ANNUAL REPORT 2018

KINDEN CORPORATION

Kinden

Profile

Since our establishment in 1944 to undertake construction of urban and corporate infrastructure, Kinden Corporation has expanded our 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 our 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.

Kinden 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.

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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.

Message from the President

Business Results in the Year Ended March 2018

We achieved year-on-year increases in sales and income, while the first fiscal year of our new medium-term management plan got off to a smooth start.

During the fiscal year ended March 2018, the Japanese economy was characterized by an ongoing modest recovery supported by an increase in capital investment and a visible pickup in personal consumption amid improvements in corporate earnings and employment conditions. In the construction industry, although public works and private investment trended firmly, the operating environment was clouded by such difficulties as rising labor costs and materials prices.

Under these conditions, the Kinden Group started a new medium-term management plan spanning four years from the fiscal year ended March 2018 to the fiscal year ending March 2021 and carried out activities to establish a strong business foundation, further improve productivity and improve the work environment and increase employee satisfaction.

As a result, we recorded year-on-year increases in consolidated sales and income during the first fiscal year of the new medium-term management plan. Consolidated net sales increased 5.9% from the previous fiscal year, to ¥500,700 million; operating income increased 7.1%, to ¥38,618 million; and profit attributable to owners of parent expanded 11.8%, to ¥29,478 million.

On a non-consolidated basis, all categories increased from the previous year as net sales amounted to ¥439,641 million, up 7.0%, while operating income grew 10.9%, to ¥32,525 million, and profit increased 18.2%, to ¥26,206 million.

By business, although sales remained level in the Environmental Management Facilities business, sales in all other businesses increased. Specifically, sales in the Power Distribution Lining business increased 4.7%, to ¥57,844 million, due to an increase in construction work for Kansai Electric Power Co., Inc. Sales in the Electrical business increased 9.0%, to ¥284,023 million, due to an increase in office buildings, commercial and entertainment facilities and logistics facilities. Sales in the Information & Communications Network business increased 4.8%, to ¥42,381million, due to an increase in work for mobile phone-related work despite a decline in FTTH installation work. Sales in the Environmental Management Facilities business decreased 0.3%, to ¥31,764 million, due to

Consolidated Financial Highlights

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		YoY change	Thousands of U.S. dollars*
	2017	2018		2018
Net sales	¥472,591	¥500,700	5.9%	$4,712,918
Operating income	36,062	38,618	7.1%	363,498
Profit attributable to owners of parent	26,375	29,478	11.8%	277,467
Total assets	570,037	606,335	6.4%	5,707,222
Total net assets	399,228	433,227	8.5%	4,077,817
Return on equity (ROE)	6.8%	7.1%	0.3pt	—
	Yen			U.S. dollars*
Profit attributable to owners of parent per common share	¥121.57	¥135.87	11.8%	$1.27
Cash dividends per common share	26.00	28.00	7.7%	0.26

* U.S. dollar amounts are computed using the March 31, 2018 exchange rate of ¥106.24=US$1.

decreases in healthcare facilities and educational and cultural facilities despite an increase in logistics facilities. Sales in the Electric Power & Others business increased 4.2%, to ¥23, 627 million, due to increases in the installation of overhead power lines and underground power lines.

Looking at sales by customer, Kansai Electric Power accounted for 14.7% of sales, Kansai Electric Power Group companies 4.1% of sales and other customers 81.2% of sales.

Profit attributable to owners of parent per common share increased ¥14.30 year on year on a consolidated basis, to ¥135.87. On a non-consolidated basis, profit per common share increased ¥18.61, to ¥120.79.

Aiming to Be an Integrated Electrical and Facility Engineering Company

We are executing various action plans toward “work style reform,” “strengthening of on-site capabilities” and “further strengthening of business in the Greater Metropolitan Area.”

In March 2017, we announced our Corporate Philosophy, which clarifies our social significance and mission to which we have continuously adhered, as well as our growth strategy and new medium-term management plan. These are aimed at ensuring all employees are united in moving forward together with society amid a business environment that will undergo dramatic change.

Under our growth strategy, we express our long-term stance toward management focused on the next 10 years and aim to enhance corporate value and become a leading integrated electrical and facility engineering company. To realize this, the growth strategy incorporates four measures, namely, strengthen and link the three main pillars (Electrical, Environmental Management Facilities and Information & Communications Network) as integrated electrical and facility engineering; contribute to the power infrastructure; conduct long-term expansion overseas; and expand renovation and maintenance work. The Group is working as one in implementing this strategy.

Under the new medium-term management plan that runs from the fiscal year ended March 2018 to the fiscal year ending March 2021, we will execute various action plans that are also key management issues. These include “work style reform,” “strengthening of on-site capabilities” and “further strengthening of business in the Greater Metropolitan Area.” We will execute these action plans in accordance with three basic policies of the new medium-term management plan: establish a strong business foundation independent of economic trends, further improve productivity through utilization of knowledge and participation of all employees, and improve work environment and increase employee satisfaction. Through these measures, we aim to achieve the performance targets of consolidated net sales of ¥530,000 million and operating income of ¥39,000 million for the plan’s final fiscal year.

Further Strengthen Corporate Governance

The Group discloses policies and the status of initiatives pertaining to the 73 General Principles specified in the Corporate Governance Code.

The Kinden Group recognizes the strengthening of corporate governance as a key management issue 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 are working to further strengthen corporate governance based on two priority measures: increasing the transparency of operations and thoroughly strengthening compliance. Therefore, the Group discloses policies and the status of initiatives pertaining to all 73 General Principles, Principles and Supplementary Principles specified in the Corporate Governance Code, which went into effect in 2015.

Return to Shareholders and Dividend Policy

Kinden paid a full-year dividend of ¥28 per common share.

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.

Regarding dividends, we pay interim dividends equal to half the amount of expected annual dividends, which are calculated based on full-year earnings forecasts. Meanwhile, we determine the amount of year-end dividends by subtracting the amount of interim dividends from the amount of annual dividends, which are calculated based on actual business results confirmed at fiscal year-end. Nonetheless, from the perspective of stable and sustainable dividends for shareholders, we ensure that annual dividends are never below ¥14. Additionally, the Kinden Group retains sufficient internal reserves to reinforce its management structure and invest in proactive business development as an integrated electrical and facility engineering company.

In accordance with the above policy, we paid a full-year dividend of ¥28 per common share for the fiscal year ended March 2018. The ordinary interim dividend was ¥13 per share, in line with the initial forecast, but the year-end dividend was increased to ¥15 per common share as earnings performance exceeded the initial forecast.

Outlook and Strategies for the Fiscal Year Ending March 2019

We forecast that both consolidated and non-consolidated sales and income will decrease slightly in the next fiscal year.

In the economic environment during the next fiscal year, the Japanese economy is expected to sustain a modest recovery due to improvements in the employment and income environments, but there are concerns about uncertainties in overseas economies and the impact of fluctuations in financial and capital markets. In the construction industry, there is expected to be an increase in redevelopment projects and work to upgrade infrastructure, mainly in the Greater Metropolitan Area, and construction coordination and management will thus continue to be a key issue.

Amid this situation, the Kinden Group will continue our 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.

For the fiscal year ending March 2019, we forecast slight decreases in both consolidated and non-consolidated sales and income. We forecast consolidated net sales of ¥500,000 million, down 0.1% year on year; operating income of ¥36,000 million, down 6.8%; and profit attributable to owners of parent of ¥26,000 million, down 11.8%. On a non-consolidated basis, we anticipate net sales of ¥430,000 million, down 2.2%; operating income of ¥30,000 million, down 7.8%; and profit of ¥22,000 million, down 16.1%.

Next fiscal year (ending March 2019), we plan to provide a full-year dividend of ¥28 per common share, comprising an ordinary interim dividend of ¥14 per common share and a year-end dividend of ¥14 per common share.

In the future as well, we will carry out aggressive business activities that leverage the Kinden Group's strengths as we strive to raise corporate value. In closing, I would ask our shareholders and investors for your continued support.

June 2018

Yukikazu Maeda
President

Kinden's Environmental Initiatives

Solving environmental problems such as global warming, resource depletion and environmental pollution from waste disposal is an urgent issue facing humanity. Kinden engages in a diversity of environmental preservation activities in close collaboration with Group companies and stakeholders that include business partners, customers, employees and local communities. Kinden has also formulated its Environmental Basic Principles and Environmental Policies and prepared an Environmental Management System, while collaborating with university research institutes and other organizations as the Company also proactively responds to social issues by utilizing its own business strengths.


Shiratakiyama Wind Farm and its photovoltaic plant

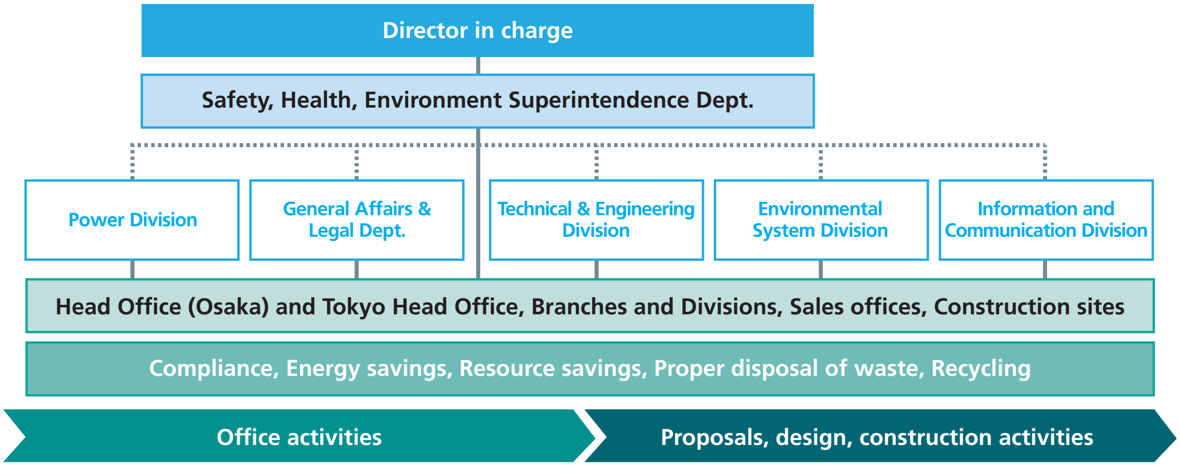
Environmental Basic Principles

Kinden recognizes that environmental preservation is a key issue as equally important as achieving business growth. Acting on this awareness, Kinden will strive to reduce the environmental impact of its own business activities. Concurrently, as an integrated electrical and facility engineering company with three pillars consisting of energy, environment and information, Kinden will contribute to environmental preservation, which includes realizing resource and energy savings for customers and society and preventing global warming, by developing environmentally conscious technologies and construction methods and designing and constructing environmentally conscious facilities.

