was the removal of orders received and completed construction contracts because some construction materials were provided by Kansai Electric Power Co., Inc. Although our business foundation is stable in this segment, the future remains uncertain from next fiscal year forward for Kansai Electric Power, which accounts for over 94% of business in this segment. As we are unable to predict construction schedules, we expect orders and net sales to remain unchanged year on year. For other power distribution-related work, we intend to increase orders mainly for high-voltage construction work for convenience stores, high-voltage bulk electric power receiving works for apartment buildings and internal facility construction projects for customers, and will attempt to expand orders received in the Greater Metropolitan Area by strengthening our project organization.

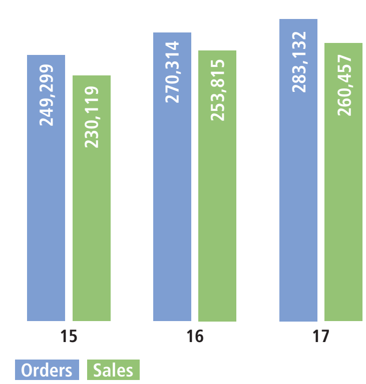
Orders and Sales
Millions of yen



Electrical

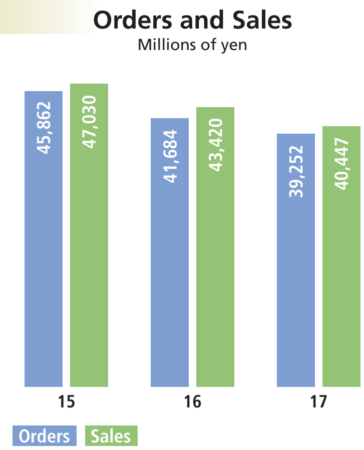
Orders received increased 4.7% from the previous fiscal year, to ¥283,132 million, and net sales of completed construction contracts were up 2.6%, to ¥260,457 million. The main factors driving the increase in orders received include commercial, entertainment and healthcare facilities, while net sales of completed construction contracts were higher due to an increase in office buildings and logistics facilities. Going forward, we will further strengthen business development in the Greater Metropolitan Area and intensify sales in areas where there is solid demand throughout Japan, including data centers, logistics facilities and capital investment for inbound tourism business. In terms of overseas works, having established long-term business development overseas as one of our business strategies, we will also make an effort to expand orders received by working closely with communities in countries where economic growth is expected, focusing on Japanese-owned private factories and large-scale commercial facilities mainly in Southeast Asia.

Orders and Sales
Millions of yen



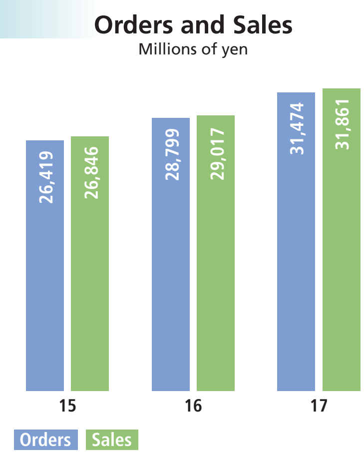
Information & Communications Network

Compared with the previous fiscal year, orders received fell 5.8%, to ¥39,252 million, and net sales of completed construction contracts declined 6.8%, to ¥40,447 million. The scale of orders and net sales for FTTH installation works from an affiliate of Kansai Electric Power decreased in the fiscal year under review, as this network has reached the point of saturation. Net sales of completed construction contracts for mobile phone base stations also declined substantially during the year, stemming from scant capital investment by telecommunications providers. However, in the second half of the fiscal year under review, there were signs of recovery in capital investment, resulting in orders received rising slightly higher than the previous fiscal year. Going forward, we will strive to secure orders for infrastructure-related projects, including CATV-related works, which are expected to increase, as well as government and municipal projects, wireless-activated disaster warning systems for tunnels, security surveillance equipment and the installation of LAN and other in-house communication works.



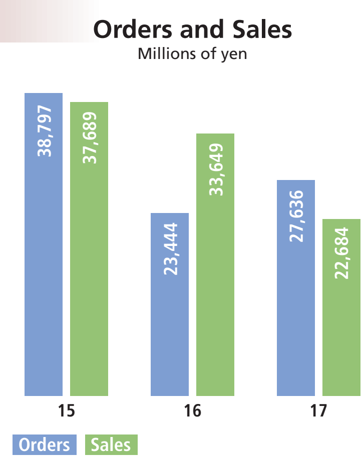
Environmental Management Facilities

In this segment, orders received increased 9.3% year on year, to ¥31,474 million, while net sales of completed construction contracts increased 9.8%, to ¥31,861 million. The main reason for the increase in orders received were growth in commercial, entertainment, healthcare and other facility projects, while the increase in net sales of completed construction contracts was due to growth in commercial, entertainment, healthcare and logistics facilities. Going forward, we will focus efforts on securing orders related to tourism and logistics facilities and data center projects in addition to our traditional focus on office buildings; healthcare, educational, cultural, commercial and entertainment facilities; and factories based in the Greater Metropolitan and Kansai areas. We will also attempt expand orders through proactive proposals to customers related to energy-saving and BCP measures.



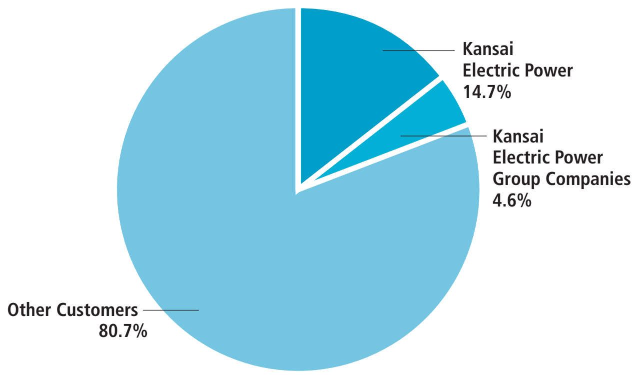
Electric Power & Others

Orders received rose 17.9% year on year, to ¥27,636 million, and net sales of completed construction contracts decreased 32.6%, to ¥22,684 million. The increase in orders received was mainly due to growth in construction of underground power lines, mega solar power plants and wind power generation facilities. The decrease in completed construction contracts was mainly due to a decline in mega solar power plant construction. Going forward, we expect an increase in overhead power line projects to replace aging power lines and electrical transmission tower reconstruction to repair aging equipment. We will also make an effort to acquire orders for power system reform-related work involving renewable energy and new power connection lines.

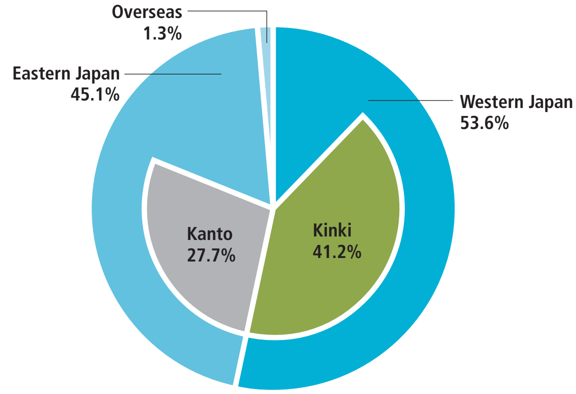


■ *Composition of Non-Consolidated Net Sales, Contract Backlog by Operations, and Shareholding Ratio* *(Fiscal 2017)*

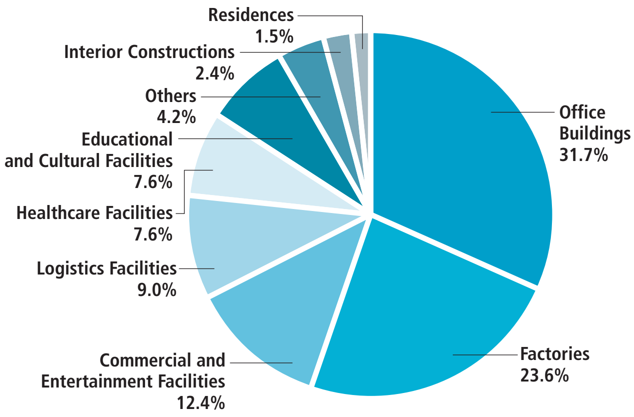
Net Sales by Customer



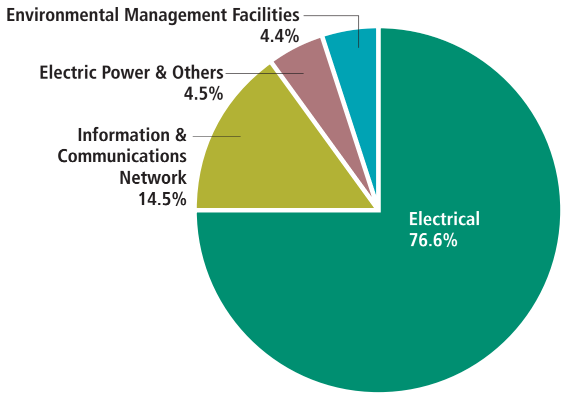
Net Sales by Region (excluding sales of Power Distribution Lining)



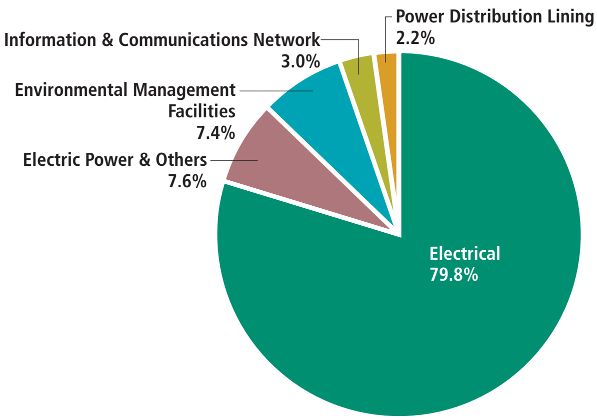
Net Sales by Facility (Electrical)



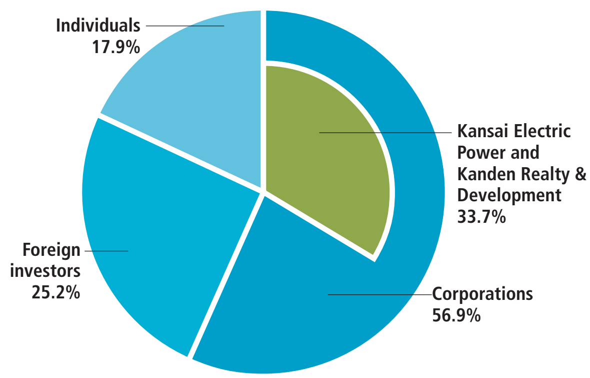
Net Sales of Renewal Construction by Operation (excluding sales of Power Distribution Lining)



Contract Backlog by Operation



Shareholding Ratio



Topic

Burying Power Cables in the Ancient City of Kyoto

There is a focus on the conversion to underground power cables in anticipation of an increase in foreign tourists during the 2020 Tokyo Olympics and Paralympics.

The Pontocho-Dori project to remove electric poles and bury overhead power cables in the city of Kyoto aims to create a safe road environment that is comfortable for pedestrians so that tourists and other visitors can enjoy the scenery in Pontocho, an area where traditional Japanese buildings line the street. The street in Pontocho is extremely narrow, with houses that sit right on the road on both sides of the street. Gas and water lines are buried underneath the street, making the use of heavy machinery and ground excavation using existing construction technologies difficult. For this reason, Kinden and other project members are conducting this work using new construction methods applicable to construction environments where streets are narrow. The success or failure of the new construction method adopted in Pontocho is attracting attention as it becomes an important touchstone for promoting the burying of power cables.

We will continue to work alongside local residents to move this project forward with safety as the top priority.

Before

After
Image after completion
(Source: Kyoto City website)

Pontocho-Dori, where electric poles are being removed

CORPORATE SOCIAL ***Responsibilities***

Magical Illumination at a World Heritage Site in Nara

At the 8th *Shiawase Kairou NaraRurie* event held in the city of Nara from February 8–14, 2017, Kinden assisted with construction and volunteered for the first time to set up illumination at the main venue.

At this event first held in 2010, the Kasuga Taisha Shinto shrine and the Kofukuji and Todaiji Buddhist temples—all of which are world heritage sites—along with the Nara National Museum when it is open at night, are illuminated with LED lighting during winter in the ancient city of Nara. The main venue constructed by Kinden featured approximately 200 sheets of decorative illumination measuring two meters by 10 meters, providing visitors with the fantastic beauty of noble and lavish colors.

Going forward, Kinden will continue to participate in this event as part of its volunteer activities in an effort to coexist with local communities.

Illumination at the main venue, set up with Kinden's assistance

As of June 27, 2017

Main Policies

Kinden recognizes improving corporate governance as an important management issue for stronger, faster and more precise execution of operations, and to flexibly respond to changes in the business environment. We strive to further reinforce our corporate governance giving priority to improving the transparency of operations and observing absolute compliance.

The Company has adopted the Audit & Supervisory Board Member system.

The Company emphasizes such audits by the Outside Audit & Supervisory Board Member system. Based on this system, the Company seeks to enhance its monitoring function over management activities in cooperation with accounting auditors and the internal auditing department.

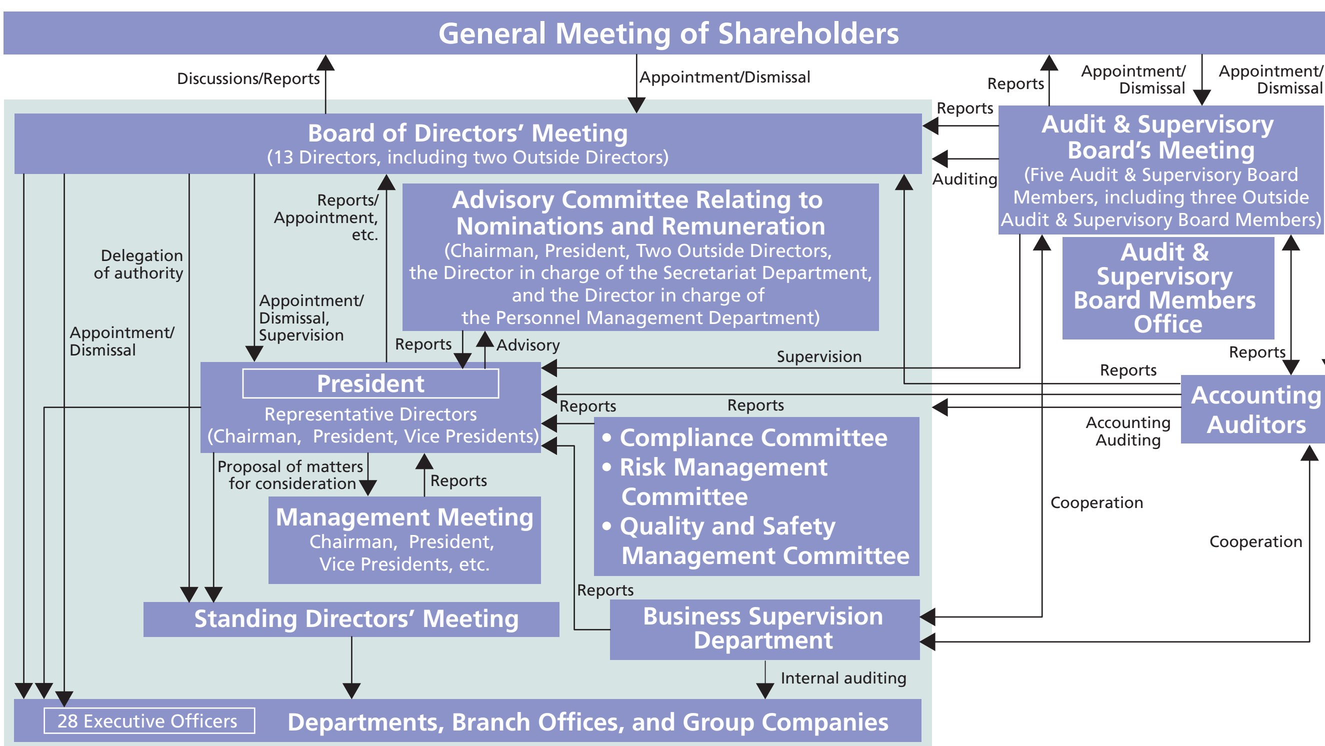
The Company has adopted an Executive Officer system, with the aim of speeding up decision making, enhancing the monitoring function over business execution, and enabling the executive officers in charge of specific operations to focus on their business execution. With regard to the monitoring function, the Company seeks to strengthen its supervision over business operations by organizing Board of Directors' Meetings and Standing Directors' Meetings headed by the chairman on a regular basis.

Corporate Governance System

Overview of the Corporate Governance System

Corporate governance structure	A company with Audit & Supervisory Board Members
Chairman of the Board	Masao Ikoma (Chairman)
Number of Directors	13 (including two Outside Directors)
Directors' terms of office	One year
Number of Audit & Supervisory Board Members	Five (including three Outside Audit & Supervisory Board Members)
Audit & Supervisory Board Members' term of office	Four years
Independent Director appointment	Two Outside Directors
Key meetings attended by Audit & Supervisory Board Members	Board of Directors' Meetings, Audit & Supervisory Board's Meetings
Accounting auditor	PKF Hibiki Audit Corporation

Corporate Governance Structure



Overview of Main Meetings and Committees

Standing Directors' Meeting	Purpose: To deliberate the promotion of concrete management activities and the establishment of policies and plans affecting general company management other than important matters requiring Board of Directors' Meeting resolutions as stipulated in the Companies Act
	Held: Semimonthly; Participants: Standing Directors and Standing Audit & Supervisory Board Members
Management Meeting	Purpose: To deliberate management policies critical for the Company including the proposals to the Standing Directors' Meeting
	Held: Semimonthly; Participants: Chairman, President, Vice Presidents, etc.
Compliance Committee	Purpose: To strengthen the compliance function
	Held: Semiannually; Participants: Members of the Management Meeting, Audit & Supervisory Board Member representatives and executive officers in charge of compliance
Risk Management Committee	Purpose: To strengthen the risk management function
	Held: Semiannually; Participants: Directors in charge, Department Managers of Head Office
Quality and Safety Management Committee	Purpose: To strengthen construction quality and safety management functions
	Held: Semiannually; Participants: Directors in charge, Division Heads and Department Managers of Head Office
Advisory Committee Relating to Nominations and Remuneration	Purpose: To strengthen the independence, objectivity and accountability of the Board of Directors' Meeting function, specifically with respect to important matters including the appointment of directors and Audit & Supervisory Board Members and director remuneration
	Participants: Chairman, President, Outside Directors, the Director in charge of the Secretariat Department and the Director in charge of the Personnel Management Department

Status of Enhancement of the Risk Management System

The Company has instituted a Compliance Committee to enhance compliance functions. It has also set up a Risk Management Committee in an effort to strengthen risk management functions. In addition, the Company has established a Quality and Safety Management Committee to enhance quality and safety management for construction.

Internal Audit and Audit & Supervisory Board Members

Internal audit is conducted, as ordered by the president, by the Business Supervision Department (six members), which carries out regular operations audits on the structure and administration of internal controls and audits on specific items as specially instructed. The results are reported to the President and Audit & Supervisory Board Members.

The Audit & Supervisory Board Members supervise the business execution by the Board of Directors in accordance with policies set by the five Audit & Supervisory Board Members, by such means as attending Board of Directors' and other important meetings, listening to business reports from the Board of Directors, and reviewing important documents. Additionally, regular meetings are set between the President and the Audit & Supervisory Board Members to provide opportunities to exchange information, and report and examine the execution of operations.

Of the five Audit & Supervisory Board Members, one Audit & Supervisory Board Member (full-time) previously served as the Comany's Finance & Accounting Department manager and has high-level knowledge and judgment regarding finance and accounting.

Relationships with Outside Directors and Outside Audit & Supervisory Board Members

With respect to Outside Directors Harunori Yoshida and Hanroku Toriyama, there are no personal relationships, capital relationships, business relationships or other special interests between Kinden and these individuals or the organizations to which they belong. They have been appointed and reported as independent directors in accordance with criteria for the exchange of financial instruments and there is no risk of conflicts of interest with general shareholders.

Two of the three Outside Audit & Supervisory Board Members, Hideki Toyomatsu and Yasuhiro Yashima, are executive officers (a director and an audit & supervisory board member) of The Kansai Electric Power Co., Inc., a client of Kinden's power distribution lining and power line transmission work (electric power and others) who also concurrently serve as Kinden Audit & Supervisory Board Members. As of March 31, 2017, Kansai Electric Power holds 33.9% of all shareholder voting rights (27.2% directly, 6.7% indirectly) making it an "other affiliated company" of Kinden. Kaoru Wada is a former Kansai Electric Power employee who is now the Audit & Supervisory Board Member (full-time) and communicates closely with other Outside Audit & Supervisory Board Members.

Reason for Appointment as Outside Directors

Harunori Yoshida	**Hanroku Toriyama**
Although Mr. Harunori Yoshida has not been involved in corporate management except for his past experience as an Outside Director, he has appropriately advised the Company on its management based on his wealth of knowledge and insights as an expert of architecture. Therefore, he is believed to be a person suitable to be an Outside Director of the Company.	Although Mr. Hanroku Toriyama has not been involved in corporate management except for his past experience as an Outside Director and an Outside Audit & Supervisory Board Member, he has expertise concerning corporate legal affairs, and has appropriately advised the Company on its management from an objective and specialized perspective. Therefore, he is believed to be a person suitable to be an Outside Director of the Company.

Note: The two people satisfy the requirements for independent directors with respect to conflicts of interest and are designed as independent directors not posing a risk of conflicts of interest with general shareholders.

Reason for Appointment as Outside Audit & Supervisory Board Members

Kaoru Wada	**Hideki Toyomatsu**	**Yasuhiro Yashima**
As the Managing Executive Officer of another affiliate company, Mr. Kaoru Wada has a wealth of knowledge and insights on corporate management, and he has extensive audit experience as the Auditor of the Japan Mint Incorporated Administrative Agency. Therefore, he is believed to be capable of duly performing the duties of an Outside Audit & Supervisory Board Member of the Company, and is selected again for such position.	Mr. Hideki Toyomatsu has extensive experience as well as a wealth of knowledge and insights on corporate management of another affiliate company. Therefore, he is believed to be suitable to be an Outside Audit & Supervisory Board Member of the Company and is selected again for such position, with an expectation of providing adequate advice on the Company's management.	Mr. Yasuhiro Yashima has extensive experience as well as a wealth of knowledge and insights on corporate management of another affiliate company. Therefore, he is believed to be suitable to be an Outside Audit & Supervisory Board Member of the Company and is selected again for such position, with an expectation of providing adequate advice on the Company's management.

Director Remuneration

Total amount of remuneration for each executive officer category, total amount of remuneration by remuneration type and number of applicable executive officers

Executive director category	Total remuneration (Millions of yen)	Total Remuneration by Remuneration Type (Millions of yen)				Number of applicable executive officers
		Basic remuneration	Stock options	Bonus	Retirement benefits	
Directors (Excluding Outside Directors)	497	425	—	72	—	12
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	69	69	—	—	—	3
Outside Directors and Audit & Supervisory Board Members	53	53	—	—	—	6

Note: Includes remuneration for two Directors and two Audit & Supervisory Board Members who retired at the conclusion of the 102nd General Meeting of Shareholders held in June 2016.

Remuneration for Audit Services

Remuneration paid to PKF Hibiki Audit Corporation in the 103rd fiscal term (the fiscal year ended March 31, 2017) for services set forth by the Certified Public Accountants Law totaled ¥45 million. No other remuneration was paid.

Five-Year Financial Summary

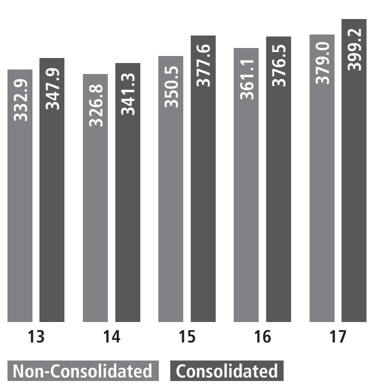
For the fiscal years ended March 31

	Consolidated					Non-Consolidated				
	Millions of yen					Millions of yen				
	2013	2014	2015	2016	**2017**	2013	2014	2015	2016	**2017**
FOR THE YEAR										
Net sales	¥491,140	¥514,357	¥467,972	¥475,345	**¥472,591**	¥426,889	¥448,275	¥403,363	¥416,293	**¥410,703**
Power distribution lining						65,973	57,521	61,678	56,390	**55,251**
Electrical						270,340	268,601	230,119	253,815	**260,457**
Information & communications network						52,963	59,579	47,030	43,420	**40,447**
Environmental management facilities						22,566	22,698	26,846	29,017	**31,861**
Electric power & others						15,045	39,875	37,689	33,649	**22,684**
Operating income	19,767	25,691	29,325	33,450	**36,062**	20,220	20,738	22,464	28,163	**29,336**
Profit attributable to owners of parent	9,791	16,393	20,552	23,669	**26,375**					
Profit						10,794	13,148	16,083	23,154	**22,169**
Comprehensive income	20,309	25,243	42,058	4,133	**28,444**					
Capital investment*1	4,531	3,086	1,915	5,190	**3,556**					
Depreciation and amortization	5,193	4,708	4,451	4,523	**4,928**					
AT YEAR-END										
Capital stock	¥ 26,411	¥ 26,411	¥ 26,411	¥ 26,411	**¥ 26,411**	¥ 26,411	¥ 26,411	¥ 26,411	¥ 26,411	**¥ 26,411**
Total net assets	347,949	341,364	377,659	376,521	**399,228**	332,926	326,851	350,569	361,180	**379,004**
Total assets	510,209	518,464	542,246	547,554	**570,037**	472,654	479,963	489,939	502,129	**521,637**
Number of shares outstanding (excluding treasury stock) (Thousands) Balance at end of year	247,186	217,131	216,996	216,963	**216,957**	247,186	217,131	216,996	216,963	**216,957**
Number of employees (Persons)*2	9,602	9,557	9,563	9,957	**10,021**	7,027	6,992	6,895	7,139	**7,281**
Equity ratio (%)	68.1	65.6	69.3	68.5	**69.8**	70.4	68.1	71.6	71.9	**72.7**
Return on equity (ROE) (%)	2.9	4.8	5.7	6.3	**6.8**	3.3	4.0	4.7	6.5	**6.0**
Payout ratio (%)	40.4	24.4	21.1	22.0	**21.4**	36.6	30.4	27.0	22.5	**25.4**
Price-earnings ratio (Times)	15.91	13.51	15.87	12.65	**12.78**	14.43	16.85	20.27	12.93	**15.21**

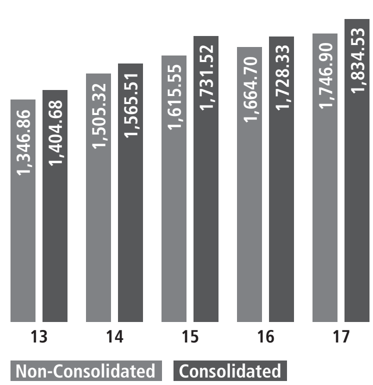
*1 From the fiscal year under review, lease assets are included in capital investment amounts. Figures for previous fiscal years have also been retroactively adjusted.