Environmental Policies

- We shall comply with environmental laws and regulations.
- We shall promote energy savings, resource savings, proper disposal of waste and recycling, as well as strive to prevent global warming, form a recycling-oriented society and prevent pollution.
- We shall contribute to the environmental preservation efforts of our customers and society by designing and constructing environmentally conscious facilities.
- We shall actively work to develop environmentally conscious technologies and construction methods.
- We shall work toward the environmental preservation of local communities as a community-based company.

Environmental Management System



ISO Initiatives

In September 2015, ISO 9001:2008, the international standard for quality management systems, and ISO 14001:2004, the international standard for environmental management systems, were revised and the respective new standards ISO 9001:2015 and ISO 14001:2015 were issued. In response, during fiscal 2018 Kinden completed the transition to these new standards at its entire domestic offices involved in general construction and at the center office of electric construction.

Meanwhile, Kinden also responded to ISO 19011:2002 Guidelines for quality/environmental management systems auditing issued in October 2002 and began operating a combined ISO quality/environmental management system at its entire domestic offices. A combined audit by a certification body was completed at our all domestic offices at the end of 2004 and Kinden has continuously implemented this combined quality/environmental management system.

Kinden further sophisticates and improves the operating level of our quality management system and as a "company that creates customer satisfaction" ensures these efforts lead to further increases in customer satisfaction levels as well as continuous management improvements. For environmental ISO guidelines, we are working to firmly consolidate management and operation with our quality management system and are striving to minimize the impact on the environment by proposing and promoting the design and construction of environmentally conscious facilities. At the same time, we are promoting environmental preservation as a dynamic force for realizing a sustainable society as a "company that contributes to the formation of a recycling-oriented society" with a focus on architectural recycling.

Case Study

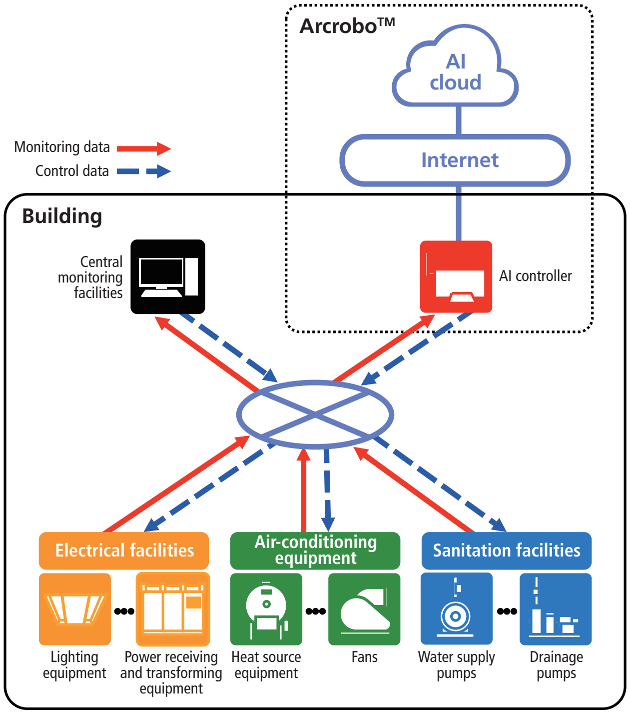
Commencing Demonstration Testing of Optimized Energy-Saving Control System Utilizing AI

In May 2018, Kinden commenced demonstration testing of a high-level energy-saving control system that links the central monitoring facilities at the Tokyo Head Office building with Arcrobo™, an artificial intelligence (AI) system jointly developed by the Institute of Industrial Science, The University of Tokyo and Goethe House Company, Limited.

This system is composed of an AI controller and an AI cloud. With this system, a large volume of monitoring data on electrical, air-conditioning and sanitation facilities within the building is collected by an AI controller and accumulated in an AI cloud. These monitored facilities include lighting, power receiving and transforming equipment, heat source equipment, fans, and water supply and drainage pumps. Based on this data, Arcrobo™ will learn optimal energy-saving control patterns.

In this testing, we will verify such factors as the effects of the installation of this system and its impact on the indoor environment. At the same time, along with ascertaining other factors such as declines in facility capacity, we will accumulate know-how for use in preventive maintenance. Besides improving energy-saving control quality, we expect these efforts will also enable the automation of optimized control of building facilities, which ordinarily takes long years of experience, as well as help respond to a shortage of labor.

Conceptual Diagram of Energy-Saving Control System Utilizing AI



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. (Hyogo)

Electrical

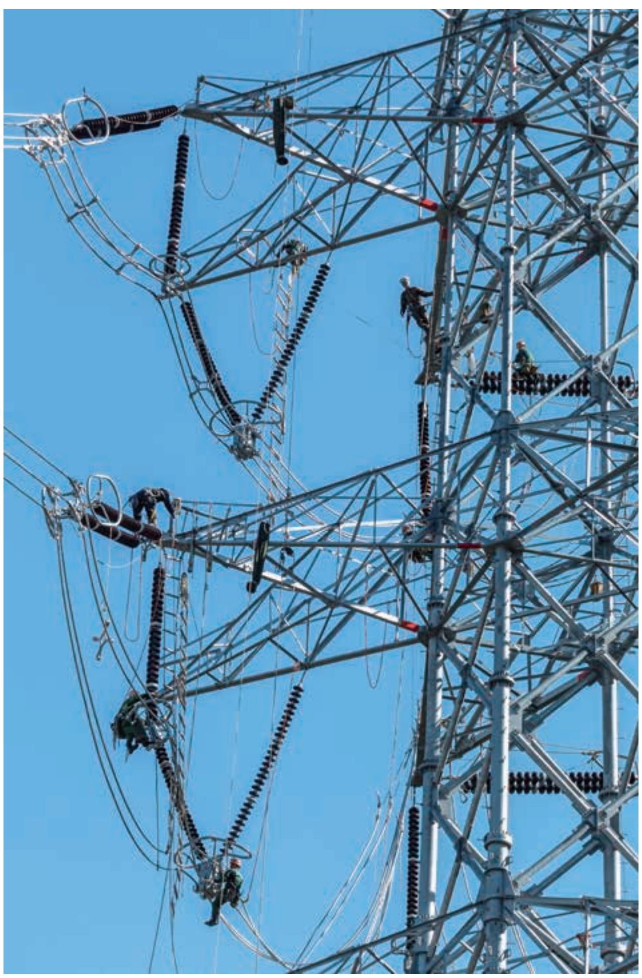
TOKYO MIDTOWN HIBIYA (Tokyo)

Information & Communications Network

KDDI Fukuchiyama Hinoo base station (Kyoto)

Environmental Management Facilities

ASHIYA BAYCOURT CLUB HOTEL & SPA RESORT (Hyogo)



Electric Power & Others

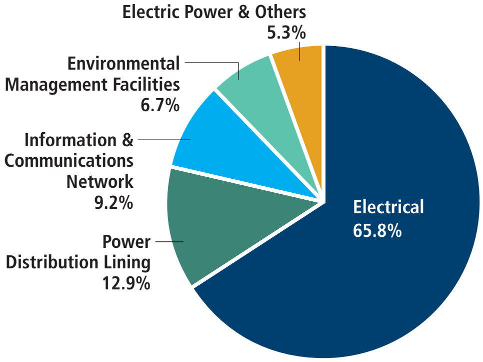
500 kV step-up and disposal work at the Kongo Line tower (Wakayama)

Review of Operations (Non-Consolidated)

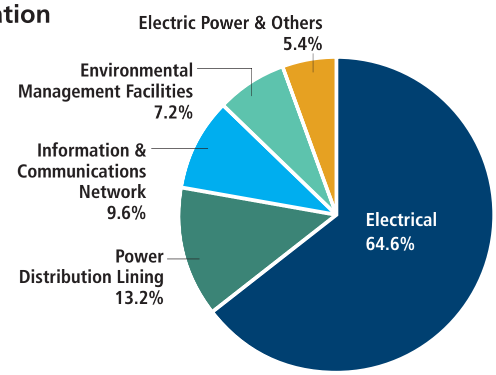
■Summary by Operation

The summary by segment is on a non-consolidated basis. Orders received were up year on year in the Power Distribution Lining, Electrical, and Information & Communications Network segments, but down in the Environmental Management Facilities and Electric Power & Others segments. Although net sales of completed construction contracts were up in the Power Distribution Lining, Electrical, Information & Communications Network, and Electric Power & Others segments, they decreased slightly in the Environmental Management Facilities segment. Going forward, in the construction industry we expect increases in redevelopment projects and the upgrading of infrastructure, mainly in the Greater Metropolitan Area. Nevertheless, construction coordination and management is becoming a key issue. Under these circumstances, the Kinden Group will continue to contribute to the power infrastructure business and undertake community-focused business activities. At the same time, the Group will further strengthen its business development in the Greater Metropolitan Area as well as develop business overseas from a long-term perspective and will contribute to society by meeting customer needs with high technologies and skills that provide safety, peace of mind and comfort.

Construction Orders



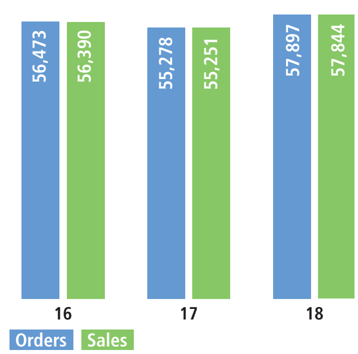
Net Sales of Completed Construction Contracts by Operation



Power Distribution Lining

Orders received increased 4.7% from the previous fiscal year, to ¥57,897 million, and net sales of completed construction contracts rose 4.7%, to ¥57,844 million. The main reason for these increases was a rise in construction work for Kansai Electric Power Co., Inc. Although our business foundation is stable in this segment, the outlook for construction work from Kansai Electric Power is uncertain and in the next fiscal year we expect both orders received and net sales of completed construction contracts from Kansai Electric Power to decline year on year. Alternatively, for other power distribution-related work we expect increases in orders received and net sales of completed construction contracts. In other power distribution-related work we intend to focus on such construction work as high-voltage construction work for convenience stores, high-voltage bulk electric power receiving works for apartment buildings and internal facility construction projects (power receiving and transforming equipment, etc.), and we will strive to expand orders in the Kanto area by strengthening our construction system.

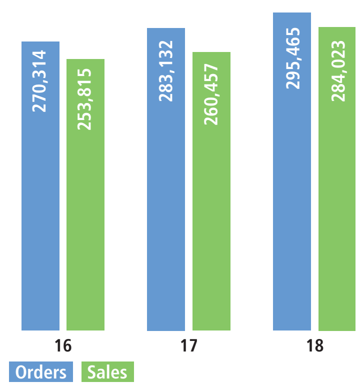
Orders and Sales
Millions of yen



Electrical

Orders received increased 4.4% from the previous fiscal year, to ¥295,465 million, and net sales of completed construction contracts were up 9.0%, to ¥284,023 million. The main factors supporting the increase in orders received include factories and logistics facilities. While net sales of completed construction contracts were higher due to an increase in office buildings, commercial and entertainment facilities, and logistics facilities. Going forward, we will further strengthen business development in the Greater Metropolitan Area and intensify sales in areas such as renovation work and logistics facilities, where there has been robust capital investment in recent years, as well as 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, in addition to focusing on Japanese-owned private factories and large-scale commercial facilities mainly in Southeast Asia.