*2 Number of employees (employees at work in Kinden) = Employees – Employees dispatched outside of Kinden + Workers dispatched by another company to Kinden

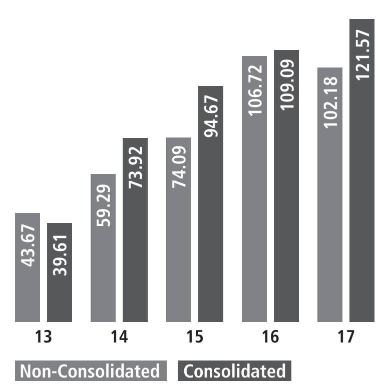
Total Net Assets
Billions of yen



Net Assets per Common Share
Yen



Profit per Common Share
Yen



RESULTS OF OPERATIONS

On a consolidated basis, operating income, ordinary income and profit attributable to owners of parent all increased year on year, despite net sales being lower than in the previous fiscal year. Consolidated net sales amounted to ¥472,591 million (US$4,214,424 thousand), a decrease of ¥2,753 million from the previous fiscal year. Operating income grew ¥2,612 million, to ¥36,062 million (US$321,445 thousand); ordinary income rose ¥2,667 million, to ¥38,046 million (US$339,126 thousand); and profit attributable to owners of parent expanded ¥2,706 million, to ¥26,375 million (US$235,098 thousand).

FINANCIAL POSITION

Assets

Current assets at March 31, 2017, amounted to ¥347,820 million, up ¥22,069 million, or 6.8 %, from March 31, 2016. The rise was due primarily to higher notes receivable, accounts receivable from completed construction contracts and other, as well as an increase in short-term investment securities.

Noncurrent assets increased ¥413 million, or 0.2%, from the end of the previous fiscal year, to ¥222,216 million. Property, plant and equipment decreased ¥1,166 million, to ¥100,675 million. This decrease was mainly due to depreciation. Investments and other assets rose ¥1,549 million, to ¥119,760 million, mainly because of an increase in the market value of investment securities.

As a result, total assets amounted to ¥570,037 million (US$5,080,997 thousand) at the end of the fiscal year, up ¥22,483 million, or 4.1%, from one year earlier.

Liabilities

Current liabilities decreased ¥60 million, or 0.0%, to ¥136,011 million. Although advances received on uncompleted construction contracts increased, the decline was mainly due to a decrease in notes payable, accounts payable for construction contracts and other.

Noncurrent liabilities decreased ¥163 million, or 0.5%, to ¥34,796 million.

Consequently, total liabilities came to ¥170,808 million (US$1,522,495 thousand), a decrease of ¥223 million, or 0.1%, from the end of the previous fiscal year.

Net Assets

Shareholders’ equity rose ¥20,717 million, to ¥372,246 million, due to retained earnings on the posting of profit attributable to owners of parent. Accumulated other comprehensive income rose ¥2,314 million, to ¥25,769 million, due to remeasurements of defined benefit plans and the valuation difference on available-for-sale securities increasing due to a rise in the market value of investment securities.

As a result, total net assets amounted to ¥399,228 million (US$3,558,502 thousand), an increase of ¥22,707 million, or 6.0%, from the end of the previous fiscal year. The equity ratio stood at 69.8%, up 1.3 percentage points from the end of the previous fiscal year.

CASH FLOW ANALYSIS

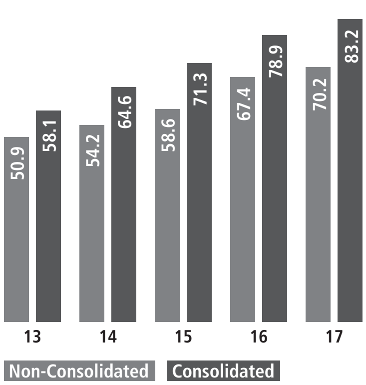
Net cash provided by operating activities in the fiscal year under review amounted to ¥44,028 million (US$392,448 thousand). This was mainly due to profit before income taxes and a decrease in notes and accounts receivable–trade, despite income taxes paid and a decrease in notes and accounts payable–trade.

Net cash used in investing activities came to ¥4,224 million (US$37,658 thousand), due to payments for the purchase of property, plant and equipment.

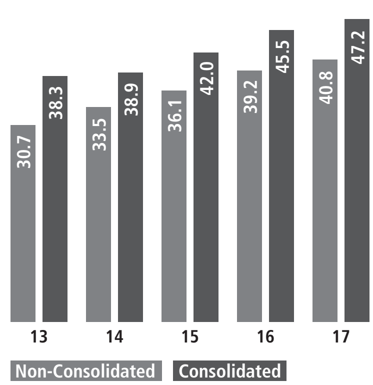
Net cash used in financing activities was ¥5,998 million (US$53,471 thousand), mainly owing to cash dividends paid.

As a result, cash and cash equivalents stood at ¥139,333 million (US$1,241,939 thousand), an increase of ¥33,540 million from the end of the previous fiscal year.

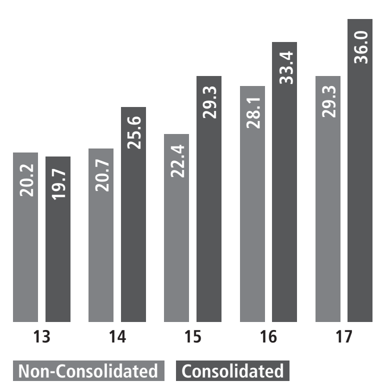
Gross Profit on Completed Construction Contracts
Billions of yen



Selling, General and Administrative Expenses
Billions of yen



Operating Income
Billions of yen



RISK FACTORS

The following are risk factors that may have an impact on the Group's business results, share price and financial position.

Those future issues mentioned in this document are the risks that have been assessed by the Group as of the end of the fiscal year under review.

Economic Conditions

The demand for electrical facility installation work, which is the major source of the Kinden Group's earnings, is influenced by economic conditions in the regions and countries in which the Group receives orders.

1. Price-based competition for private-sector construction orders

The most crucial factor in obtaining orders becomes pricing, which encourages intense price-based competition. If demand for construction declines or shrinks, price competition would become even more severe, and this may lead to a negative impact on the Group's results and financial position.

2. Increased materials costs

A sharp surge to higher levels than forecast in the price of raw materials, including prices for steel, copper, and other commodities, may decrease the profitability of construction work, and could negatively affect the Group's results and financial position and may lead to a negative impact on the Group's results and financial position.

3. Restrained construction investment through national and local government policy

Based on policies of the national government and local government bodies to restrain construction investment, public works orders have declined and the Kinden Group has felt the impact of these policies. If, in the future, policies are implemented that further restrain construction investment, resulting in a significant drop in orders compared with the current level, this may lead to a negative impact on the Group's results and financial position.

4. Restrained capital investment by electric power companies

The Kinden Group receives orders and carries out power distribution lining, electric power, and other work from The Kansai Electric Power Co., Inc., a major customer. In the performance of this work, the Kinden Group faces a range of fixed costs, including labor costs and costs associated with vehicles, machinery, equipment, and the maintenance of operations centers. If, in the future, capital investment by electric power companies becomes further restrained, resulting in a significant imbalance between the level of orders received and the operational infrastructure maintained by the Group, this may lead to a negative impact on the Group's results and financial position.

5. Changes in overseas economic conditions and regulatory environment

The Kinden Group is active in overseas construction markets, particularly in infrastructure-related construction. If changes occur in the economic situation or regulatory environment of countries or regions in which the Group operates, this may lead to a negative impact on the Group's results and financial position.

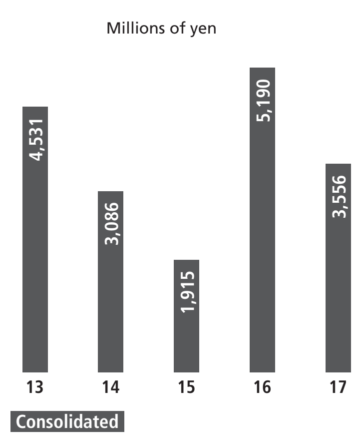
Exposure to Bad Debts Due to Customer Bankruptcies and Other Factors

The Kinden Group undertakes work based on contracts concluded with customers. Contracts are performed and payment is received according to contract conditions. The Group has strengthened its credit control systems in recent years; however, if a customer falls into bankruptcy, the Group would likely face exposure to bad debts. Depending on the size of the bad debts, this may lead to a negative impact on the Group's results and financial position.

Impact of Large-Scale Natural Disasters

If a large-scale natural disaster occurs and Group facilities (buildings, cars, construction equipment, etc.) suffer damages, or if the domestic economy is disrupted as a result of a natural disaster, this may lead to a negative impact on the Group's results and financial position.

Capital Investment



Consolidated Balance Sheets

KINDEN CORPORATION AND SUBSIDIARIES
March 31, 2016 and 2017

ASSETS	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
CURRENT ASSETS:			
Cash and deposits	¥ 40,431	¥ 43,789	$ 390,319
Notes receivable, accounts receivable from completed construction contracts and other	193,762	182,375	1,625,592
Short-term investment securities	70,000	99,000	882,431
Costs on uncompleted construction contracts	11,098	12,521	111,605
Raw materials and supplies	1,193	1,074	9,574
Deferred tax assets	5,108	5,097	45,432
Other	7,555	7,274	64,842
Allowance for doubtful accounts	(3,398)	(3,311)	(29,515)
Total current assets	325,751	347,820	3,100,283
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings and structures	89,194	91,283	813,651
Machinery, equipment and vehicles	38,001	38,391	342,202
Tools, furniture and fixtures	10,438	10,547	94,015
Land	57,927	57,806	515,256
Construction in progress	1,372	3	32
Accumulated depreciation	(95,090)	(97,357)	(867,789)
Total property, plant and equipment	101,842	100,675	897,368
INTANGIBLE ASSETS	1,748	1,779	15,861
INVESTMENTS AND OTHER ASSETS:			
Investment securities	109,221	111,473	993,616
Deferred tax assets	1,315	220	1,963
Other	11,140	11,513	102,624
Allowance for doubtful accounts	(3,465)	(3,446)	(30,720)
Total investments and other assets	118,211	119,760	1,067,483
Total noncurrent assets	221,802	222,216	1,980,714
Total assets	¥547,554	¥570,037	$5,080,997

See the accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2017	Thousands of U.S. dollars 2017
CURRENT LIABILITIES:			
Notes payable, accounts payable for construction contracts and other	¥ 67,881	¥ 65,690	$ 585,525
Short-term loans payable	16,340	16,190	144,308
Income taxes payable	10,423	9,664	86,148
Advances received on uncompleted construction contracts	10,686	14,873	132,574
Provision for loss on construction contracts	515	287	2,561
Provision for warranties for completed construction	398	660	5,887
Provision for directors' bonuses	173	186	1,664
Other	29,653	28,458	253,664
Total current liabilities	136,072	136,011	1,212,335
NONCURRENT LIABILITIES:			
Deferred tax liabilities	5,385	5,226	46,581
Provision for directors' retirement benefits	234	275	2,459
Net defined benefit liability	28,525	28,820	256,887
Other	814	474	4,231
Total noncurrent liabilities	34,960	34,796	310,159
Total liabilities	171,032	170,808	1,522,495
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2017)	26,411	26,411	235,417
Capital surplus	29,631	29,623	264,044
Retained earnings	296,518	317,253	2,827,819
Treasury stock	(1,032)	(1,041)	(9,284)
Total shareholders' equity	351,528	372,246	3,317,997
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	33,855	35,146	313,277
Foreign currency translation adjustment	459	(34)	(303)
Remeasurements of defined benefit plans	(10,859)	(9,343)	(83,279)
Total accumulated other comprehensive income	23,455	25,769	229,694
NON-CONTROLLING INTERESTS	1,537	1,212	10,811
Total net assets	376,521	399,228	3,558,502
Total liabilities and net assets	¥547,554	¥570,037	$5,080,997

Consolidated Statements of Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net sales of completed construction contracts	¥475,345	¥472,591	$4,212,424
Cost of sales of completed construction contracts	396,367	389,295	3,469,964
Gross profit on completed construction contracts	78,977	83,296	742,459
Selling, general and administrative expenses	45,527	47,233	421,014
Operating income	33,450	36,062	321,445
Non-operating income:			
Interest income	531	375	3,350
Dividends income	1,430	1,472	13,124
Real estate rent	328	242	2,161
Equity in earnings of affiliates	156	92	827
Other	426	609	5,432
Total non-operating income	2,873	2,793	24,896
Non-operating expenses:			
Interest expenses	261	252	2,248
Foreign exchange losses	239	84	756
Condolence money	56	100	895
Other	387	371	3,315
Total non-operating expenses	945	809	7,215
Ordinary income	35,378	38,046	339,126
Extraordinary income:			
Gain on sales of noncurrent assets	6	25	229
Gain on sales of investment securities	1,753	79	708
Gain on sales of memberships	9	1	10
Total extraordinary income	1,769	106	947
Extraordinary losses:			
Loss on sales of noncurrent assets	19	5	48
Loss on retirement of noncurrent assets	107	81	729
Impairment loss	225	109	972
Loss on sales of investment securities	0	—	—
Loss on valuation of investment securities	145	137	1,229
Loss on valuation of shares of subsidiaries and associates	135	24	216
Loss on sales of memberships	—	0	0
Loss on valuation of memberships	8	11	105
Compensation for damage	213	—	—
Loss on change in equity	99	—	—
Reversal of foreign currency translation adjustment	230	—	—
Total extraordinary losses	1,186	370	3,301
Profit before income taxes	35,961	37,782	336,772
Income taxes–current	13,277	11,861	105,730
Income taxes–deferred	(744)	(268)	(2,392)
Total income taxes	12,533	11,593	103,337
Profit	23,428	26,188	233,434
Profit (loss) attributable to non-controlling interests	(240)	(186)	(1,664)
Profit attributable to owners of parent	¥ 23,669	¥ 26,375	$ 235,098