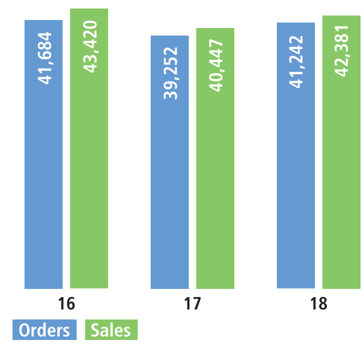
Orders and Sales
Millions of yen



Information & Communications Network

Compared with the previous fiscal year, orders received increased 5.1%, to ¥41,242 million, and net sales of completed construction contracts rose 4.8%, to ¥42,381 million, from the previous fiscal year. Orders received and net sales of completed construction contracts for FTTH installation work from an affiliate of Kansai Electric Power decreased in the fiscal year under review, as the overall market has reached the saturation point. Orders received and net sales of completed construction contracts for mobile phone base stations and CATV-related works both increased. In the future, we will also focus on securing orders for information-infrastructure related works that include government and municipal projects, wireless-activated disaster warning systems for tunnels and security surveillance equipment as well as the installation of LAN and other in-house communication works.

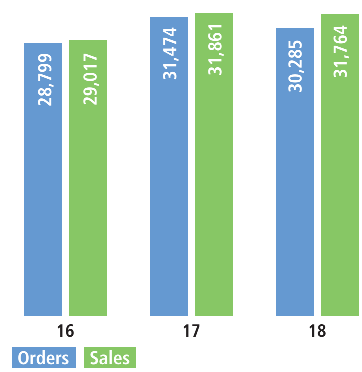
Orders and Sales
Millions of yen



Environmental Management Facilities

Orders received decreased 3.8% year on year, to ¥30,285 million, while net sales of completed construction contracts declined 0.3%, to ¥31,764 million. The main reasons for the decrease in orders received were declines in office buildings and commercial and entertainment facilities, while the decrease in net sales of completed construction contracts was due to declines in healthcare facilities and educational and cultural facilities. Going forward, with the Greater Metropolitan Area and Kansai area serving as operational bases, 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 as well as healthcare, educational, cultural, commercial and entertainment facilities. We will also attempt to expand orders through proactive proposals to customers related to energy-saving and business continuity planning (BCP) measures.

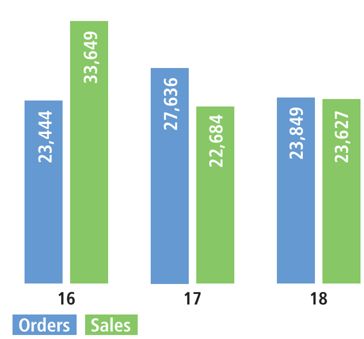
Orders and Sales
Millions of yen



Electric Power & Others

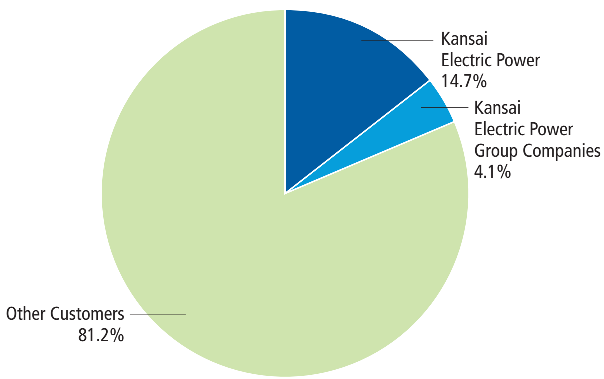
Orders received declined 13.7% year on year, to ¥23,849 million, and net sales of completed construction contracts increased 4.2%, to ¥23,627 million. The decrease in orders received was mainly due to decreases in construction of underground power lines and mega solar power plants. The increase in net sales of completed construction contracts was mainly due to an increase in installation of overhead power lines and underground power lines. Going forward, we will work to secure orders for construction work for improving safety such as overhead power line projects to replace aging power lines and electrical transmission tower reconstruction as well as for renewable-energy related facilities such as the construction of mega solar power plants and wind power generation facilities.

Orders and Sales
Millions of yen

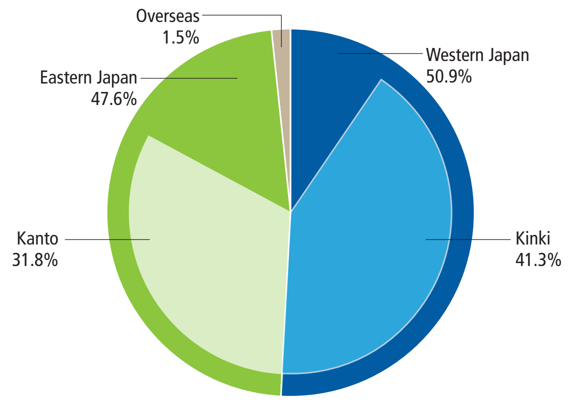


Composition of Non-Consolidated Net Sales, Contract Backlog by Operations and Shareholding Ratio *(Fiscal 2018)*

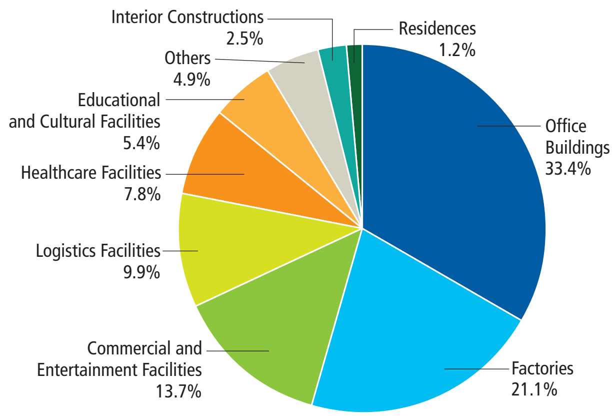
Net Sales by Customer



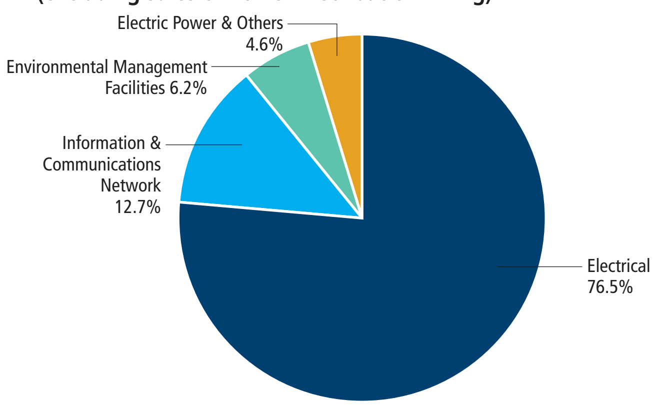
Net Sales by Region (excluding sales of Power Distribution Lining)



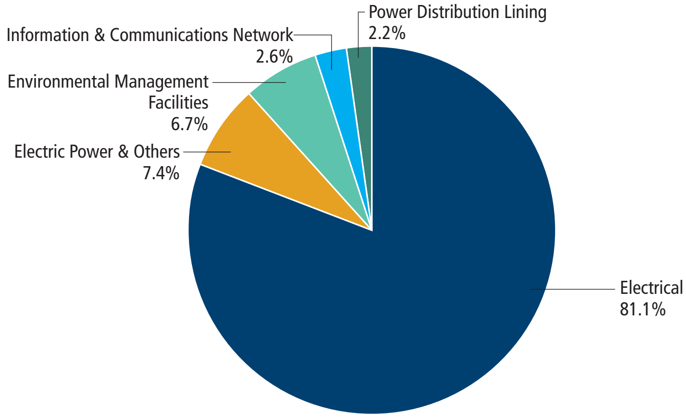
Net Sales by Facility (Electrical)



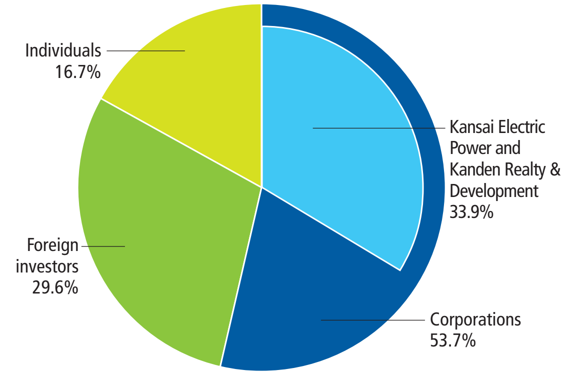
Net Sales of Renewal Construction by Operation (excluding sales of Power Distribution Lining)



Contract Backlog by Operation



Shareholding Ratio



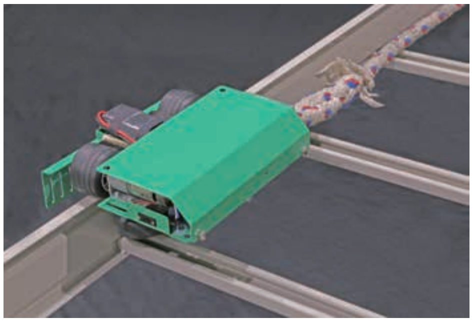
Improving Work Safety and Efficiency through Cutting-Edge Robot Technologies

Kinden strives to improve work safety and efficiency by developing construction robots (devices).

As one such robot, Kinden developed a device laying extension wire rope for cabling. This robot can reduce work times by approximately 75% compared with previous methods when installing cables in high locations and locations with insufficient space for people to access. This robot has won high acclaim as a product that contributes to improved safety and productivity. Also, it earned the Minister of Land, Infrastructure, Transport and Tourism Award at JECA FAIR 2017 – 65th Electrical Construction Equipment and Materials Fair, a product competition that is one of Japan's largest general exhibitions of electrical construction equipment, materials, tools and construction methods.

Kinden also developed a robot capable of remote-controlled removal of snow resistant rings attached to power transmission lines in snowfall areas. This robot mechanizes work previously performed manually and dramatically improves the safety and efficiency of work for replacing transmission lines.

Going forward, Kinden will continue to promote research and development in the application of robot technologies to realize safe and efficient work operations.



Device laying extension wire rope for cabling: *"HASHIRUN DESU YO"*

Self-propelled robot for removal of snow resistant rings

Construction of Electrical Equipment at Hydrogen Cogeneration System Demonstration Plant

With the aim of realizing lives that emit little CO_2, Kobe City (Hyogo, Japan) is working toward the usage and development of hydrogen energy application technologies based on the Hydrogen Smart City Kobe Initiative focused on hydrogen, which generates no CO_2 during usage.