	Yen		U.S. dollars
	2016	2017	2017
Amounts per common share:			
Profit attributable to owners of parent	¥109.09	¥121.57	$1.08
Cash dividends	24.00	26.00	0.23

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Profit	¥23,428	¥26,188	$233,434
Other comprehensive income:			
Valuation difference on available-for-sale securities	(7,654)	1,291	11,511
Foreign currency translation adjustment	(274)	(552)	(4,923)
Remeasurements of defined benefit plans, net of tax	(11,291)	1,515	13,511
Share of other comprehensive income of associates accounted for using equity method	(75)	—	—
Other comprehensive income	(19,295)	2,255	20,100
Comprehensive income	¥ 4,133	¥28,444	$253,534
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 4,533	¥28,689	$255,724
Comprehensive income attributable to non-controlling interests	(399)	(245)	(2,190)

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2016 and 2017

	Thousands	Millions of yen								
	Shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on avaiable-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Non-con-trolling interests	Total net assets
Balance at April 1, 2015	218,141	¥26,411	¥29,657	¥277,999	¥ (978)	¥41,492	¥719	¥ 432	¥1,925	¥377,659
Cash dividends				(4,990)						(4,990)
Profit attributable to owners of parent				23,669						23,669
Purchase of treasury stock					(54)					(54)
Disposal of treasury stock			0		0					0
Change of scope of consolidation			(25)	(159)						(185)
Net changes of items other than shareholders' equity						(7,637)	(259)	(11,291)	(388)	(19,577)
Balance at April 1, 2016	218,141	¥26,411	¥29,631	¥296,518	¥(1,032)	¥33,855	¥459	¥(10,859)	¥1,537	¥376,521
Cash dividends				(5,641)						(5,641)
Profit attributable to owners of parent				26,375						26,375
Purchase of treasury stock					(8)					(8)
Disposal of treasury stock			0		0					0
Purchase of shares of consolidated subsidiaries			(8)							(8)
Net changes of items other than shareholders' equity						1,291	(493)	1,515	(324)	1,989
Balance at March 31, 2017	218,141	¥26,411	¥29,623	¥317,253	¥(1,041)	¥35,146	¥ (34)	¥ (9,343)	¥1,212	¥399,228

	Thousands	Thousands of U.S. dollars								
	Shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on avaiable-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Non-con-trolling interests	Total net assets
Balance at April 1, 2016	218,141	$235,417	$264,121	$2,643,002	$(9,206)	$301,765	$4,093	$(96,791)	$13,701	$3,356,104
Cash dividends				(50,281)						(50,281)
Profit attributable to owners of parent				235,098						235,098
Purchase of treasury stock					(78)					(78)
Disposal of treasury stock			0		0					0
Purchase of shares of consolidated subsidiaries			(76)							(76)
Net changes of items other than shareholders' equity						11,511	(4,396)	13,511	(2,890)	17,735
Balance at March 31, 2017	218,141	$235,417	$264,044	$2,827,819	$(9,284)	$313,277	$ (303)	$(83,279)	$10,811	$3,558,502

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥ 35,961	¥ 37,782	$ 336,772
Adjustments for:			
Depreciation	4,523	4,928	43,933
Impairment loss	225	109	972
Loss (gain) on change in equity	99	—	—
Increase (decrease) in allowance for doubtful accounts	(631)	(105)	(936)
Increase (decrease) in provision for loss on construction contracts	(490)	(227)	(2,031)
Increase (decrease) in net defined benefit liability	456	2,465	21,979
Interest and dividends income	(1,962)	(1,848)	(16,474)
Interest expenses	261	252	2,248
Foreign exchange losses (gains)	28	50	453
Equity in (earnings) losses of affiliates	(156)	(92)	(827)
Loss (gain) on valuation of investment securities	145	137	1,229
Loss on valuation of shares of subsidiaries and associates	135	24	216
Loss on valuation of membership	8	11	105
Loss (gain) on sales of property, plant and equipment	3	(21)	(191)
Loss on retirement of property, plant and equipment	107	81	729
Loss (gain) on sales of investment securities	(1,753)	(79)	(708)
Reversal of foreign currency translation adjustment	230	—	—
Compensation for damage	213	—	—
Decrease (increase) in notes and accounts receivable–trade	(13,295)	11,187	99,716
Decrease (increase) in costs on uncompleted construction contracts	870	(1,442)	(12,861)
Decrease (increase) in other inventories	944	110	981
Decrease (increase) in net defined benefit asset	899	—	—
Increase (decrease) in notes and accounts payable–trade	(2,825)	(2,059)	(18,358)
Increase (decrease) in advances received on uncompleted construction contracts	314	4,293	38,271
Other	5,103	13	124
Sub-total	29,419	55,572	495,344
Interest and dividends income received	1,966	1,813	16,164
Interest expenses paid	(261)	(252)	(2,248)
Compensation for damage paid	—	(213)	(1,902)
Income taxes paid	(11,330)	(12,891)	(114,909)
Net cash provided by (used in) operating activities	19,793	44,028	392,448
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into time deposits	(5,641)	(3,983)	(35,504)
Proceeds from withdrawal of time deposits	4,902	4,970	44,300
Proceeds from withdrawal deposit	5,000	—	—
Purchase of property, plant and equipment	(5,247)	(3,845)	(34,277)
Proceeds from sales of property, plant and equipment	5	105	940
Purchase of investment securities	(7,074)	(11,550)	(102,950)
Proceeds from sales and redemption of investment securities	7,337	11,121	99,131
Payments of loans receivable	—	(5)	(44)
Collection of loans receivable	20	14	130
Other	(200)	(1,052)	(9,385)
Net cash provided by (used in) investing activities	(898)	(4,224)	(37,658)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	(949)	(150)	(1,337)
Purchase of treasury stock	(85)	(12)	(107)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(4,990)	(5,641)	(50,281)
Dividends paid to non-controlling interests	(15)	(15)	(140)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(71)	(636)
Other	(93)	(108)	(968)
Net cash provided by (used in) financing activities	(6,133)	(5,998)	(53,471)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(476)	(264)	(2,361)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,284	33,540	298,957
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	93,558	105,793	942,982
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	(49)	—	—
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	¥105,793	¥139,333	$1,241,939

See the accompanying notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts and records maintained by KINDEN CORPORATION ("the Company") and its consolidated subsidiaries ("the Group"). The Company and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and in conformity with principles and practices generally accepted in Japan, which are different in certain respects from the accounting and disclosure requirements of international accounting standards.

The consolidated financial statements are prepared from the financial statements of the Company and its consolidated subsidiaries, which are filed with the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan.

The amounts stated in the accompanying consolidated financial statements are in Japanese yen. U.S. dollar amounts included in the accompanying consolidated financial statements and the notes to consolidated financial statements represent the arithmetic result of translating Japanese yen to U.S. dollar amounts on a basis of ¥112.19 to US$1, the fixed-market rate on March 31, 2017. U.S. dollar amounts are rounded down to the nearest thousand dollars. Such U.S. dollar amounts are not intended to imply that Japanese yen amounts have been converted, realized or settled in U.S. dollars, at that or any other rate.

2. Basis of Consolidation and Accounting of Investments in Affiliated Companies

(1) Consolidated subsidiaries: 18

(2) The names of the principal consolidated subsidiaries are as reported in Network on p.46 of the Annual Report.

(3) Names of non-consolidated subsidiaries

Kinden Pacific Corporation
Kinden International, Ltd.
Kinden India Private Limited
Antelec Ltd.

Non-consolidated companies are excluded from the scope of consolidation because they are small companies and their totals of total assets, net sales, profit (proportionate to equity holding) and retained earnings (proportionate to equity holding) have no material effect on the consolidated financial statements.

3. Major Affiliates Accounted for by the Equity Method

(1) Number of affiliate accounted by the equity method: 1

(2) Name of affiliate accounted by the equity method

KINKA Corporation

(3) Names of subsidiaries not accounted for by the equity method

Kinden Pacific Corporation
Kinden International, Ltd.
Kinden India Private Limited
Antelec Ltd.

(4) Names of affiliates not accounted for by the equity method

Yoshida Shisetsu Seibi SPC Ltd.
Otakanomori PFI Company, Limited
Sanyu Co., Ltd.

The 4 non-equity method non-consolidated subsidiaries and the 3 non-equity method affiliates are excluded from the application of the equity method owing to their having no material effect on profit (proportionate to equity holdings) and retained earnings (proportionate to equity holdings) and due to their having little significance in relation to the Company's overall position.

4. Fiscal Year-End of Consolidated Subsidiaries

Among the consolidated subsidiaries, the account closing date for US Kinden Corporation, Wasa Electrical Services, Inc., P.T. Kinden Indonesia, Kinden Phils Corporation, Kinden Vietnam Co., Ltd. and Kinden (Thailand) Co., Ltd. is December 31. The financial statements as of the account closing date are used in the preparation of the consolidated financial statements. The necessary adjustments are made to the consolidated financial statements for significant transactions that occur during the period from January 1 to March 31.

The fiscal year-end for consolidated subsidiaries other than those listed above is the same as the Company.

5. Summary of Significant Accounting Policies

(1) Standards and Methods for Valuing Assets

Securities

1) Held-to-maturity debt securities

Amortized cost method (Straight-line method)

2) Available-for-sale securities

Securities with quoted market values

Securities with quoted market values are stated at fair value on the consolidated account settlement date. (Net unrealized gains and losses on available-for-sale securities are reported directly to net assets. The costs of these securities are calculated based on the moving-average cost method.)

Securities without quoted market values

Securities without quoted market values are stated on a cost basis using the moving-average method.

Derivatives

Market value method

Inventories

1) Costs on uncompleted construction contracts

Costs on uncompleted construction contracts are stated at actual cost.

2) Raw materials and supplies

Raw materials and supplies are principally stated at most moving-average method. (The balance sheet amounts are determined by writing down the book value based on the decrease in profitability.)

(2) Method of Depreciation of Material Depreciable Assets

1) Tangible fixed assets (Excluding leased assets)

The Company and its domestic consolidated subsidiaries mainly compute depreciation of property, plant and equipment based on the declining-balance method, except that buildings and structures (excluding attached structures) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. The overseas consolidated subsidiaries mainly compute depreciation of property, plant and equipment using the straight-line method.

Useful lives of principal assets are as follows:

Buildings and structures	10 to 50 years
Machinery and vehicles	3 to 22 years

2) Intangible assets (Excluding leased assets)

Straight-line method

Amortization of internal-use software is calculated by the straight-line method over the useful life of the asset in the Company (five years).

3) Leased assets

Leased assets related to finance leases that do not transfer ownership are depreciated using the straight-line method, with zero residual values and useful lives equal to lease terms.

(3) Accounting Basis for Allowances

1) Allowance for doubtful accounts

To make allowance for possible losses on receivables, including loans receivable and accounts receivable, the Company provided an amount to cover possible losses on collection. It consists of the estimated uncollectible amount calculated by applying the percentage of actual losses on collection to the remaining receivables experienced in the past and the identified doubtful receivables determined by management.

2) Provision for loss on construction contracts

To provide for future losses on construction orders, the Company makes allowance provisions for uncompleted construction contracts at year-end based on projected losses. The provision amount is determined by a rational estimate of the likely loss amount.

3) Provision for warranties for completed construction

To provide for possible future expenses under warranties for completed construction contracts, the Company makes allowance provisions for construction contracts completed during the fiscal year. The provision amount is determined based on estimates of claims on construction contracts for which the Company has warranty liability.

4) Provision for directors' bonuses

To provide for the payment of directors' bonuses, the Company makes allowance provisions for directors' bonuses based on the expected amount applicable to the fiscal year.

5) Provision for directors' retirement benefits

To provide for the payment of directors' retirement benefits, some of the domestic consolidated subsidiaries record provisions for benefits for retired directors in an actual amount equal to the need at the end of the consolidated fiscal year under review calculated based on company regulations.

(4) Retirement Benefits

1) Method of attributing expected benefit to period

To calculate retirement benefit obligation, the Company calculates the estimated amount of retirement benefits attributed to the consolidated fiscal year under review according to the benefit formula, while consolidated subsidiaries employ the straight-line attribution method.

2) Amortization of actuarial differences and prior service cost

Actuarial differences are amortized and allocated proportionately beginning with the year following the year in which the difference was incurred. Amortization is performed using the straight-line method over a set number of years (mainly 15 years), which falls within the average remaining years of service of the employees when the difference was incurred for each consolidated fiscal year.

Prior service cost is amortized using the straight-line method over a set number of years (15 years) falling within the average remaining years of service when such liabilities are incurred.

3) Accounting treatment of unrecognized actuarial gains and losses and unrecognized prior service costs

Unrecognized actuarial gains or losses and unrecognized prior service costs, net of tax effects, are recorded in accumulated other comprehensive income (remeasurements of defined benefit plans) under net assets.

4) Application of simplified methods for small companies

Certain of the Company's consolidated subsidiaries calculate the simplified method to calculate retirement benefit obligations and retirement benefit costs, stating retirement benefit obligations at the necessary payment amounts for voluntary retirement as of the end of the fiscal year.