A Hydrogen Cogeneration System demonstration plant was built on Kobe Port Island by Obayashi Corporation and Kawasaki Heavy Industries, Ltd. with a subsidy from the New Energy and Industrial Technology Development Organization (NEDO). This project involves demonstration testing of a 1MW-class gas turbine generator fueled by hydrogen and natural gas, as well as an integrated energy management system (EMS) that efficiently supplies electricity and heat produced by the generator to four facilities nearby that include a hospital, sports center and Kobe International Exhibition Hall. Kinden's role in the project was the construction of such related electrical facilities as substation equipment, power equipment and main lines controlled by Obayashi.

Amid the growing importance of environmental protection, Kinden's technologies were selected and utilized in a plan for using world-leading clean energy.

Hydrogen Cogeneration System demonstration plant
(Photo: Kawasaki Heavy Industries, Ltd.)

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 the system shown below, the Company seeks to enhance its monitoring function over management activities in cooperation with accounting auditors and the internal auditing department.

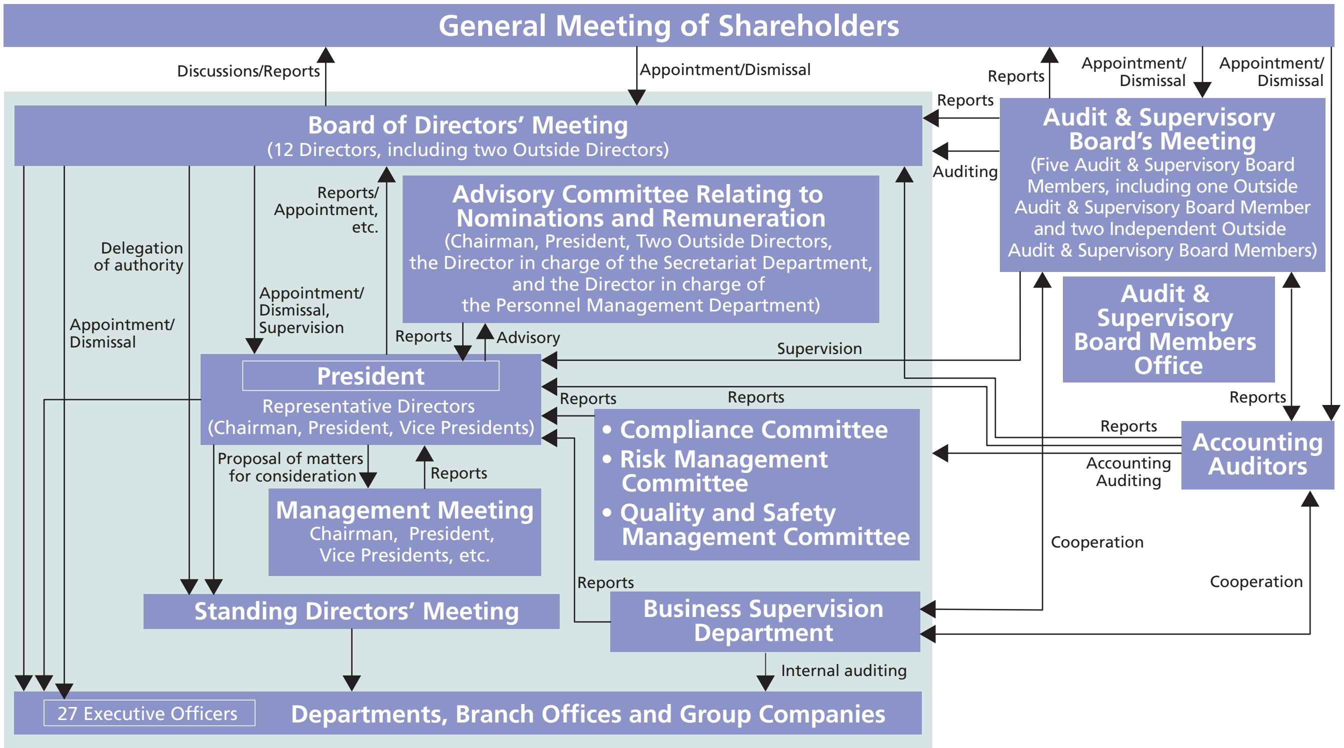
The Company has adopted an Executive Officer system, with the aim of speeding up decision making, enhancing the monitoring function over business execution and enabling the executive officers in charge of specific operations to focus on their business execution. With regard to the monitoring function, the Company seeks to strengthen 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	12 (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
Appointment of Independent Directors	Two Outside Directors
Appointment of Independent Officers	Two Outside Audit & Supervisory Board Members
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 President, 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, Major 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 audits are conducted, as ordered by the President, by the Business Supervision Department (seven 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 Company's Finance & Accounting Department manager and one independent Outside Audit & Supervisory Board Member is a certified tax accountant, and both have 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.

One of the three Outside Audit & Supervisory Board Members, Yasuhiro Yashima, is an executive officer (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 & Others) who also concurrently serves as a Kinden Audit & Supervisory Board Member. As of March 31, 2018, 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. With respect to Masami Yoshioka and Toshimitsu Kamakura, 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 officers in accordance with criteria for the exchange of financial instruments and there is no risk of conflicts of interest with general shareholders.

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 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.

Reason for Appointment as Outside Audit & Supervisory Board Members

Yasuhiro Yashima	Masami Yoshioka	Toshimitsu Kamakura
Mr. Yasuhiro Yashima has extensive experience as well as a wealth of knowledge and insights on corporate management of The Kansai Electric Power Co., Inc. Therefore, he is believed to be suitable to be an Outside Audit & Supervisory Board Member of the Company and is selected again for such a position, with an expectation of providing adequate advice on the Company's management.	Although Mr. Masami Yoshioka has not been involved in corporate management, he has extensive knowledge and insights on finance, accounting and taxation matters as a tax accountant and has a wealth of experience at tax administration agencies. Therefore, he is believed to be suitable to be an Outside Audit & Supervisory Board Member of the Company and is selected for such a position.	Although Mr. Toshimitsu Kamakura has not been involved in corporate management, he is an expert in corporate legal affairs and has a wealth of experience and extensive knowledge and insights as a lawyer. Therefore, he is believed to be suitable to be an Outside Audit & Supervisory Board Member of the Company and is selected for such a position.

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)	562	476	—	86	—	12
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	69	69	—	—	—	2
Outside Directors and Audit & Supervisory Board Members	53	53	—	—	—	5

Note: Includes remuneration for one Director who retired at the conclusion of the 103rd General Meeting of Shareholders held in June 2017.

Remuneration for Audit Services

Remuneration paid to PKF Hibiki Audit Corporation in the 104th fiscal term (the fiscal year ended March 31, 2018) for services set forth by the Certified Public Accountants Law totaled ¥47 million. No other remuneration was paid.

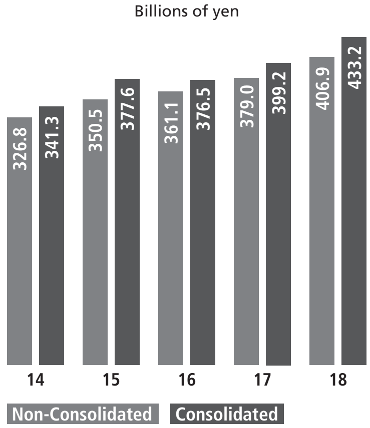
Five-Year Financial Summary

For the fiscal years ended March 31

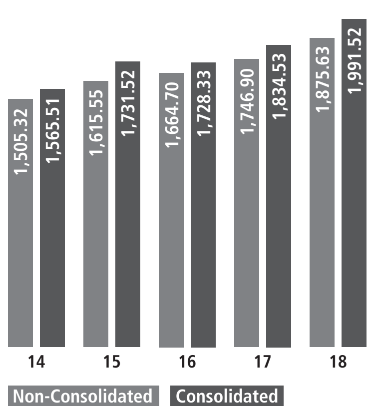
	Consolidated Millions of yen					Non-Consolidated Millions of yen				
	2014	2015	2016	2017	**2018**	2014	2015	2016	2017	**2018**
FOR THE YEAR										
Net sales	¥514,357	¥467,972	¥475,345	¥472,591	**¥500,700**	¥448,275	¥403,363	¥416,293	¥410,703	**¥439,641**
Power distribution lining						57,521	61,678	56,390	55,251	**57,844**
Electrical						268,601	230,119	253,815	260,457	**284,023**
Information & communications network						59,579	47,030	43,420	40,447	**42,381**
Environmental management facilities						22,698	26,846	29,017	31,861	**31,764**
Electric power & others						39,875	37,689	33,649	22,684	**23,627**
Operating income	25,691	29,325	33,450	36,062	**38,618**	20,738	22,464	28,163	29,336	**32,525**
Profit attributable to owners of parent	16,393	20,552	23,669	26,375	**29,478**					
Profit						13,148	16,083	23,154	22,169	**26,206**
Comprehensive income	25,243	42,058	4,133	28,444	**39,865**					
Capital investment*1	3,086	1,915	5,190	3,556	**2,983**					
Depreciation and amortization	4,708	4,451	4,523	4,928	**5,225**					
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	341,364	377,659	376,521	399,228	**433,227**	326,851	350,569	361,180	379,004	**406,924**
Total assets	518,464	542,246	547,554	570,037	**606,335**	479,963	489,939	502,129	521,637	**554,706**
Number of shares outstanding (excluding treasury stock) (Thousands) Balance at end of year	217,131	216,996	216,963	216,957	**216,953**	217,131	216,996	216,963	216,957	**216,953**
Number of employees (Persons)*2	9,557	9,563	9,957	10,021	**10,165**	6,992	6,895	7,139	7,281	**7,398**
Equity ratio (%)	65.6	69.3	68.5	69.8	**71.3**	68.1	71.6	71.9	72.7	**73.4**
Return on equity (ROE) (%)	4.8	5.7	6.3	6.8	**7.1**	4.0	4.7	6.5	6.0	**6.7**
Payout ratio (%)	24.4	21.1	22.0	21.4	**20.6**	30.4	27.0	22.5	25.4	**23.2**
Price-earnings ratio (Times)	13.51	15.87	12.65	12.78	**12.97**	16.85	20.27	12.93	15.21	**14.59**

*1 Lease assets are included in capital investment amounts.
*2 Number of employees (employees at work in Kinden) = Employees – Employees dispatched outside of Kinden + Workers dispatched by another company to Kinden

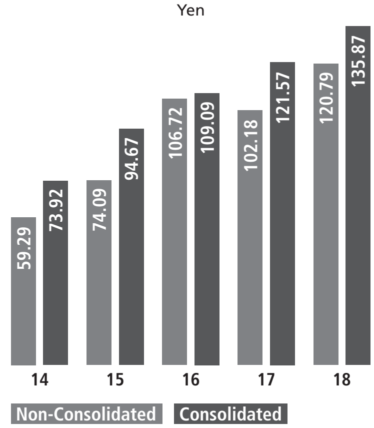
Total Net Assets
Billions of yen



Net Assets per Common Share
Yen



Profit per Common Share
Yen



RESULTS OF OPERATIONS

The Kinden Group recorded a ¥28,108 million increase in net sales of completed construction contracts from the previous fiscal year to ¥500,700 million (US$4,712,918 thousand). Operating income rose ¥2,555 million, to ¥38,618 million (US$363,498 thousand), ordinary income increased ¥2,336 million, to ¥40,383 million (US$380,116 thousand), and profit attributable to owners of parent grew ¥3,102 million, to ¥29,478 million (US$277,467 thousand). Net sales of completed construction contracts, operating income, ordinary income and profit attributable to owners of parent all increased year on year.

FINANCIAL POSITION

Assets

Current assets at March 31, 2018 amounted to ¥369,888 million, up ¥22,067 million, or 6.3 %, from March 31, 2017. The rise was due primarily to an increase in notes receivable, accounts receivable from completed construction contracts and other, as well as to a rise in short-term investment securities.

Noncurrent assets increased ¥14,230 million, or 6.4%, from the end of the previous fiscal year, to ¥236,447 million. Property, plant and equipment decreased ¥1,841 million, to ¥98,834 million. This decrease was mainly due to depreciation. Investments and other assets rose ¥15,810 million, to ¥135,571 million. This was mainly because of an increase in the market value of investment securities.

As a result, total assets amounted to ¥606,335 million (US$5,707,222 thousand) at the end of the fiscal year, up ¥36,298 million, or 6.4%, from the end of the previous fiscal year.

Liabilities

Current liabilities increased ¥456 million, or 0.3%, from the end of the previous fiscal year to ¥136,468 million. Although advances received on uncompleted construction contracts decreased, the increase was mainly due to a rise in notes payable, accounts payable for construction contracts and other.

Noncurrent liabilities increased ¥1,842 million, or 5.3%, to ¥36,639 million. Consequently, total liabilities came to ¥173,107 million (US$1,629,404 thousand), an increase of ¥2,299 million, or 1.3%, from the end of the previous fiscal year.

Net Assets

Shareholders' equity rose ¥23,612 million, to ¥395,858 million, due to an increase in retained earnings on the posting of profit attributable to owners of parent. Accumulated other comprehensive income rose ¥10,440 million, to ¥36,209 million, due to an increase in the valuation difference on available-for-sale securities because of a rise in the market value of investment securities and to an increase in remeasurements of defined benefit plans.

As a result, total net assets amounted to ¥433,227 million (US$4,077,817 thousand), an increase of ¥33,998 million, or 8.5%, from the end of the previous fiscal year. The equity ratio stood at 71.3%, up 1.5 percentage points from the end of the previous fiscal year.

CASH FLOW ANALYSIS

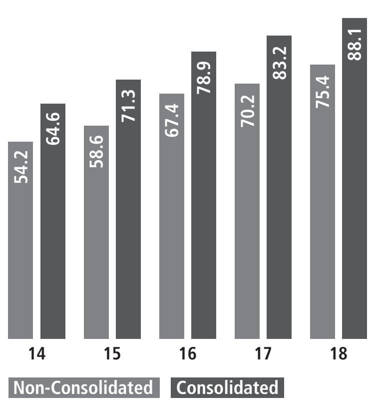
Net cash provided by operating activities in the fiscal year under review amounted to ¥19,132 million (US$180,087 thousand). This was due to profit before income taxes, despite income taxes paid and an increase in notes and accounts receivable–trade.

Net cash used in investing activities came to ¥10,867 million (US$102,290 thousand), due to payments for the purchase of property, plant and equipment and purchase of investment securities.

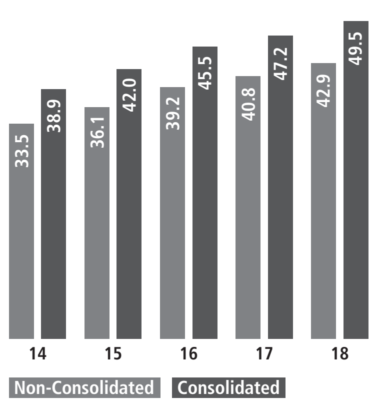
Net cash used in financing activities was ¥5,939 million (US$55,905 thousand), mainly owing to cash dividends paid.

As a result, cash and cash equivalents stood at ¥141,478 million (US$1,331,690 thousand), an increase of ¥2,145 million from the end of the previous fiscal year.

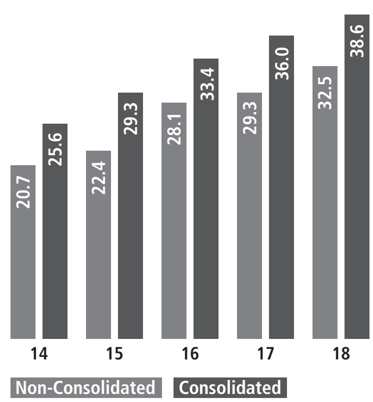
Gross Profit on Completed Construction Contracts
Billions of yen



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.

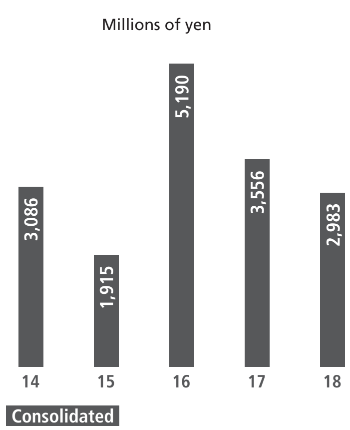
Exposure to Bad Debts Due to Customer Bankruptcies and Other Factors

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
ASSETS	2017	2018	2018
CURRENT ASSETS:			
Cash and deposits	¥ 43,789	¥ 45,876	$ 431,818
Notes receivable, accounts receivable from completed construction contracts and other	182,375	199,744	1,880,123
Short-term investment securities	99,000	102,000	960,090
Costs on uncompleted construction contracts	12,521	12,781	120,309
Raw materials and supplies	1,074	1,168	10,995
Deferred tax assets	5,097	5,637	53,062
Other	7,274	4,812	45,302
Allowance for doubtful accounts	(3,311)	(2,132)	(20,072)
Total current assets	347,820	369,888	3,481,628
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings and structures	91,283	91,287	859,257
Machinery, equipment and vehicles	38,391	38,945	366,582
Tools, furniture and fixtures	10,547	10,700	100,718
Land	57,806	57,766	543,734
Construction in progress	3	23	224
Accumulated depreciation	(97,357)	(99,888)	(940,220)
Total property, plant and equipment	100,675	98,834	930,296
INTANGIBLE ASSETS	1,779	2,041	19,211
INVESTMENTS AND OTHER ASSETS:			
Investment securities	111,473	129,157	1,215,715
Deferred tax assets	220	652	6,140
Other	11,513	6,721	63,269
Allowance for doubtful accounts	(3,446)	(960)	(9,040)
Total investments and other assets	119,760	135,571	1,276,085
Total noncurrent assets	222,216	236,447	2,225,593
Total assets	¥570,037	¥606,335	$5,707,222

See the accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
CURRENT LIABILITIES:			
Notes payable, accounts payable for construction contracts and other	¥ 65,690	¥ 68,764	$ 647,253
Short-term loans payable	16,190	16,240	152,861
Income taxes payable	9,664	8,838	83,195
Advances received on uncompleted construction contracts	14,873	14,017	131,940
Provision for loss on construction contracts	287	534	5,029
Provision for warranties for completed construction	660	510	4,808
Provision for directors' bonuses	186	195	1,838
Other	28,458	27,367	257,602
Total current liabilities	136,011	136,468	1,284,530
NONCURRENT LIABILITIES:			
Deferred tax liabilities	5,226	10,062	94,710
Provision for directors' retirement benefits	275	297	2,803
Net defined benefit liability	28,820	25,923	244,004
Other	474	356	3,356
Total noncurrent liabilities	34,796	36,639	344,874
Total liabilities	170,808	173,107	1,629,404
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2018)	26,411	26,411	248,602
Capital surplus	29,623	29,623	278,832
Retained earnings	317,253	340,873	3,208,522
Treasury stock	(1,041)	(1,049)	(9,882)
Total shareholders' equity	372,246	395,858	3,726,074
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	35,146	42,857	403,405
Foreign currency translation adjustment	(34)	(343)	(3,233)
Remeasurements of defined benefit plans	(9,343)	(6,304)	(59,344)
Total accumulated other comprehensive income	25,769	36,209	340,827
NON-CONTROLLING INTERESTS	1,212	1,159	10,915
Total net assets	399,228	433,227	4,077,817
Total liabilities and net assets	¥570,037	¥ 606,335	$5,707,222

Consolidated Statements of Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net sales of completed construction contracts	¥472,591	¥500,700	$4,712,918
Cost of sales of completed construction contracts	389,295	412,576	3,883,435
Gross profit on completed construction contracts	83,296	88,124	829,482
Selling, general and administrative expenses	47,233	49,506	465,984
Operating income	36,062	38,618	363,498
Non-operating income:			
Interest income	375	288	2,712
Dividends income	1,472	1,623	15,279
Real estate rent	242	225	2,118
Equity in earnings of affiliates	92	90	853
Other	609	456	4,293
Total non-operating income	2,793	2,683	25,257
Non-operating expenses:			
Interest expenses	252	244	2,300
Foreign exchange losses	84	97	913
Condolence money	100	100	941
Compensation expenses	41	241	2,276
Other	330	234	2,208
Total non-operating expenses	809	917	8,639
Ordinary income	38,046	40,383	380,116
Extraordinary income:			
Gain on sales of noncurrent assets	25	70	667
Gain on sales of investment securities	79	—	—
Gain on sales of memberships	1	1	15
Total extraordinary income	106	72	683
Extraordinary losses:			
Loss on sales of noncurrent assets	5	17	169
Loss on retirement of noncurrent assets	81	98	929
Impairment loss	109	1	16
Loss on valuation of investment securities	137	0	5
Loss on valuation of shares of subsidiaries and associates	24	20	188
Loss on sales of memberships	0	0	0
Loss on valuation of memberships	11	8	80
Total extraordinary losses	370	147	1,389
Profit before income taxes	37,782	40,308	379,410
Income taxes–current	11,861	11,805	111,122
Income taxes–deferred	(268)	(873)	(8,225)
Total income taxes	11,593	10,931	102,897
Profit	26,188	29,376	276,513
Profit (loss) attributable to non-controlling interests	(186)	(101)	(954)
Profit attributable to owners of parent	¥ 26,375	¥ 29,478	$ 277,467

	Yen		U.S. dollars
	2017	2018	2018
Amounts per common share:			
Profit attributable to owners of parent	¥121.57	¥135.87	$1.27
Cash dividends	26.00	28.00	0.26