(5) Recognition of Revenues and Costs of Construction Contracts

Net sales of completed construction contracts are determined based on the percentage-of-completion method (where progress of the work is estimated on the cost-to-cost basis) for the portion of construction in progress that is deemed certain to be completed by the fiscal year-end, and based on the completed-contract method for other work.

(6) Accounting for Hedging

1) Method for hedge accounting

Hedging activities are principally accounted for under the deferral hedge accounting method. If the criteria for appropriation are met, gains and losses on foreign exchange forward contracts are appropriated, and if the criteria for special cases are met, gains and losses on interest rate swaps are accounted for in a non-standard way.

2) Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts and interest rate swaps are used.

Hedged items

Loans, transactions expected to be denominated in foreign currencies, and accounts payable denominated in foreign currencies related to the importation of raw materials.

3) Hedging policy

Based on internal regulations that stipulate items such as the authority for derivative trading and the scope of transactions, exchange-rate risks and interest-rate risks related to the hedged items are hedged to a certain degree.

4) Method for evaluating the effectiveness of hedges

A comparison of the accumulative changes in cash flows of the hedged items or the changes in exchange rates and the accumulative changes in cash flows of the hedging instruments or the changes in exchange rates are made every six months, and the effectiveness of hedges is evaluated based on the factors such as the amount of changes.

The evaluation of the effectiveness of the interest rate swaps accounted for using the non-standard method has been omitted.

(7) Amortization of Goodwill

Goodwill is amortized on a straight-line basis over the period of benefit up to 20 years. However, when the amount is immaterial, it is written off as an expense in the accounting period in which it was incurred.

(8) Scope of Cash on Consolidated Statements of Cash Flows

Cash and cash equivalents in the statements of cash flows consist of vault cash, deposits that can be withdrawn on demand, and short-term investments generally with maturities of 3 months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

(9) Other Material Items in Basis of Presentation of Consolidated Financial Statements

Accounting for consumption taxes

Consumption and local consumption taxes are accounted for by the tax-exclusion method. Consumption and local consumption taxes that do not qualify for deduction are written off as expenses in the consolidated fiscal year under review.

CHANGES IN ACCOUNTING POLICIES

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

In accordance with revisions to the Corporation Tax Act, the Company has applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) No. 32, issued on June 17, 2016) from the beginning of the subject fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the subject fiscal year consolidated financial statements is slight.

SUPPLEMENTARY INFORMATION

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

From the subject fiscal year, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Corporate Accounting Standards No. 26 of March 28, 2016).

NOTES TO CONSOLIDATED BALANCE SHEETS

1. The amounts of investment securities for non-consolidated subsidiaries and affiliates are as follows:

March 31

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investment securities–equity	¥1,740	**¥2,769**	**$24,688**

2. Assets pledged as collateral

The assets below are pledged as collateral for the loans of Kinden's investment company, which operates the PFI business.

March 31

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investment securities–equity	¥22	**¥22**	**$200**
Investments and other assets–long-term loans receivable	20	**19**	**177**

3. Guarantee obligations

The Company guarantees bank loans and other obligations of non-consolidated companies.

March 31

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
BAN-BAN Networks Co., Ltd.	¥20	**¥ 20**	**$ 184**
Kinden India Private Limited	14	**10**	**93**
Antelec Ltd.	—	**437**	**3,895**
Total	¥35	**¥468**	**$4,173**

(Note) Of the above-stated guarantee obligations, those denominated in foreign currencies were translated to yen at the rates prevailing in foreign exchange markets (middle rate) on March 31, 2017.

4. Reduction entry

The reduction entry amounts deducted from the acquisition cost of property, plant and equipment due to state subsidies are as follows:

March 31

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Buildings and structures, machinery and vehicles	¥5,172	**¥5,172**	**$46,103**

NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. The fiscal year-end balance of inventories is the written down book value based on decline in profitability, and the following loss on valuation of inventories is included in cost of sales of completed construction contracts.

For the fiscal years ended March 31

Millions of yen		Thousands of U.S. dollars
2016	**2017**	**2017**
¥7	**¥5**	**$47**

2. Provision for loss on construction contracts included in cost of sales of completed construction contracts is as follows:

For the fiscal years ended March 31

Millions of yen		Thousands of U.S. dollars
2016	**2017**	**2017**
¥389	**¥229**	**$2,045**

3. The principal expenses and amounts in selling, general and administrative expenses are as follows:

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Employees' salaries	¥22,149	**¥22,423**	**$199,874**
Retirement benefit expenses	1,792	**2,086**	**18,600**
Provision of allowance for doubtful accounts	(315)	**(89)**	**(793)**

4. Research and development expenses

The total amount of research and development expenses included in selling, general and administrative expenses is as follows:

For the fiscal years ended March 31

Millions of yen		Thousands of U.S. dollars
2016	**2017**	**2017**
¥450	**¥464**	**$4,139**

5. The breakdown of gain on sales of noncurrent assets is as follows:

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Buildings and structures	¥0	**¥ 0**	**$ 6**
Machinery and vehicles	4	**12**	**112**
Tools, furniture and fixtures	0	**0**	**0**
Land	—	**12**	**109**
Total	¥6	**¥25**	**$229**

6. The breakdown of loss on sales of noncurrent assets is as follows:

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Buildings and structures	¥15	**¥0**	**$ 7**
Machinery and vehicles	1	**1**	**13**
Tools, furniture and fixtures	2	**2**	**19**
Land	0	**0**	**7**
Total	¥19	**¥5**	**$48**

7. Impairment loss

For the fiscal years ended March 31, 2016 and 2017, the Group recorded the following impairment losses for asset groups.

For the fiscal year ended March 31, 2016

Application	Location	Type	Millions of yen
Idle assets	Kinki region: 5 properties	Land and others	¥220
	Other: 7 properties	Land	5

The Group determines operating asset impairment losses for individual branches and subsidiaries based on management accounting categories. Impairment losses for idle assets are determined for individual asset groups.

Idle asset book values were written down to recoverable values in light of ongoing land price declines. Impairment losses in the amount of ¥225 million were recorded in Extraordinary losses.

The recoverable amounts of said assets, all of which are determined by net selling price, are mainly calculated by performing reasonable adjustments to appraised values based on real estate appraisal standards.

For the fiscal year ended March 31, 2017

Application	Location	Type	Millions of yen	Thousands of U.S. dollars
Idle assets	Kinki region: 4 properties	Land	¥103	$919
	Other: 6 properties	Land	5	53

The Group determines operating asset impairment losses for individual branches and subsidiaries based on management accounting categories. Impairment losses for idle assets are determined for individual asset groups.

Idle asset book values were written down to recoverable values in light of ongoing land price declines. Impairment losses in the amount of ¥109 million (US$972 thousand) were recorded in Extraordinary losses.

The recoverable amounts of said assets, all of which are determined by net selling price, are mainly calculated by performing reasonable adjustments to appraised values based on real estate appraisal standards.

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification Adjustments and Tax Effects Relating to Other Comprehensive Income

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Valuation difference on available-for-sale securities			
Amount recorded during the period	¥(10,614)	**¥1,790**	**$15,963**
Reclassification adjustments	(1,589)	**24**	**216**
Amount before tax effect adjustments	(12,203)	**1,815**	**16,179**
Tax effect	4,549	**(523)**	**(4,668)**
Valuation difference on available-for-sale securities	(7,654)	**1,291**	**11,511**
Foreign currency translation adjustment			
Amount recorded during the period	(504)	**(552)**	**(4,923)**
Reclassification adjustments	230	**—**	**—**
Foreign currency translation adjustment	(274)	**(552)**	**(4,923)**
Remeasurements of defined benefit plans, net of tax			
Amount recorded during the period	(17,545)	**(171)**	**(1,528)**
Reclassification adjustments	1,274	**2,338**	**20,841**
Amount before tax effect adjustments	(16,271)	**2,166**	**19,313**
Tax effect	4,980	**(650)**	**(5,801)**
Remeasurements of defined benefit plans, net of tax	(11,291)	**1,515**	**13,511**
Share of other comprehensive income of associates accounted for using equity method			
Amount recorded during the period	(75)	**—**	**—**
Total other comprehensive income	¥(19,295)	**¥2,255**	**$20,100**

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2016

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

	Thousands of shares			
	At April 1, 2015	Increase	Decrease	At March 31, 2016
Stock issued				
Common stock	218,141	—	—	218,141
Total	218,141	—	—	218,141
Treasury stock				
Common stock	1,144	33	0	1,177
Total	1,144	33	0	1,177

(Note) An increase of 33 thousand in the number of common treasury shares resulted from purchases of shares constituting less than one trading unit .
A decrease of less than 0 thousand in the number of common treasury shares resulted from the purchase and transfer of shares to top up holdings of less than one trading unit.

2. Matters related to dividends

(1) Dividend payment

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
General Meeting of Shareholders on June 24, 2015	Common stock	¥2,820 million	¥13.0	March 31, 2015	June 25, 2015
Board of Directors' Meeting on October 28, 2015	Common stock	¥2,169 million	¥10.0	September 30, 2015	November 27, 2015

(2) Dividends with a date of record during the fiscal year ended March 31, 2016 and an effective date during the next fiscal year

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
General Meeting of Shareholders on June 24, 2016	Common stock	¥3,037 million	Retained earnings	¥14.0	March 31, 2016	June 27, 2016

For the fiscal year ended March 31, 2017

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

	Thousands of shares			
	At April 1, 2016	Increase	Decrease	At March 31, 2017
Stock issued				
Common stock	218,141	—	—	218,141
Total	218,141	—	—	218,141
Treasury stock				
Common stock	1,177	6	0	1,183
Total	1,177	6	0	1,183

(Note) An increase of 6 thousand in the number of common treasury shares resulted from purchases of shares constituting less than one trading unit.
A decrease of less than 0 thousand in the number of common treasury shares resulted from the purchase and transfer of shares to top up holdings of less than one trading unit.

2. Matters related to dividends

(1) Dividend payment

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
General Meeting of Shareholders on June 24, 2016	Common stock	¥3,037 million $27,074 thousand	¥14.0 $0.12	March 31, 2016	June 27, 2016
Board of Directors' Meeting on October 31, 2016	Common stock	¥2,603 million $23,206 thousand	¥12.0 $0.10	September 30, 2016	November 30, 2016

(2) Dividends with a date of record during the fiscal year ended March 31, 2017 and an effective date during the next fiscal year

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
General Meeting of Shareholders on June 27, 2017	Common stock	¥3,037 million $27,073 thousand	Retained earnings	¥14.0 $0.12	March 31, 2017	June 28, 2017

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Reconciliation of cash and cash equivalents at the end of period in the consolidated statements of cash flows to amounts in items shown on the consolidated balance sheets

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and deposits	¥ 40,431	¥ 43,789	$ 390,319
Deposits with maturities longer than 3 months	(4,638)	(3,456)	(30,811)
Short-term investment with maturities within 3 months after the date of acquisition	70,000	99,000	882,431
Cash and cash equivalents	¥105,793	¥139,333	$1,241,939

LEASE TRANSACTIONS

Information on leases has been omitted due to lack of materiality.

FINANCIAL INSTRUMENTS

1. State of Financial Instruments

(1) Policies on financial instruments

The Group manages its financial assets through a low-risk combination of primarily short-term (one year or less) and medium- and long-term operations, and secures short-term working capital through bank borrowings.

Derivatives are used to avoid exchange rate and other fluctuation risks, and not for speculative investment purposes.

(2) Financial instruments and related risks and risk management measures

Notes receivable, accounts receivable from completed construction contracts and other are subject to customer credit risk. This risk is addressed by managing receivables from each customer according to due date and outstanding balance, and by maintaining up-to-date information on the creditworthiness of major customers.

Investment securities in the form of stock holdings consist mainly of shares in companies with which there exist business relationships. These holdings are subject to market price fluctuation risk, and important matters are reported on in Management Meetings.

Notes payable, accounts payable for construction contracts and other are nearly all due within one year.

Short-term loans payable consist mainly of capital borrowed in connection with business transactions.

For foreign exchange forward contracts, hedging accounting is applied to derivatives to avoid exchange rate fluctuation risks for foreign-currency-denominated accounts payable and prospective foreign-currency-denominated transactions for the importation of raw materials. The method for evaluating the effectiveness of hedges is discussed under "Basis of Presenting Consolidated Financial Statements, (6) Accounting for Hedging" in "5. Summary of Significant Accounting Policies."

Derivative transactions are undertaken and managed based on internal regulations stipulating the authority for derivative trading and scope of transactions.

Derivatives are undertaken only with financial institutions with high credit ratings to reduce credit risk.

Trade payables and borrowings are subject to liquidity risk, which the Group manages by, for example, having each Group member prepare a monthly cash flow plan.

(3) Supplementary explanations regarding market values of financial instruments, etc.

Market values of financial instruments are determined based on market prices when they are available and reasonable estimates when they are not. Estimates incorporate variables that, if changed, may cause estimated values to change.

2. Market Values of Financial Instruments

The book values appearing on the consolidated balance sheets, market values of financial instruments, and the differences between these values were as shown below. Information on those instruments for which it was impractical to determine market values is not shown (refer to Note 2).

March 31, 2016

	Millions of yen		
	Book value	Market value	Difference
(1) Cash and deposits	¥ 40,431	¥ 40,431	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	190,416	190,416	—
(3) Short-term investment securities and investment securities	174,472	174,580	108
Total assets	¥405,320	¥405,428	¥108
(1) Notes payable, accounts payable for construction contracts and other	67,881	67,881	—
(2) Short-term loans payable	16,340	16,340	—
Total liabilities	¥ 84,221	¥ 84,221	¥ —
Derivatives	—	—	—

*The allowance for doubtful accounts corresponding to notes receivable, accounts receivable from completed construction contracts and other is deducted.