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Profit	¥26,188	¥29,376	$276,513
Other comprehensive income:			
Valuation difference on available-for-sale securities	1,291	7,711	72,583
Foreign currency translation adjustment	(552)	(260)	(2,453)
Remeasurements of defined benefit plans, net of tax	1,515	3,038	28,598
Other comprehensive income	2,255	10,489	98,729
Comprehensive income	¥28,444	¥39,865	$375,242
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥28,689	¥39,918	$375,736
Comprehensive income attributable to non-controlling interests	(245)	(52)	(494)

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, 2017 and 2018

	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, 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 April 1, 2017	218,141	¥26,411	¥29,623	¥317,253	¥(1,041)	¥35,146	¥ (34)	¥ (9,343)	¥1,212	¥399,228
Cash dividends				(5,857)						(5,857)
Profit attributable to owners of parent				29,478						29,478
Purchase of treasury stock					(8)					(8)
Disposal of treasury stock			0		0					0
Net changes of items other than shareholders' equity						7,711	(309)	3,038	(53)	10,386
Balance at March 31, 2018	218,141	¥26,411	¥29,623	¥340,873	¥(1,049)	¥42,857	¥ (343)	¥ (6,304)	¥1,159	¥433,227

	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, 2017	218,141	$248,602	$278,832	$2,986,192	$(9,804)	$330,822	$ (320)	$(87,943)	$11,416	$3,757,797
Cash dividends				(55,137)						(55,137)
Profit attributable to owners of parent				277,467						277,467
Purchase of treasury stock					(78)					(78)
Disposal of treasury stock			0		0					1
Net changes of items other than shareholders' equity						72,583	(2,913)	28,598	(500)	97,768
Balance at March 31, 2018	218,141	$248,602	$278,832	$3,208,522	$(9,882)	$403,405	$(3,233)	$(59,344)	$10,915	$4,077,817

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥ 37,782	¥ 40,308	$ 379,410
Adjustments for:			
Depreciation	4,928	5,225	49,190
Impairment loss	109	1	16
Increase (decrease) in allowance for doubtful accounts	(105)	(3,663)	(34,484)
Increase (decrease) in provision for loss on construction contracts	(227)	246	2,323
Increase (decrease) in net defined benefit liability	2,465	1,470	13,836
Interest and dividends income	(1,848)	(1,911)	(17,992)
Interest expenses	252	244	2,300
Foreign exchange losses (gains)	50	8	77
Equity in (earnings) losses of affiliates	(92)	(90)	(853)
Loss (gain) on valuation of investment securities	137	0	5
Loss on valuation of shares of subsidiaries and associates	24	20	188
Loss on valuation of membership	11	8	80
Loss (gain) on sales of property, plant and equipment	(21)	(54)	(514)
Loss on retirement of property, plant and equipment	81	98	929
Loss (gain) on sales of investment securities	(79)	—	—
Decrease (increase) in notes and accounts receivable–trade	11,187	(17,477)	(164,513)
Decrease (increase) in costs on uncompleted construction contracts	(1,442)	(270)	(2,548)
Decrease (increase) in other inventories	110	(95)	(896)
Increase (decrease) in notes and accounts payable–trade	(2,059)	3,064	28,849
Increase (decrease) in advances received on uncompleted construction contracts	4,293	(800)	(7,537)
Other	13	3,721	35,033
Sub-total	55,572	30,055	282,900
Interest and dividends income received	1,813	1,916	18,043
Interest expenses paid	(252)	(244)	(2,300)
Compensation for damage paid	(213)	—	—
Income taxes paid	(12,891)	(12,595)	(118,555)
Net cash provided by (used in) operating activities	44,028	19,132	180,087
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into time deposits	(3,983)	(3,341)	(31,452)
Proceeds from withdrawal of time deposits	4,970	2,691	25,335
Purchase of property, plant and equipment	(3,845)	(2,744)	(25,830)
Proceeds from sales of property, plant and equipment	105	54	515
Purchase of investment securities	(11,550)	(10,317)	(97,118)
Proceeds from sales and redemption of investment securities	11,121	3,326	31,311
Payments of loans receivable	(5)	(3)	(31)
Collection of loans receivable	14	16	159
Other	(1,052)	(550)	(5,180)
Net cash provided by (used in) investing activities	(4,224)	(10,867)	(102,290)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	(150)	50	470
Purchase of treasury stock	(12)	(11)	(103)
Proceeds from sales of treasury stock	0	0	1
Cash dividends paid	(5,641)	(5,857)	(55,137)
Dividends paid to non-controlling interests	(15)	(0)	(6)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(71)	—	—
Other	(108)	(119)	(1,129)
Net cash provided by (used in) financing activities	(5,998)	(5,939)	(55,905)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(264)	(180)	(1,695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,540	2,145	20,195
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	105,793	139,333	1,311,495
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	¥139,333	¥ 141,478	$ 1,331,690

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 ¥106.24 to US$1, the fixed-market rate on March 31, 2018. 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.

ACCOUNTING STANDARDS NOT YET APPLIED, ETC.

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

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed a comprehensive accounting standard for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 will be applied from a fiscal year starting on or after January 1, 2018 and that Topic 606 will be applied from the fiscal year starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed a comprehensive accounting standard for revenue recognition and published it together with the Implementation Guidance. The basic policy of the ASBJ in developing the accounting standard for revenue recognition is the setting of accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of achieving consistency with IFRS 15. If there are matters to be taken into consideration in Japan in actual practice, etc., alternative handling will be added within a range that would not impair financial statement comparability.

(2) Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of application on these accounting standards, etc.

The amount of impact of Accounting Standards for Revenue Recognition, etc. on consolidated financial statements is currently under assessment.

CHANGE OF THE PRESENTATION METHOD

(Consolidated Statement of Income)

"Compensation expenses" which was included in "other" under "non-operating expenses" in the previous consolidated fiscal year, is accounted for as a separate item in the consolidated fiscal year under review because it exceeds more than 10% of total non-operating expenses. To reflect this change in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, ¥371 million presented in "other" under "non-operating expenses" in the previous consolidated fiscal year is reclassified as "compensation expenses" of ¥41 million and "other" of ¥330 million.

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
	2017	**2018**	**2018**
Investment securities–equity........	¥2,769	**¥2,839**	**$26,724**

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
	2017	**2018**	**2018**
Investment securities–equity........	¥22	**¥22**	**$211**
Investments and other assets–long-term loans receivable	19	**19**	**181**

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
	2017	**2018**	**2018**
BAN-BAN Networks Co., Ltd.	¥20	**¥ 20**	**$ 194**
Kinden India Private Limited	10	**—**	**—**
Antelec Ltd.	437	**416**	**3,921**
Total	¥468	**¥437**	**$4,116**

(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, 2018.

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
	2017	**2018**	**2018**
Buildings and structures, machinery and vehicles.........................	¥5,172	**¥5,172**	**$48,685**

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
2017	**2018**	**2018**
¥5	**¥19**	**$182**

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
2017	**2018**	**2018**
¥229	**¥321**	**$3,026**

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
	2017	**2018**	**2018**
Employees' salaries	¥22,423	**¥24,095**	**$226,801**
Retirement benefit expenses	2,086	**1,788**	**16,838**
Provision of allowance for doubtful accounts.....................	(89)	**(586)**	**(5,517)**

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
2017	**2018**	**2018**
¥464	**¥548**	**$5,161**

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
	2017	**2018**	**2018**
Buildings and structures	¥ 0	**¥ 3**	**$ 35**
Machinery and vehicles	12	**12**	**121**
Tools, furniture and fixtures.........	0	**0**	**0**
Land	12	**53**	**504**
Other..	—	**0**	**5**
Total	¥25	**¥70**	**$667**

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
	2017	**2018**	**2018**
Buildings and structures	¥0	**¥ —**	**$ —**
Machinery and vehicles	1	**0**	**5**
Tools, furniture and fixtures.........	2	**0**	**1**
Land	0	**16**	**156**
Other..	—	**0**	**5**
Total	¥5	**¥17**	**$169**

7. Impairment loss

For the fiscal years ended March 31, 2017 and 2018, the Group recorded the following impairment losses for asset groups.

For the fiscal year ended March 31, 2017

Application	Location	Type	Millions of yen
Idle assets	Kinki region: 4 properties	Land	¥103
	Other: 6 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 ¥109 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, 2018

Application	Location	Type	Millions of yen	Thousands of U.S. dollars
Idle assets	Kinki region: 1 property	Land	¥0	$4
	Other: 5 properties	Land	1	12

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 ¥1 million (US$16 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
	2017	**2018**	**2018**
Valuation difference on available-for-sale securities			
Amount recorded during the period	¥1,790	**¥11,123**	**$104,702**
Reclassification adjustments	24	**—**	**—**
Amount before tax effect adjustments	1,815	**11,123**	**104,702**
Tax effect	(523)	**(3,412)**	**(32,119)**
Valuation difference on available-for-sale securities	1,291	**7,711**	**72,583**
Foreign currency translation adjustment			
Amount recorded during the period	(552)	**(260)**	**(2,453)**
Reclassification adjustments	—	**—**	**—**
Foreign currency translation adjustment	(552)	**(260)**	**(2,453)**
Remeasurements of defined benefit plans, net of tax			
Amount recorded during the period	(171)	**2,894**	**27,247**
Reclassification adjustments	2,338	**1,470**	**13,837**
Amount before tax effect adjustments	2,166	**4,364**	**41,085**
Tax effect	(650)	**(1,326)**	**(12,486)**
Remeasurements of defined benefit plans, net of tax	1,515	**3,038**	**28,598**
Total other comprehensive income	¥2,255	**¥10,489**	**$ 98,729**

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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	¥14.0	March 31, 2016	June 27, 2016
Board of Directors' Meeting on October 31, 2016	Common stock	¥2,603 million	¥12.0	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	Retained earnings	¥14.0	March 31, 2017	June 28, 2017

For the fiscal year ended March 31, 2018

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, 2017	Increase	Decrease	At March 31, 2018
Stock issued				
Common stock	218,141	—	—	218,141
Total	218,141	—	—	218,141
Treasury stock				
Common stock	1,183	4	0	1,187
Total	1,183	4	0	1,187

(Note) An increase of 4 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 27, 2017	Common stock	¥3,037 million $28,590 thousand	¥14.0 $0.13	March 31, 2017	June 28, 2017
Board of Directors' Meeting on October 31, 2017	Common stock	¥2,820 million $26,547 thousand	¥13.0 $0.12	September 30, 2017	November 30, 2017

(2) Dividends with a date of record during the fiscal year ended March 31, 2018 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 26, 2018	Common stock	¥3,254 million $30,631 thousand	Retained earnings	¥15.0 $0.14	March 31, 2018	June 27, 2018

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
	2017	**2018**	**2018**
Cash and deposits	¥ 43,789	**¥ 45,876**	**$ 431,818**
Deposits with maturities longer than 3 months	(3,456)	**(6,397)**	**(60,218)**
Short-term investment with maturities within 3 months after the date of acquisition	99,000	**102,000**	**960,090**
Cash and cash equivalents	¥139,333	**¥141,478**	**$1,331,690**

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, 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, 2018

	Millions of yen		
	Book value	Market value	Difference
(1) Cash and deposits	¥ 45,876	¥ 45,876	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	197,665	197,665	—
(3) Short-term investment securities and investment securities	225,488	225,360	(127)
Total assets	¥469,030	¥468,902	¥(127)
(1) Notes payable, accounts payable for construction contracts and other	68,764	68,764	—
(2) Short-term loans payable	16,240	16,240	—
Total liabilities	¥ 85,004	¥ 85,004	¥ —
Derivatives	—	—	—

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

March 31, 2018

	Thousands of U.S. dollars		
	Book value	Market value	Difference
(1) Cash and deposits	$ 431,818	$ 431,818	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	1,860,559	1,860,559	—
(3) Short-term investment securities and investment securities	2,122,441	2,121,238	(1,202)
Total assets	$4,414,819	$4,413,617	$(1,202)
(1) Notes payable, accounts payable for construction contracts and other	647,253	647,253	—
(2) Short-term loans payable	152,861	152,861	—
Total liabilities	$ 800,114	$ 800,114	$ —
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
Book value is used for items settled in the short term, as their market value approximates book value. The market values for items with a settlement period exceeding one year are determined as the present values of individual receivables classified by time period and discounted at interest rates reflecting credit risk through to maturity for each receivable.