March 31, 2017

	Millions of yen		
	Book value	Market value	Difference
(1) Cash and deposits	¥ 43,789	¥ 43,789	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	179,112	179,112	—
(3) Short-term investment securities and investment securities	204,783	204,719	(64)
Total assets	¥427,686	¥427,621	¥(64)
(1) Notes payable, accounts payable for construction contracts and other	65,690	65,690	—
(2) Short-term loans payable	16,190	16,190	—
Total liabilities	¥ 81,880	¥ 81,880	¥ —
Derivatives	—	—	—

*The allowance for doubtful accounts corresponding to notes receivable, accounts receivable from completed construction contracts and other is deducted.

March 31, 2017

	Thousands of U.S. dollars		
	Book value	Market value	Difference
(1) Cash and deposits	$ 390,319	$ 390,319	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	1,596,512	1,596,512	—
(3) Short-term investment securities and investment securities	1,825,330	1,824,753	(576)
Total assets	$3,812,162	$3,811,585	$(576)
(1) Notes payable, accounts payable for construction contracts and other	585,525	585,525	—
(2) Short-term loans payable	144,308	144,308	—
Total liabilities	$ 729,834	$ 729,834	$ —
Derivatives	—	—	—

*The allowance for doubtful accounts corresponding to notes receivable, accounts receivable from completed construction contracts and other is deducted.

(Note 1) Method for determining market values for financial instruments, and matters regarding short-term investment securities

Assets

(1) Cash and deposits

Deposits are all short-term, so market values and book values are nearly the same. Market values for deposits, therefore, were determined to be the same as book values.

(2) Notes receivable, accounts receivable from completed construction contracts and other
The market values of these assets were determined as the present values of individual receivables classified by time period and discounted at rates reflecting credit risk through to maturity for each receivable. Carrying value is used for items that can be settled in a short period of time, as their fair values and carrying values are essentially equal.
(3) Short-term investment securities and investment securities
The market values of these assets were determined based on stock exchange prices in the case of stocks, and market prices or values provided by counterparty financial institutions in the case of bonds. Negotiable deposits are short-term, so market values and book values are nearly the same. Market values for negotiable deposits, therefore, were determined to be the same as book values.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other and (2) Short-term loans payable
These liabilities are short-term, so market values and book values are nearly the same. Market values for these liabilities, therefore, were determined to be the same as book values.

(Note 2) Amount entered on the consolidated balance sheet for financial products for which it is extremely impractical to determine market value

March 31

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Unlisted stocks, etc.	¥4,749	**¥5,690**	**$50,718**

As it is deemed impossible to determine market value without a market price, they are not included under (3) Short-term investment securities and investment securities.

(Note 3) Estimated values of financial receivables and securities with maturity dates beyond the consolidated balance sheet date

March 31, 2016

	Millions of yen			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥ 40,431	¥ —	¥ —	¥—
Notes receivable, accounts receivable from completed construction contracts and other	193,762	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)	10,959	15,905	1,500	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	70,000	—	—	—
Total	¥315,153	¥15,905	¥1,500	¥—

March 31, 2017

	Millions of yen			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥ 43,789	¥ —	¥ —	¥—
Notes receivable, accounts receivable from completed construction contracts and other	182,375	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)	2,602	21,200	4,100	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	99,000	—	—	—
Total	¥327,767	¥21,200	¥4,100	¥—

March 31, 2017

	Thousands of U.S. dollars			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	$ 390,319	$ —	$ —	$—
Notes receivable, accounts receivable from completed construction contracts and other	1,625,592	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)	23,197	188,965	36,545	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	882,431	—	—	—
Total	$2,921,541	$188,965	$36,545	$—

(Note 4) As for the amount of lease obligations due beyond the consolidated balance sheet date, see Schedule of Outstanding Loans, etc. in the Consolidated Supplemental Schedules.

SECURITIES

1. Held-to-Maturity Debt Securities

March 31, 2016

	Millions of yen		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	¥19,239	¥19,387	¥147
Subtotal	19,239	19,387	147
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	9,208	9,168	(39)
Negotiable certificates of deposit	70,000	70,000	—
Subtotal	79,208	79,168	(39)
Total	¥98,447	¥98,555	¥108

March 31, 2017

	Millions of yen		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	¥ 13,319	¥ 13,399	¥ 80
Subtotal	13,319	13,399	80
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	14,667	14,521	(145)
Negotiable certificates of deposit	99,000	99,000	—
Subtotal	113,667	113,521	(145)
Total	¥126,986	¥126,921	¥ (64)

March 31, 2017

	Thousands of U.S. dollars		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	$ 118,718	$ 119,438	$ 719
Subtotal	118,718	119,438	719
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	130,735	129,439	(1,296)
Negotiable certificates of deposit	882,431	882,431	—
Subtotal	1,013,167	1,011,871	(1,296)
Total	$1,131,886	$1,131,309	$ (576)

2. Available-for-Sale Securities

March 31, 2016

	Millions of yen		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	¥71,856	¥23,868	¥47,988
Subtotal	71,856	23,868	47,988
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	3,585	4,060	(475)
Other	582	582	—
Subtotal	4,167	4,642	(475)
Total	¥76,024	¥28,511	¥47,512

March 31, 2017

	Millions of yen		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	¥75,995	¥26,647	¥49,348
Subtotal	75,995	26,647	49,348
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	1,198	1,219	(20)
Other	603	603	—
Subtotal	1,802	1,822	(20)
Total	¥77,797	¥28,469	¥49,327

March 31, 2017

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	$677,381	$237,518	$439,863
Subtotal	677,381	237,518	439,863
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	10,684	10,868	(183)
Other	5,377	5,377	—
Subtotal	16,062	16,246	(183)
Total	$693,443	$253,764	$439,679

3. Available-for-Sale Securities Sold

For the fiscal year ended March 31, 2016

	Millions of yen		
	Sold	Total gain on sales	Total loss on sales
Equity	¥2,991	¥1,753	¥0
Total	¥2,991	¥1,753	¥0

For the fiscal year ended March 31, 2017

	Millions of yen		
	Sold	Total gain on sales	Total loss on sales
Equity	¥103	¥79	¥—
Total	¥103	¥79	¥—

For the fiscal year ended March 31, 2017

	Thousands of U.S. dollars		
	Sold	Total gain on sales	Total loss on sales
Equity	$922	$708	$—
Total	$922	$708	$—

4. Impairment Loss on Securities

For the fiscal year ended March 31, 2016

During the fiscal year ended March 31, 2016, the Company recognized impairment loss on securities of ¥145 million. Among available-for-sale securities, the Company recognized impairment loss of ¥124 million on stocks with market values and ¥21 million on stocks without market values.

The Group determines impairment loss on the stocks in question based on “significant decline,” which it defines as a decline of 30% or higher in the market value for stocks with market values and a decline of 30% or higher in the amount obtained by multiplying the number of stocks held by net assets per share from the acquisition cost for stocks without market values respectively.

For the fiscal year ended March 31, 2017

During the fiscal year ended March 31, 2017, the Company recognized impairment loss on securities of ¥137 million (US$1,229 thousand). Among available-for-sale securities, the Company recognized impairment loss of ¥103 million (US$924 thousand) on stocks with market values and ¥34 million (US$305 thousand) on stocks without market values.

The Group determines impairment loss on the stocks in question based on “significant decline,” which it defines as a decline of 30% or higher in the market value for stocks with market values and a decline of 30% or higher in the amount obtained by multiplying the number of stocks held by net assets per share from the acquisition cost for stocks without market values respectively.

DERIVATIVE TRANSACTIONS

For the fiscal years ended March 31, 2016 and 2017

Not applicable.

RETIREMENT BENEFITS

1. Outline of the Adopted Retirement Benefit Plan

The Company has adopted funded and unfunded defined plans in order to provide employees retirement benefits.

Some of the consolidated subsidiaries subscribe to funded and unfunded defined benefit plans and the Retirement Allowance Mutual Aid System.

2. Defined Benefit Plan

(1) Reconciliation schedule for opening and closing balances of projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Opening balance of projected benefit obligations	¥114,442	**¥ 133,135**	**$ 1,186,701**
Service cost	4,431	**5,282**	**47,084**
Interest cost	1,345	**391**	**3,493**
Actuarial loss	17,380	**413**	**3,682**
Retirement benefits provided	(4,464)	**(4,727)**	**(42,134)**
Closing balance of projected benefit obligations	¥133,135	**¥134,496**	**$1,198,827**

(Note) Some of the consolidated subsidiaries calculate employees’ retirement benefit obligation by the simplified method.

(2) Reconciliation schedule for opening and closing balances of plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Opening balance of plan assets	¥103,529	**¥104,610**	**$932,441**
Expected return on plan assets	2,059	**2,081**	**18,555**
Actuarial gain	(164)	**241**	**2,154**
Contribution of employer	2,710	**2,743**	**24,456**
Retirement benefits paid	(3,524)	**(4,001)**	**(35,667)**
Closing balance of plan assets	¥104,610	**¥105,676**	**$941,939**

(3) Reconciliation schedule for the closing balance of projected benefit obligations and plan assets, and for liabilities and assets related to retirement benefits recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Projected benefit obligations, funded plan	¥116,034	¥116,815	$1,041,230
Plan assets	(104,610)	(105,676)	(941,939)
	11,423	11,139	99,290
Projected benefit obligations, unfunded plan	17,101	17,680	157,597
Net amount of liabilities and assets recognized in the consolidated balance sheets	28,525	28,820	256,887
Liabilities related to retirement benefits	28,525	28,820	256,887
Assets related to retirement benefits	—	—	—
Net amount of liabilities and assets recorded on the balance sheet	¥ 28,525	¥ 28,820	$ 256,887

(4) Value of retirement benefit expenses, and items in the breakdown thereof

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost*	¥ 4,431	¥ 5,282	$ 47,084
Interest cost	1,345	391	3,493
Expected return on plan assets	(2,059)	(2,081)	(18,555)
Amortization value of actuarial loss	1,838	2,902	25,867
Amortization value of prior service cost	(563)	(563)	(5,026)
Retirement benefit expenses related to defined benefit plans	¥ 4,991	¥ 5,930	$ 52,863

* Employees' retirement cost of consolidated subsidiaries that calculate employees' retirement benefits by the simplified method is included in Service cost.

(5) Remeasurements of defined benefit plans, before tax effect deductions

A breakdown of remeasurements of defined benefit plans, before tax effect deductions is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Prior service cost	¥ 563	¥ 563	$ 5,026
Actuarial gains and losses	15,707	(2,730)	(24,339)
Total	¥16,271	¥(2,166)	$(19,313)

(6) Remeasurements of defined benefit plans

The breakdown of items recorded in remeasurements of defined benefit plans (before tax effect deductions) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized prior service cost	¥ (5,638)	¥ (5,075)	$ (45,236)
Unrecognized actuarial loss	21,276	18,545	165,305
Total	¥15,637	¥13,470	$120,069

(7) Items concerning plan assets

(a) Primary breakdown of plan assets

The ratio for each main category with respect to total plan assets is as follows:

	2016	2017
Domestic bonds	45%	47%
Domestic equities	14	12
Foreign bonds	6	6
Foreign equities	9	10
Insurance assets (General account)	25	24
Cash and deposits	0	0
Others	0	0
Total	100%	100%

(b) Method for establishing the long-term expected rate of return

The long-term expected rate of return is to be determined considering the current and future allocation of plan assets, and the current and expected long-term rate of return from the diverse assets composing the plan assets.

(8) Items concerning actuary calculation bases

Main actuary calculation bases for the current fiscal year

	2016	2017
Discount rate	0.29%, 0.8%	0.29%, 0.8%
Long-term expected rate of return	2.0%, 1.2%	2.0%, 1.2%

DEFERRED TAX ACCOUNTING

1. Principal Components of Deferred Tax Assets and Liabilities

March 31

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Allowance for doubtful accounts	¥ 1,829	¥ 1,797	$ 16,020
Accrued expenses	3,970	3,937	35,093
Accrued enterprise tax	731	679	6,059
Net defined benefit liability	8,734	8,850	78,887
Loss on valuation of investment securities	995	1,023	9,119
Loss on valuation of memberships	424	418	3,727
Impairment loss	380	401	3,576
Provision for loss on construction contracts	158	14	130
Unrealized gains	905	845	7,538
Others	2,572	1,935	17,251
Subtotal of deferred tax assets	20,701	19,903	177,405
Valuation allowance	(5,727)	(5,254)	(46,831)
Total deferred tax assets	¥ 14,974	¥ 14,649	$ 130,573
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(13,659)	(14,181)	(126,402)
Reserve for advanced depreciation of noncurrent assets	(100)	(100)	(891)
Others	(176)	(276)	(2,465)
Total deferred tax liabilities	¥(13,935)	¥(14,557)	$(129,759)
Net deferred tax assets	¥ 1,038	¥ 91	$ 813

2. Breakdown of the Main Factors in Difference Between the Effective Statutory Tax Rate and the Effective Tax Rate after Adopting Tax Effect Accounting

March 31

	2016	2017
Effective statutory tax rate	33.0%	This disclosure is omitted as the difference between the effective statutory tax rate and the effective tax rate after adopting tax effect accounting is 5% or less of the effective statutory tax rate.
(Adjustments)		
Permanently non-deductible items	2.1	
Permanently non-taxable items	(0.2)	
Increase/decrease in valuation allowance	(2.8)	
Downward revision of year-end deferred tax assets due to change in tax rate	1.5	
Other	1.3	
Corporate tax, etc., overage ratio after application of tax effect accounting	34.9	

ASSET RETIREMENT OBLIGATION

For the fiscal years ended March 31, 2016 and 2017

The Company, through a subsidiary that engages in the wind power generation business, retains an obligation relating to the removal of equipment and facilities and the return of land to its original state at the termination of surface usage right agreements and land lease agreements. As the usage period of leased assets related to this obligation and the planned removal of future equipment and facilities remain unclear, the Company has not recognized an asset retirement obligation relating to the aforementioned obligation because the Company is unable to accurately estimate said asset retirement obligation.