(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
	2017	**2018**	**2018**
Unlisted stocks, etc.	¥5,690	**¥5,669**	**$53,364**

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, 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, 2018

	Millions of yen			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits..	¥ 45,876	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	199,744	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)...	1,900	28,600	4,500	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	102,000	—	—	—
Total	¥349,520	¥28,600	¥4,500	¥ —

March 31, 2018

	Thousands of U.S. dollars			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits..	$ 431,818	$ —	$ —	$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,880,123	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)...	17,884	269,201	42,356	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	960,090	—	—	—
Total	$3,289,916	$269,201	$42,356	$ —

(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, 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, 2018

	Millions of yen		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	¥ 14,910	¥ 14,979	¥ 69
Subtotal	14,910	14,979	69
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	20,183	19,986	(196)
Negotiable certificates of deposit	102,000	102,000	—
Subtotal	122,183	121,986	(196)
Total	¥137,094	¥136,966	¥ (127)

March 31, 2018

	Thousands of U.S. dollars		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	$ 140,350	$ 141,000	$ 649
Subtotal	140,350	141,000	649
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	189,981	188,129	(1,852)
Negotiable certificates of deposit	960,090	960,090	—
Subtotal	1,150,071	1,148,219	(1,852)
Total	$1,290,422	$1,289,220	$(1,202)

2. Available-for-Sale Securities

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, 2018

	Millions of yen		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	¥85,760	¥24,911	¥60,849
Subtotal	85,760	24,911	60,849
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	2,633	3,031	(398)
Other	—	—	—
Subtotal	2,633	3,031	(398)
Total	¥88,393	¥27,942	¥60,451

March 31, 2018

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	$807,233	$234,479	$572,753
Subtotal	807,233	234,479	572,753
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	24,785	28,531	(3,746)
Other	—	—	—
Subtotal	24,785	28,531	(3,746)
Total	$832,018	$263,011	$569,007

3. Available-for-Sale Securities Sold

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, 2018

	Millions of yen		
	Sold	Total gain on sales	Total loss on sales
Equity	¥90	¥—	¥—
Total	¥90	¥—	¥—

For the fiscal year ended March 31, 2018

	Thousands of U.S. dollars		
	Sold	Total gain on sales	Total loss on sales
Equity	$847	$—	$—
Total	$847	$—	$—

4. Impairment Loss on Securities

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. Among available-for-sale securities, the Company recognized impairment loss of ¥103 million on stocks with market values and ¥34 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, 2018

During the fiscal year ended March 31, 2018, the Company recognized impairment loss on securities of ¥0 million (US$5 thousand). Among available-for-sale securities, the Company recognized impairment loss of ¥0 million (US$5 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, 2017 and 2018

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
	2017	2018	2018
Opening balance of projected benefit obligations	¥ 133,135	¥ 134,496	$1,265,967
Service cost	5,282	5,405	50,884
Interest cost	391	395	3,718
Actuarial loss	413	(1,226)	(11,544)
Retirement benefits provided	(4,727)	(4,449)	(41,880)
Closing balance of projected benefit obligations	¥134,496	¥134,621	$1,267,145

(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
	2017	2018	2018
Opening balance of plan assets	¥104,610	¥105,676	$ 994,693
Expected return on plan assets	2,081	2,103	19,800
Actuarial gain	241	1,668	15,703
Contribution of employer	2,743	2,774	26,115
Retirement benefits paid	(4,001)	(3,524)	(33,171)
Closing balance of plan assets	¥105,676	¥108,698	$1,023,141

(3) Reconciliation schedule for the closing balance of projected benefit obligations and plan assets, and for net defined benefit liability and asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Projected benefit obligations, funded plan	¥116,815	¥116,485	$1,096,433
Plan assets	(105,676)	(108,698)	(1,023,141)
	11,139	7,786	73,292
Projected benefit obligations, unfunded plan	17,680	18,136	170,712
Net amount of liabilities and assets recorded on the balance sheet	28,820	25,923	244,004
Net defined benefit liability	28,820	25,923	244,004
Net defined benefit asset	—	—	—
Net amount of liabilities and assets recorded on the balance sheet	¥ 28,820	¥ 25,923	$ 244,004

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost*	¥5,282	¥5,405	$50,884
Interest cost	391	395	3,718
Expected return on plan assets	(2,081)	(2,103)	(19,800)
Amortization value of actuarial loss	2,902	2,033	19,145
Amortization value of prior service cost	(563)	(563)	(5,307)
Retirement benefit expenses related to defined benefit plans	¥5,930	¥5,167	$48,639

* 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
	2017	2018	2018
Prior service cost	¥ 563	¥ 563	$ 5,307
Actuarial gains and losses	(2,730)	(4,928)	(46,393)
Total	¥(2,166)	¥(4,364)	$(41,085)

(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
	2017	2018	2018
Unrecognized prior service cost	¥ (5,075)	¥ (4,511)	$ (42,462)
Unrecognized actuarial loss	18,545	13,616	128,170
Total	¥13,470	¥ 9,105	$ 85,708

(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:

	2017	2018
Domestic bonds	47%	47%
Domestic equities	12	13
Foreign bonds	6	6
Foreign equities	10	10
Insurance assets (General account)	24	23
Cash and deposits	0	0
Others	0	1
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

	2017	2018
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
	2017	**2018**	**2018**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 1,797	**¥ 681**	**$ 6,413**
Accrued expenses	3,937	**4,039**	**38,023**
Accrued enterprise tax	679	**666**	**6,275**
Net defined benefit liability	8,850	**7,976**	**75,079**
Loss on valuation of investment securities	1,023	**1,033**	**9,728**
Loss on valuation of memberships	418	**402**	**3,784**
Impairment loss	401	**401**	**3,781**
Provision for loss on construction contracts	14	**1**	**11**
Unrealized gains	845	**802**	**7,555**
Others	1,935	**1,850**	**17,421**
Subtotal of deferred tax assets	19,903	**17,856**	**168,075**
Valuation allowance	(5,254)	**(3,074)**	**(28,935)**
Total deferred tax assets	¥ 14,649	**¥ 14,782**	**$ 139,140**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(14,181)	**(17,593)**	**(165,601)**
Reserve for advanced depreciation of noncurrent assets	(100)	**(100)**	**(941)**
Others	(276)	**(861)**	**(8,106)**
Total deferred tax liabilities	¥(14,557)	**¥(18,554)**	**$(174,648)**
Net deferred tax assets (liabilities)	¥ 91	**¥ (3,772)**	**$ 35,507**

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

	2017	**2018**
Effective statutory tax rate	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.	**30.8%**
(Adjustments)		
Permanently non-deductible items		**1.9**
Permanently non-taxable items		**(0.2)**
Increase/decrease in valuation allowance		**(5.3)**
Other		**(0.0)**
Corporate tax, etc., overage ratio after application of tax effect accounting		**27.1**

ASSET RETIREMENT OBLIGATION

For the fiscal years ended March 31, 2017 and 2018

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, 2017 and 2018

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, 2017 and 2018

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, 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

Customer name	Net sales Millions of yen	Related segment
The Kansai Electric Power Co., Inc.	¥62,072	Facility Construction Business

For the fiscal year ended March 31, 2018

(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.	¥66,062	$621,822	Facility Construction Business

Information about Impairment Loss on Noncurrent Assets for Each Reporting Segment

For the fiscal years ended March 31, 2017 and 2018

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, 2017 and 2018

Not applicable.

Information about Gain on Negative Goodwill for Each Reporting Segment

For the fiscal years ended March 31, 2017 and 2018

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, 2017

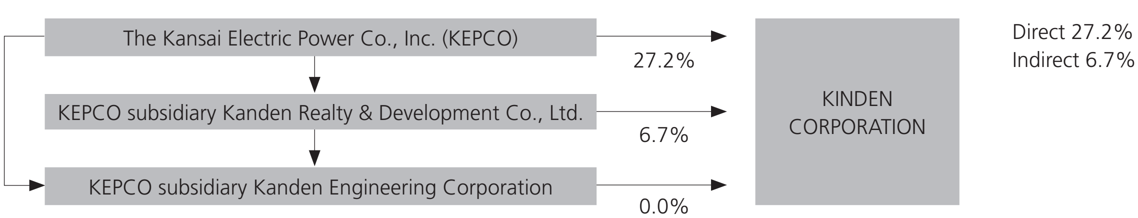
<table>
<tr><th>Type of transaction</th><th>Name of company or individual (address)</th><th>Capital stock or investment</th><th>Description of business or position</th><th>Percentage of voting rights held</th><th colspan="2">Transactions between related parties</th></tr>
<tr><td rowspan="4">Other affiliates</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">¥60,471 million</td><td>Accounts receivable from completed construction contracts</td><td>¥10,482 million</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥549 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



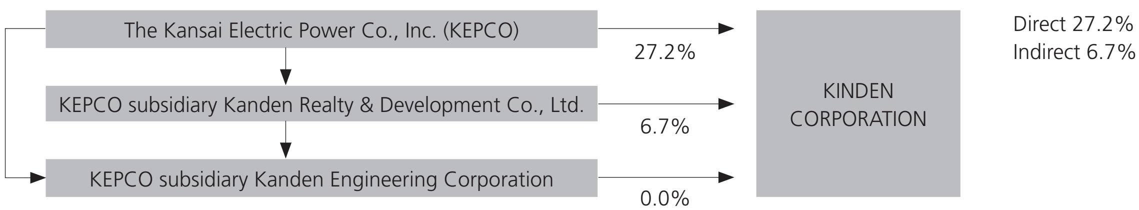
(Note 3) Percentage of voting rights held is calculated based on the number of shares with voting rights owned as of March 31, 2017.

For the fiscal year ended March 31, 2018

<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
$4,605,804 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">¥64,476 million
$606,893 thousand</td><td>Accounts receivable from completed construction contracts</td><td>¥9,861 million
$92,826 thousand</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥473 million
$4,459 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, 2018.

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, 2017

Not applicable.

For the fiscal year ended March 31, 2018

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
	2017	2018	2018
Net assets per common share	¥1,834.53	**¥1,991.52**	**$18.74**
Profit attributable to owners of parent per common share	121.57	**135.87**	**1.27**

(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
	2017	2018	2018
Profit attributable to owners of parent	¥26,375	**¥29,478**	**$277,467**
Amount not attributable to ordinary shareholders	—	**—**	**—**
Profit attributable to owners of parent applicable to common stock	26,375	**29,478**	**277,467**

	Thousands of shares	
	2017	2018
Average number of common stock outstanding for each period	216,961	**216,955**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Total net assets	¥399,228	**¥433,227**	**$4,077,817**
Amounts deducted from total net assets	1,212	**1,159**	**10,915**
Non-controlling interests	1,212	**1,159**	**10,915**
Total net assets related to common stock	398,015	**432,067**	**4,066,902**

	Thousands of shares	
	2017	2018
Number of common stock used to calculate net assets per share	216,957	**216,953**

SUBSEQUENT EVENTS

Not applicable.

CONSOLIDATED SUPPLEMENTAL SCHEDULES

Schedule of Corporate Bonds

Not applicable.

Schedule of Outstanding Loans, etc.

	At April 1, 2017	At March 31, 2018	Average rate	Due date
Short-term loans payable	¥16,190 million	¥16,240 million $152,861 thousand	1.410%	—
Current portion of long-term loans payable	—	—	—	—
Current portion of lease obligations	¥87 million	¥70 million $665 thousand	—	—
Long-term loans payable (Excluding current portion of long-term loans payable)	—	—	—	—
Lease obligations (Excluding current portion of lease obligations)	¥156 million	¥156 million $1,474 thousand	—	From 2019 to 2022
Other interest-bearing debt	—	—	—	—
Total	¥16,433 million	¥16,467 million $155,000 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, 2018 (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	¥87 million $822 thousand	¥51 million $482 thousand	¥17 million $160 thousand	¥0 million $9 thousand

Schedule of Asset Retirement Obligations

Not applicable.

OTHERS

Quarterly Information for the Fiscal Year ended March 31, 2018

(Cumulative period)	One quarter	Two quarters	Three quarters	Full year
Net sales	¥94,895 million $893,220 thousand	¥211,411 million $1,989,945 thousand	¥329,740 million $3,103,734 thousand	¥500,700 million $4,712,918 thousand
Profit before income taxes	¥3,261 million $30,696 thousand	¥11,154 million $104,992 thousand	¥21,126 million $198,856 thousand	¥40,308 million $379,410 thousand
Profit attributable to owners of parent	¥1,952 million $18,381 thousand	¥7,280 million $68,524 thousand	¥14,023 million $131,993 thousand	¥29,478 million $277,467 thousand
Profit attributable to owners of parent per common share	¥9.00 $0.08	¥33.56 $0.31	¥64.64 $0.60	¥135.87 $1.27

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit attributable to owners of parent per common share	¥9.00 $0.08	¥24.55 $0.23	¥31.08 $0.29	¥71.24 $0.67

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, 2018, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year ended March 31, 2018 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, 2018, 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 26, 2018
PKF HIBIKI AUDIT CORPORATION

Non-Consolidated Statements of Income

KINDEN CORPORATION
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net sales of completed construction contracts	¥410,703	¥439,641	$4,138,193
Cost of sales of completed construction contracts	340,469	364,192	3,428,013
Gross profit on completed construction contracts	70,233	75,449	710,179
Selling, general and administrative expenses	40,897	42,924	404,030
Operating income	29,336	32,525	306,149
Non-operating income:			
Interest income	276	232	2,191
Interest on securities	184	135	1,275
Dividends income	2,286	2,320	21,841
Other	472	415	3,909
Total non-operating income	3,220	3,104	29,218
Non-operating expenses:			
Interest expenses	245	240	2,260
Foreign exchange losses	90	127	1,201
Condolence money	100	100	941
Compensation expenses	41	241	2,276
Other	195	106	999
Total non-operating expenses	673	815	7,679
Ordinary income	31,882	34,813	327,687
Extraordinary income:			
Gain on sales of noncurrent assets	18	67	637
Gain on sales of investment securities	70	—	—
Gain on sales of memberships	1	1	15
Total extraordinary income	89	69	653
Extraordinary losses:			
Loss on sales of noncurrent assets	5	17	167
Loss on retirement of noncurrent assets	12	94	890
Impairment loss	109	1	16
Loss on valuation of investment securities	137	0	5
Loss on valuation of shares of subsidiaries and associates	24	20	188
Loss on sales of memberships	0	0	0
Loss on valuation of memberships	11	6	60
Total extraordinary losses	300	141	1,329
Profit before income taxes	31,671	34,741	327,011
Income taxes:			
Income taxes–current	10,120	9,584	90,215
Income taxes–deferred	(619)	(1,048)	(9,872)
Total income taxes	9,501	8,535	80,342
Profit	¥ 22,169	¥ 26,206	$ 246,668

	Yen		U.S. dollars
	2017	2018	2018
Amounts per common share:			
Profit	¥102.18	¥120.79	$1.13
Cash dividends	26.00	28.00	0.26

Non-Consolidated Balance Sheets

KINDEN CORPORATION
March 31, 2017 and 2018

ASSETS	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
CURRENT ASSETS:			
Cash and deposits	¥ 16,955	¥ 18,810	$ 177,059
Notes receivable–trade	4,001	4,281	40,298
Electronically recorded monetary claims	21,939	35,283	332,107
Accounts receivable from completed construction contracts	137,500	140,348	1,321,051
Short-term investment securities	99,000	102,000	960,090
Costs on uncompleted construction contracts	10,863	11,391	107,223
Raw materials and supplies	734	721	6,794
Deferred tax assets	4,567	5,113	48,127
Other	5,968	3,318	31,238
Allowance for doubtful accounts	(3,265)	(2,088)	(19,654)
Total current assets	298,265	319,180	3,004,336
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings	76,544	76,551	720,550
Accumulated depreciation	(53,117)	(54,147)	(509,667)
Buildings, net	23,426	22,404	210,883
Structures	5,403	5,430	51,117
Accumulated depreciation	(4,956)	(5,012)	(47,185)
Structures, net	447	417	3,932
Machinery and equipment	2,092	2,221	20,906
Accumulated depreciation	(1,684)	(1,761)	(16,575)
Machinery and equipment, net	408	460	4,330
Vehicles	18,045	18,889	177,801
Accumulated depreciation	(15,251)	(15,643)	(147,246)
Vehicles, net	2,793	3,246	30,555
Tools, furniture and fixtures	9,281	9,421	88,681
Accumulated depreciation	(8,429)	(8,556)	(80,539)
Tools, furniture and fixtures, net	852	864	8,141
Land	55,438	55,444	521,875
Construction in progress	3	18	172
Total property, plant and equipment	83,371	82,855	779,890
INTANGIBLE ASSETS:			
Leasehold right	116	116	1,094
Telephone subscription right	148	148	1,401
Software	1,210	1,549	14,588
Total intangible assets	1,475	1,815	17,084
INVESTMENTS AND OTHER ASSETS:			
Investment securities	104,755	122,174	1,149,988
Stocks of subsidiaries and affiliates	7,852	7,832	73,725
Long-term loans receivable	9	9	87
Long-term loans receivable from employees	7	6	60
Long-term loans receivable from subsidiaries and affiliates	19,543	16,935	159,403
Long-term prepaid expenses	89	123	1,165
Prepaid pension cost	233	—	—
Other	9,411	4,667	43,932
Allowance for doubtful accounts	(3,379)	(893)	(8,412)
Total investments and other assets	138,524	150,855	1,419,950
Total noncurrent assets	223,371	235,526	2,216,926
Total assets	¥521,637	¥554,706	$5,221,262

LIABILITIES AND NET ASSETS	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
CURRENT LIABILITIES:			
Notes payable–trade	¥ 1,150	¥ 1,760	$ 16,571
Accounts payable for construction contracts	55,132	58,132	547,181
Short-term loans payable	15,160	15,210	143,166
Accounts payable–other	7,174	7,535	70,928
Accrued expenses	11,860	12,258	115,383
Income taxes payable	8,742	7,612	71,650
Advances received on uncompleted construction contracts	11,116	9,838	92,611
Provision for loss on construction contracts	239	530	4,991
Provision for warranties for completed construction	264	225	2,117
Provision for directors' bonuses	72	86	811
Other	7,002	5,809	54,680
Total current liabilities	117,915	118,998	1,120,094
NONCURRENT LIABILITIES:			
Deferred tax liabilities	9,360	12,212	114,948
Provision for retirement benefits	14,466	15,654	147,351
Other	891	917	8,632
Total noncurrent liabilities	24,717	28,783	270,931
Total liabilities	142,632	147,782	1,391,026
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2018)	26,411	26,411	248,602
Capital surplus	29,657	29,657	279,158
Retained earnings	289,648	309,996	2,917,890
Treasury stock	(1,041)	(1,049)	(9,882)
Total shareholders' equity	344,676	365,016	3,435,768
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities	34,327	41,908	394,468
Total valuation and translation adjustments	34,327	41,908	394,468
Total net assets	379,004	406,924	3,830,236
Total liabilities and net assets	¥521,637	¥554,706	$5,221,262

Board of Directors and Audit & Supervisory Board Members

As of June 26, 2018

Chairman:	MASAO IKOMA
President:	YUKIKAZU MAEDA
Vice President:	MASATAKE MORIMOTO
Directors:	YOSHIHIRO TANIGAKI*1 MASAYA AMISAKI*1 HIROYUKI HAYASHI*1 HIDEHIKO YUKAWA*1 TAKAO UESAKA*2 HIDEO TANAKA*2 HIROSHI NISHIMURA*2 HARUNORI YOSHIDA*3*5 HANROKU TORIYAMA*3*5
Audit & Supervisory Board Members:	MASATAKA MIZUMOTO NOBUHIRO SAKATA YASUHIRO YASHIMA*4 MASAMI YOSHIOKA*4*6 TOSHIMITSU KAMAKURA*4*6

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

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, 2018)
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:	7,601 (As of March 31, 2018)
URL:	http://www.kinden.co.jp/english/
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, 2018

OVERSEAS OFFICES

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

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 Metropolitan Business Promotion Division

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, 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/english/

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