INVESTMENT AND RENTAL PROPERTIES

For the fiscal years ended March 31, 2016 and 2017

Information on rental and other real estate has been omitted due to lack of materiality.

SEGMENT INFORMATION

Segment Information

For the fiscal years ended March 31, 2016 and 2017

The Company has only one reporting segment, the Facility Construction Business, and, therefore, does not report segment information.

Related Information

For the fiscal year ended March 31, 2016

(1) Information by products and services

Sales to external customers of individual products and services accounted for more than 90% of net sales reported on the consolidated statements of income and, therefore, does not report.

(2) Information by geographical region

(a) Net sales

Sales to external customers in Japan accounted for more than 90% of net sales reported on the consolidated statements of income and, therefore, does not report.

(b) Property, plant and equipment

The value of property, plant and equipment located in Japan accounts for more than 90% of property, plant and equipment reported on the consolidated balance sheets and, therefore, does not report.

(3) Information for main customers

Customer name	Net sales Millions of yen	Related segment
The Kansai Electric Power Co., Inc.	¥63,246	Facility Construction Business

For the fiscal year ended March 31, 2017

(1) Information by products and services

Sales to external customers of individual products and services accounted for more than 90% of net sales reported on the consolidated statements of income and, therefore, does not report.

(2) Information by geographical region

(a) Net sales

Sales to external customers in Japan accounted for more than 90% of net sales reported on the consolidated statements of income and, therefore, does not report.

(b) Property, plant and equipment

The value of property, plant and equipment located in Japan accounts for more than 90% of property, plant and equipment reported on the consolidated balance sheets and, therefore, does not report.

(3) Information for main customers

	Net sales		
Customer name	Millions of yen	Thousands of U.S. dollars	Related segment
The Kansai Electric Power Co., Inc.	¥62,072	$553,284	Facility Construction Business

Information about Impairment Loss on Noncurrent Assets for Each Reporting Segment

For the fiscal years ended March 31, 2016 and 2017

This disclosure is omitted as the Company has only one reporting segment, the Facility Construction Business.

Information about Amortization of Goodwill and the Balance of Unamortized Goodwill for Each Reporting Segment

For the fiscal years ended March 31, 2016 and 2017

Not applicable.

Information about Gain on Negative Goodwill for Each Reporting Segment

For the fiscal years ended March 31, 2016 and 2017

Not applicable.

RELATED-PARTY TRANSACTIONS

1. Transactions between Related Parties

Transactions between the Company and Related Parties

Transactions between the parent company of the Company and major shareholders (companies, etc., only), etc.

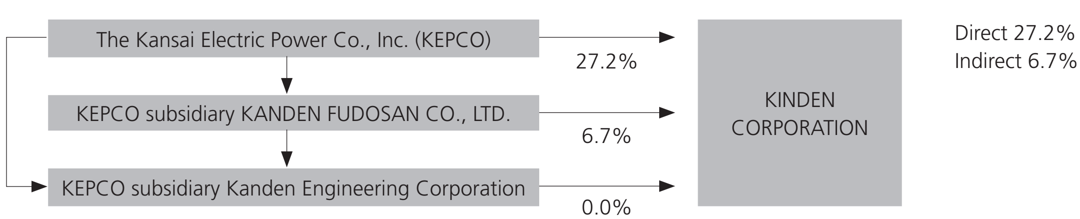
For the fiscal year ended March 31, 2016

<table>
<tr><th>Type of transaction</th><th>Name of company or individual (address)</th><th>Capital stock or investment</th><th>Description of business or position</th><th>Percentage of voting rights held</th><th colspan="2">Transactions between related parties</th></tr>
<tr><td rowspan="4">Other affiliates</td><td rowspan="4">The Kansai Electric Power Co., Inc. (Kita-ku, Osaka)</td><td>¥489,320 million</td><td>Electric power business</td><td>(Held)
Direct Indirect
27.2% 6.7%
[See Figure 1]</td><td colspan="2">Receipt of orders for power distribution lining and transmission line construction, etc.
Concurrent service of directors</td></tr>
<tr><td colspan="2">Description of transaction</td><td>Amount of transaction</td><td>Account</td><td>Balance at the end of the fiscal year</td></tr>
<tr><td rowspan="2">Operating transactions</td><td rowspan="2">Electrical projects orders</td><td rowspan="2">¥62,061 million</td><td>Accounts receivable from completed construction contracts</td><td>¥10,613 million</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥456 million</td></tr>
</table>

(Note 1) Consumption taxes are not included in transaction amounts above, but are included in the balance at the end of the fiscal year.

(Note 2) Terms of transactions and policy for determining terms of transactions, etc.
With regard to orders for electrical construction, the Company concludes construction service contracts at appropriate prices considering market prices and other factors, after negotiating costs, including on materials purchases and other factors.

Figure 1



KANDEN FUDOSAN CO., LTD. changed its name to Kanden Realty & Development Co., Ltd. on April 1, 2016.

(Note 3) Percentage of voting rights held is calculated based on the number of shares with voting rights owned as of March 31, 2016.

For the fiscal year ended March 31, 2017

<table>
<tr><th>Type of transaction</th><th>Name of company or individual (address)</th><th>Capital stock or investment</th><th>Description of business or position</th><th>Percentage of voting rights held</th><th colspan="2">Transactions between related parties</th></tr>
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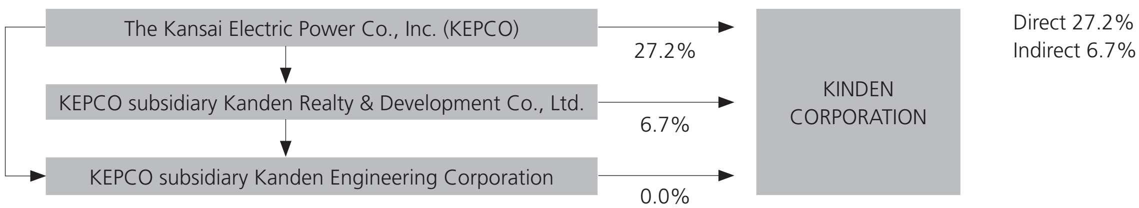
$4,361,535 thousand</td><td>Electric power business</td><td>(Held)
Direct Indirect
27.2% 6.7%
[See Figure 1]</td><td colspan="2">Receipt of orders for power distribution lining and transmission line construction, etc.
Concurrent service of directors</td></tr>
<tr><td colspan="2">Description of transaction</td><td>Amount of transaction</td><td>Account</td><td>Balance at the end of the fiscal year</td></tr>
<tr><td rowspan="2">Operating transactions</td><td rowspan="2">Electrical projects orders</td><td rowspan="2">¥60,471 million
$539,011 thousand</td><td>Accounts receivable from completed construction contracts</td><td>¥10,482 million
$93,436 thousand</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥549 million
$4,894 thousand</td></tr>
</table>

(Note 1) Consumption taxes are not included in transaction amounts above, but are included in the balance at the end of the fiscal year.
(Note 2) Terms of transactions and policy for determining terms of transactions, etc.
With regard to orders for electrical construction, the Company concludes construction service contracts at appropriate prices considering market prices and other factors, after negotiating costs, including on materials purchases and other factors.

Figure 1



(Note 3) Percentage of voting rights held is calculated based on the number of shares with voting rights owned as of March 31, 2017.

Transactions between the Company and companies, etc., with the same parent company and subsidiaries, etc., of other affiliates of the Company
For the fiscal year ended March 31, 2016
Not applicable.

For the fiscal year ended March 31, 2017
Not applicable.

2. Notes Concerning the Parent Company or Important Affiliates

Not applicable.

AMOUNTS PER COMMON SHARE

For the fiscal years ended March 31

	Yen		U.S. dollars
	2016	**2017**	**2017**
Net assets per common share	¥1,728.33	**¥1,834.53**	**$16.35**
Profit attributable to owners of parent per common share	109.09	**121.57**	**1.08**

(Note 1) Profit attributable to owners of parent per common share adjusted for latent shares is not stated because there are no latent shares.
(Note 2) The basis for calculating profit attributable to owners of parent per common share is as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Profit attributable to owners of parent	¥23,669	**¥26,375**	**$235,098**
Amount not attributable to ordinary shareholders	—	**—**	**—**
Profit attributable to owners of parent applicable to common stock	23,669	**26,375**	**235,098**

	Thousands of shares	
	2016	**2017**
Average number of common stock outstanding for each period	216,977	**216,961**

(Note 3) The basis for calculating net assets per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Total net assets	¥376,521	**¥399,228**	**$3,558,502**
Amounts deducted from total net assets	1,537	**1,212**	**10,811**
Non-controlling interests	1,537	**1,212**	**10,811**
Total net assets related to common stock	374,984	**398,015**	**3,547,691**

	Thousands of shares	
	2016	**2017**
Number of common stock used to calculate net assets per share	216,963	**216,957**

SUBSEQUENT EVENTS

Not applicable.

CONSOLIDATED SUPPLEMENTAL SCHEDULES

Schedule of Corporate Bonds

Not applicable.

Schedule of Outstanding Loans, etc.

	At April 1, 2016	At March 31, 2017	Average rate	Due date
Short-term loans payable	¥16,340 million	¥16,190 million $144,308 thousand	1.424%	—
Current portion of long-term loans payable	—	—	—	—
Current portion of lease obligations	¥257 million	¥87 million $781 thousand	—	—
Long-term loans payable (Excluding current portion of long-term loans payable)	—	—	—	—
Lease obligations (Excluding current portion of lease obligations)	¥173 million	¥156 million $1,390 thousand	—	From 2018 to 2021
Other interest-bearing debt	—	—	—	—
Total	¥16,771 million	¥16,433 million $146,480 thousand	—	—

(Note 1) Average interest rate is weighted average interest rate for the balance of outstanding loans at the end of the fiscal year.
Average interest rate for lease obligations is not shown because the amount equivalent to interest included in total lease fees is allocated to each consolidated fiscal year using the straight-line method.

(Note 2) The aggregate annual maturities of lease obligations within five years after March 31, 2017 (except for those scheduled for repayment within one year) are as follows:

	Over 1 to within 2 years	Over 2 to within 3 years	Over 3 to within 4 years	Over 4 to 5 within years
Lease obligations	¥81 million $724 thousand	¥53 million $473 thousand	¥21 million $188 thousand	¥0 million $3 thousand

Schedule of Asset Retirement Obligations

Not applicable.

OTHERS

Quarterly Information for the Fiscal Year ended March 31, 2017

(Cumulative period)	One quarter	Two quarters	Three quarters	Full year
Net sales	¥90,001 million $802,227 thousand	¥201,242 million $1,793,769 thousand	¥308,994 million $2,754,209 thousand	¥472,591 million $4,212,424 thousand
Profit before income taxes	¥1,921 million $17,128 thousand	¥10,581 million $94,320 thousand	¥20,601 million $183,630 thousand	¥37,782 million $336,772 thousand
Profit attributable to owners of parent	¥1,044 million $9,313 thousand	¥6,904 million $61,545 thousand	¥13,703 million $122,146 thousand	¥26,375 million $235,098 thousand
Profit attributable to owners of parent per common share	¥4.82 $0.04	¥31.82 $0.28	¥63.16 $0.56	¥121.57 $1.08

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit attributable to owners of parent per common share	¥4.82 $0.04	¥27.01 $0.24	¥31.34 $0.27	¥58.41 $0.52

Independent Auditors' Report

PKF HIBIKI AUDIT CORPORATION
4F KITAHAMA YAMAMOTO BLDG.
2-3-6 KITAHAMA, CHUO-KU,
OSAKA, 541-0041, JAPAN

To the Board of Directors of
KINDEN CORPORATION

We have audited the accompanying consolidated balance sheets of KINDEN CORPORATION and consolidated subsidiaries (the "Company") as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year ended March 31, 2017 and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KINDEN CORPORATION and consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1 to the consolidated financial statements.

PKF Hibiki Audit Corporation

June 27, 2017
PKF HIBIKI AUDIT CORPORATION

Non-Consolidated Statements of Income

KINDEN CORPORATION
For the fiscal years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net sales of completed construction contracts	¥416,293	¥410,703	$3,660,784
Cost of sales of completed construction contracts	348,829	340,469	3,034,758
Gross profit on completed construction contracts	67,463	70,233	626,025
Selling, general and administrative expenses	39,299	40,897	364,536
Operating income	28,163	29,336	261,489
Non-operating income:			
Interest income	322	276	2,463
Interest on securities	233	184	1,647
Dividends income	2,479	2,286	20,380
Other	475	472	4,209
Total non-operating income	3,510	3,220	28,701
Non-operating expenses:			
Interest expenses	250	245	2,187
Foreign exchange losses	439	90	804
Condolence money	56	100	895
Other	250	237	2,117
Total non-operating expenses	997	673	6,004
Ordinary income	30,676	31,882	284,186
Extraordinary income:			
Gain on sales of noncurrent assets	4	18	161
Gain on sales of investment securities	1,753	70	625
Gain on sales of memberships	9	1	10
Reversal of allowance for investment loss	1,902	—	—
Total extraordinary income	3,669	89	797
Extraordinary losses:			
Loss on sales of noncurrent assets	2	5	48
Loss on retirement of noncurrent assets	70	12	109
Impairment loss	13	109	972
Loss on sales of investment securities	0	—	—
Loss on valuation of investment securities	145	137	1,229
Loss on valuation of shares of subsidiaries and associates	135	24	216
Loss on sales of memberships	—	0	0
Loss on valuation of memberships	5	11	105
Compensation for damage	213	—	—
Total extraordinary losses	586	300	2,681
Profit before income taxes	33,759	31,671	282,302
Income taxes:			
Income taxes–current	11,598	10,120	90,212
Income taxes–deferred	(994)	(619)	(5,520)
Total income taxes	10,604	9,501	84,691
Profit	¥ 23,154	¥ 22,169	$ 197,610

	Yen		U.S. dollars
	2016	2017	2017
Amounts per common share:			
Profit	¥106.72	¥102.18	$0.91
Cash dividends	24.00	26.00	0.23

Non-Consolidated Balance Sheets

KINDEN CORPORATION
March 31, 2016 and 2017

ASSETS	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
CURRENT ASSETS:			
Cash and deposits	¥ 16,038	¥ 16,955	$ 151,133
Notes receivable–trade	6,131	4,001	35,669
Electronically recorded monetary claims	9,765	21,939	195,560
Accounts receivable from completed construction contracts	157,306	137,500	1,225,601
Short-term investment securities	70,000	99,000	882,431
Costs on uncompleted construction contracts	9,442	10,863	96,831
Raw materials and supplies	753	734	6,546
Deferred tax assets	4,748	4,567	40,711
Other	5,988	5,968	53,198
Allowance for doubtful accounts	(3,351)	(3,265)	(29,107)
Total current assets	276,823	298,265	2,658,577
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings	76,384	76,544	682,277
Accumulated depreciation	(51,834)	(53,117)	(473,462)
Buildings, net	24,550	23,426	208,815
Structures	5,395	5,403	48,164
Accumulated depreciation	(4,885)	(4,956)	(44,176)
Structures, net	510	447	3,987
Machinery and equipment	1,980	2,092	18,655
Accumulated depreciation	(1,640)	(1,684)	(15,012)
Machinery and equipment, net	340	408	3,643
Vehicles	17,387	18,045	160,844
Accumulated depreciation	(15,165)	(15,251)	(135,947)
Vehicles, net	2,222	2,793	24,896
Tools, furniture and fixtures	9,260	9,281	82,732
Accumulated depreciation	(8,466)	(8,429)	(75,131)
Tools, furniture and fixtures, net	794	852	7,600
Land	55,397	55,438	494,149
Construction in progress	—	3	32
Total property, plant and equipment	83,814	83,371	743,125
INTANGIBLE ASSETS:			
Leasehold right	117	116	1,036
Telephone subscription right	148	148	1,327
Software	1,182	1,210	10,786
Total intangible assets	1,449	1,475	13,149
INVESTMENTS AND OTHER ASSETS:			
Investment securities	103,886	104,755	933,729
Stocks of subsidiaries and affiliates	6,474	7,852	69,994
Long-term loans receivable	10	9	88
Long-term loans receivable from employees	4	7	65
Long-term loans receivable from subsidiaries and affiliates	22,501	19,543	174,204
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	—	—
Long-term prepaid expenses	101	89	798
Prepaid pension cost	1,930	233	2,083
Other	8,515	9,411	83,888
Allowance for doubtful accounts	(3,384)	(3,379)	(30,119)
Total investments and other assets	140,041	138,524	1,234,732
Total noncurrent assets	225,305	223,371	1,991,007
Total assets	¥502,129	¥521,637	$4,649,585

LIABILITIES AND NET ASSETS	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
CURRENT LIABILITIES:			
Notes payable–trade	¥ 1,980	¥ 1,150	$ 10,250
Accounts payable for construction contracts	55,379	55,132	491,419
Short-term loans payable	15,260	15,160	135,127
Accounts payable–other	7,832	7,174	63,948
Accrued expenses	12,087	11,860	105,713
Income taxes payable	9,369	8,742	77,928
Advances received on uncompleted construction contracts	6,434	11,116	99,089
Provision for loss on construction contracts	223	239	2,137
Provision for warranties for completed construction	159	264	2,353
Provision for directors' bonuses	65	72	643
Other	7,935	7,002	62,417
Total current liabilities	116,727	117,915	1,051,030
NONCURRENT LIABILITIES:			
Deferred tax liabilities	9,632	9,360	83,435
Provision for retirement benefits	13,634	14,466	128,942
Other	954	891	7,943
Total noncurrent liabilities	24,221	24,717	220,322
Total liabilities	140,948	142,632	1,271,352
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2017)	26,411	26,411	235,417
Capital surplus	29,657	29,657	264,352
Retained earnings	273,119	289,648	2,581,766
Treasury stock	(1,032)	(1,041)	(9,284)
Total shareholders' equity	328,155	344,676	3,072,252
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities	33,024	34,327	305,980
Total valuation and translation adjustments	33,024	34,327	305,980
Total net assets	361,180	379,004	3,378,233
Total liabilities and net assets	¥502,129	¥521,637	$4,649,585

Board of Directors and Audit & Supervisory Board Members

As of June 27, 2017

Chairman:	MASAO IKOMA
President:	YUKIKAZU MAEDA
Vice Presidents:	MITSUNORI KAWAGUCHI SUMIO URASHIMA
Directors:	KOUJI ISHIDA*[1] YOSHIO OHNISHI*[1] MASATAKE MORIMOTO*[1] KENJI KOBAYASHI*[2] YOSHIHIRO TANIGAKI*[2] MASAYA AMISAKI*[2] HIROYUKI HAYASHI*[2] HARUNORI YOSHIDA*[3]*[5] HANROKU TORIYAMA*[3]*[5]
Audit & Supervisory Board Members:	MASATAKA MIZUMOTO KAORU WADA*[4] IKUZO SATAKE HIDEKI TOYOMATSU*[4] YASUHIRO YASHIMA*[4]

*[1] Senior Managing Executive Officer
*[2] Managing Executive Officer
*[3] Outside Director
*[4] Outside Audit & Supervisory Board Member
*[5] Independent Director

Corporate Data

Name:	KINDEN CORPORATION
Date of establishment:	August 26, 1944
Head Office (Osaka):	2-3-41, Honjo-Higashi, Kita-ku, Osaka 531-8550, Japan
Tokyo Head Office:	2-1-21, Kudan-Minami, Chiyoda-ku, Tokyo 102-8628, Japan
Research center:	Kyoto Institute: Kizugawa, Kyoto Prefecture, Japan
Training centers:	Kinden Gakuen: Nishinomiya, Hyogo Prefecture, Japan Human Resources Development Center: Inzai, Chiba Prefecture, Japan
Capital:	¥26,411,487,018 (As of March 31, 2017)
Construction business license:	Construction License of the Ministry of Land, Infrastructure, Transport and Tourism Special Construction License (28), No.114 (14 business categories) Special Construction License (29), No.114 (one business category)
Employees:	7,482 (As of March 31, 2017)
URL:	http://www.kinden.co.jp/
Business areas:	Integrated electrical & facility engineering company (Planning, design, procurement, installation, maintenance, renewal)
Electrical	Power generation and substation facilities, overhead power transmission and distribution facilities, underground power transmission and distribution facilities, wind-power generation facilities, nuclear power generation facilities, building electrical facilities, factory electrical facilities, public electrical facilities, photovoltaic power facilities, theater electrical facilities, explosion-proof electrical facilities, disaster-prevention and security facilities, and electrical railroad facilities
Instrumentation	Building instrumentation systems, factory instrumentation systems, facility instrumentation systems, and power plant instrumentation systems
Information and communications	Communications operators facilities, cable television operators facilities, disaster prevention administrative wireless systems, Internet facilities, Intranet facilities, LAN facilities, telephone systems, multimedia communications facilities, information processing systems, and security systems
Air-conditioning and sanitation	Air-conditioning systems, water supply, sewer and sanitation systems, fire-extinguishing systems, freezing and refrigerating systems, water treatment systems, industrial waste processing systems, air purification systems, district heating and cooling systems, cogeneration systems, medical gas supply systems, and waterworks.
Interiors	System ceilings, metal ceilings, free access floor, partitions, interiors, interior furnishings, and small-scale construction
Civil engineering	Survey and investigation, civil engineering structure, CAB, land development, road construction, C.C.BOX, and paving
Other	Painting, mechanical installation, landscaping, and steel structures

Network

As of July 31, 2017

OVERSEAS OFFICES

Hong Kong Office

Singapore Office

Guam Office

Saipan Office

Dubai Office (United Arab Emirates)

Yangon Office (Myanmar)

OVERSEAS AFFILIATE COMPANIES

US Kinden Corporation
1021 Kikowaena Place, Unit #2; Honolulu, HI 96819, U.S.A.

Wasa Electrical Services, Inc.
1021 Kikowaena Place, Unit #2; Honolulu, HI 96819, U.S.A.

Kinden Pacific Corporation
Airport Industrial Center, 165 Skyline Drive, Suite 400, Tamuning, Guam 9693, U.S.A.

Kinden International, Ltd.
Unit A907, 9/F, Hung Fuk Factory Building, 60 Hung to Road, Kwun Tong, Kowloon, Hong Kong, China

P.T. Kinden Indonesia
Summitmas I. 19th Floor Jl. Jend Sudirman Kav 61-62, Jakarta, 12190, Indonesia

Kinden Phils Corporation
5FL ODC International Plaza, 219 Salcedo St., Legaspi Village, Makati City, Philippines

Kinden Vietnam Co., Ltd.
15th Floor, CMC TOWER, Duy Tan Street, Dich Vong Hau Ward, Cau Giay District, Hanoi, Vietnam

Kinden (Thailand) Co., Ltd.
Room No. 1001-3 10th Floor, Lertpanya Building, 41 Soi Lertpanya, Sri-Ayuthaya Road, Kwaeng Thanon-Phayathai, Khet Ratchatewee, Bangkok 10400, Thailand

Kinden India Private Limited
No. 407, 4th Floor, TIME TOWER, Mg Road, Sector 28, Gurgaon-122002, Haryana, India

Antelec Ltd.
73, Jolly Maker Chambers No.II, Nariman Point, Mumbai 400021, India

DOMESTIC NETWORK

Head Office (Osaka)

Tokyo Head Office

Kyoto Institute

Kinden Gakuen

Human Resources Development Center

International Division

Hokkaido Branch Office
Sub-branch Offices: Tomakomai, Dounan, Doutou, Douhoku

Tohoku Branch Office
Sub-branch Offices: Yamagata, Iwate, Aomori, Akita, Fukushima

Tokyo Branch Office
Sub-branch Offices: Kofu, Chiba, Ichihara, Kashima, Ibaraki, Tsukuba, Gunma, Saitama, Utsunomiya, Niigata, Nagaoka

Yokohama Branch Office
Sub-branch Office: Atsugi

Chubu Branch Office
Sub-branch Offices: Toyota, Nishi-mikawa, Gifu, Mie, Ise, Nabari, Shizuoka, Hamamatsu, Numazu, Toyama, Kanazawa, Fukui, Nagano

Shiga Branch Office
Sub-branch Offices: Nagahama, Ritto, Otsu, Takashima, Hikone, Youkaichi

Kyoto Branch Office
Sub-branch Offices: Kyoto Electric Power, Kyoto, Sonobe, Fushimi, Yamashiro, Obama, Fukuchiyama, Miyazu

Osaka Branch Office

Chuo Branch Office
Sub-branch Offices: Equipment Center, Chuo, Kita-Osaka, Hokusetsu, Takatsuki, Kami-Yodogawa, Namba, Higashi-Osaka, Minami-Osaka, Kongo, Wakasa, Nagoya, Power Communication Construction

Nara Branch Office
Sub-branch Offices: Sakurai, Tenri, Nara, Takada

Wakayama Branch Office
Sub-branch Offices: Wakayama, Minoshima, Kihoku, Tanabe, Gobo, Shingu

Kobe Branch Office
Sub-branch Offices: Kobe Electric Power, Hanshin, Kobe, Kobe-Nishi, Awaji, Sanda, Hyogo-Higashi

Himeji Branch Office
Sub-branch Offices: Ako, Himeji, Nishi-harima, Kakogawa, Yashiro, Toyooka

Chugoku Branch Office
Sub-branch Offices: Kure, Tokuyama, Shimonoseki, Yamaguchi, Iwakuni, Okayama, Kurashiki, Sanin

Shikoku Branch Office
Sub-branch Offices: Ehime, Niihama, Tokushima, Kochi

Kyushu Branch Office
Sub-branch Offices: Nagasaki, Miyazaki, Kitakyushu, Oita, Kumamoto, Kagoshima, Okinawa

DOMESTIC AFFILIATE COMPANIES

Kinden Shoji Company, Limited

Nishihara Engineering Co., Ltd.

Kinden Tokyo Services Company, Incorporated

Kinden Chubu Services Company, Incorporated

Kinden Kansai Services Company, Incorporated

Kinden Nishinihon Services Company, Incorporated

Kinden Services Company, Incorporated

Aleph Networks Corporation

Shirama Wind Farm Co., Ltd.

Shiratakiyama Wind Farm Co., Ltd.

Nishihara Construction Co., Ltd.

Estanine Co., Ltd.

KINKA Corporation

KINDEN CORPORATION

HEAD OFFICE (OSAKA)
2-3-41, Honjo-Higashi, Kita-ku, Osaka 531-8550, Japan

TOKYO HEAD OFFICE
2-1-21, Kudan-Minami, Chiyoda-ku, Tokyo 102-8628, Japan

URL
http://www.kinden.co.jp/

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