ANNUAL REPORT 2019

KINDEN CORPORATION

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 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 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.

CONTENTS

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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

Business Results in the Year Ended March 2019

We attained our operating income target for the medium-term management plan ahead of schedule.

During the fiscal year ended March 2019, the Japanese economy continued a modest recovery thanks to such factors as a visible pickup in personal consumption amid improved employment conditions and to an increase in capital investment.

The construction industry trended firmly, driven mainly by private investment, as large construction projects that included Tokyo Olympic and Paralympic Games-related projects and redevelopment projects got fully underway. On the other hand, a shortage of skilled workers and rising materials prices caused lingering difficulties in the operating environment.

Under these conditions, the Kinden Group formulated 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.

The fiscal year under review marked the midway point of the medium-term management plan. The entire company worked as one in implementing action plans for addressing key management issues that include strengthening and linking our three main pillars consisting of the Electrical, Environmental Management Facilities and Information & Communications Network businesses.

As a result, consolidated net sales increased 4.1% from the previous fiscal year, to ¥521,283 million; operating income increased 4.5%, to ¥40,354 million; and profit attributable to owners of parent decreased 2.2%, to ¥28,844 million. Accordingly, the Kinden Group was able to achieve its operating income target for the final fiscal year of the medium-term management plan two years ahead of schedule.

On a non-consolidated basis, all categories increased from the previous year as net sales of completed construction contracts amounted to ¥456,762 million, up 3.9%, while operating income grew 3.1%, to ¥33,520 million, and profit increased 0.2%, to ¥26,250 million.

Looking at sales by customer, The Kansai Electric Power Company, Incorporated (Kansai Electric Power) accounted for 14.3% of sales, Kansai Electric Power Group companies 3.6% of sales and other customers 82.1% of sales.

Looking at net sales of completed construction contracts by construction sector, the Power Distribution

Consolidated Financial Highlights

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		YoY change	Thousands of U.S. dollars*
	2018	2019		2019
Net sales	¥500,700	**¥521,283**	4.1%	**$4,696,666**
Operating income	38,618	**40,354**	4.5%	**363,590**
Profit attributable to owners of parent	29,478	**28,844**	(2.2)%	**259,880**
Total assets	600,925	**634,064**	5.5%	**5,712,805**
Total net assets	433,227	**450,265**	3.9%	**4,056,814**
Return on equity (ROE)	7.1%	**6.5%**	(0.6)pt	—
	Yen			U.S. dollars*
Profit attributable to owners of parent per common share	¥135.87	**¥132.95**	(2.1)%	**$1.19**
Cash dividends per common share	28.00	**30.00**	7.1%	**0.27**

* U.S. dollar amounts are computed using the March 31, 2019 exchange rate of ¥110.99=US$1.

Lining, Electrical and Information & Communications Network businesses recorded increases while the Environmental Management Facilities and Electric Power & Others businesses posted declines. Specifically, sales in the Power Distribution Lining business increased 2.6%, to ¥59,355 million, due to an increase in construction work for Kansai Electric Power. Sales in the Electrical business increased 6.2%, to ¥301,741 million, due to an increase in commercial and entertainment facilities and factories despite a decrease in office buildings. Sales in the Information & Communications Network business increased 0.4%, to ¥42,529 million, due to increases in mobile phone-related work and CATV facilities despite a decline in instrumentation work. Sales in the Environmental Management Facilities business decreased 5.4%, to ¥30,036 million, due to decreases in office buildings and commercial and entertainment facilities despite an increase in factories. Sales in the Electric Power & Others business decreased 2.2%, to ¥23,099 million, due to decreases in the installation of overhead power lines and underground power lines.

Profit attributable to owners of parent per common share decreased ¥2.92 year on year on a consolidated basis, to ¥132.95. On a non-consolidated basis, profit per common share increased ¥0.21, to ¥121.00.

Progress of the Medium-Term Management Plan

We are improving productivity and strengthening business in the Greater Metropolitan Area.

Improving the working environment and raising productivity are two major issues facing Kinden. In addressing these issues, Kinden is taking such measures as visualizing business operations; introducing an interval system for young employees, reducing and promoting a division of labor in non-core operations, adopting IT and promoting robotization. (See page 11 Topics.) On top of this, we are pushing forward with workstyle reforms unique to Kinden that include reviewing our personnel evaluation system, promoting greater mobility of personnel and assuring diversity.

In the Electrical business, in March 2019 we built a new structure that places the Greater Metropolitan Area under a four branch-office system as we strive to further strengthen our community-focused sales in each area. (See page 11 Topics.) Additionally, Kinden will also concentrate on renewal construction, a market that is expected to expand in the future.

Contributing to Maintaining the Social Infrastructure

Kinden will strengthen proposals for disaster mitigation and toughening.

In the fiscal year ended March 31, 2019, we witnessed the frequent occurrence of natural disasters in Japan, with the Kansai region hit particularly hard. Kinden responded to these disasters by making company-wide efforts toward the quick restoration of the social infrastructure, which included recoveries from wide-area power blackouts caused by typhoons. Kinden has an increasing number of opportunities for contributing to the maintenance of lifelines and in the future we will focus efforts on proposing facilities for disaster mitigation and toughening as we fulfill our key role of supporting the social infrastructure. (See pages 4-5 Special Feature.)

Corporate Governance

We continuously strengthen corporate governance.

The Kinden Group recognizes that strengthening corporate governance is a key management issue in order to sustainably raise our corporate value. For this reason, we work to continuously strengthen corporate governance based on two priority measures: increasing the transparency of operations and thoroughly strengthening compliance. (See pages 12-14 Corporate Governance.)

Return to Shareholders and Dividend Policy

Kinden increased dividends by ¥2 and paid a full-year dividend of ¥30 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 our 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 ¥30 per common share for the fiscal year ended March 2019. The ordinary interim dividend was ¥14 per share and the year-end dividend was ¥16 per share, which included an ordinary dividend of ¥14 per share in line with the initial forecast in addition to a 75th anniversary commemorative dividend of ¥2 per share.

Outlook and Strategies for the Fiscal Year Ending March 2020

We expect an increase in both consolidated and non-consolidated sales and income.

Looking ahead, the Japanese economy is expected to continue a modest recovery amid ongoing improvements in the employment and income environments. Nevertheless, such issues as the impact of trade problems on the global economy as well as uncertainties in overseas economies and fluctuations in financial and capital markets will require close attention. In the construction industry, securing a construction coordination and management structure will continue to be a key issue along with the progression of redevelopment projects and work to upgrade infrastructure, mainly in the Greater Metropolitan Area, as well as the advance of preparations toward the separation of electricity generation, transmission and distribution that will be enforced from April 2020.

Under these conditions, the Kinden Group will continue our contributions to the power infrastructure business and the further strengthening of community-focused business activities, while continuing to strengthen business development in the Greater Metropolitan Area and developing business overseas from a long-term perspective.

For the fiscal year ending March 2020, we forecast consolidated net sales of ¥560,000 million, up 7.4% year on year; operating income of ¥40,400 million, up 0.1%; and profit attributable to owners of parent of ¥30,500 million, up 5.7%. On a non-consolidated basis, we anticipate net sales of ¥490,000 million, up 7.3%; operating income of ¥33,600 million, up 0.2%; and profit of ¥28,000 million, up 6.7%.

Next fiscal year (ending March 2020), we plan to provide a full-year dividend of ¥30 per common share, comprising an ordinary interim dividend of ¥15 per common share and a year-end dividend of ¥15 per common share.

In the future as well, the Kinden Group will earnestly interact with our customers more than ever before to deepen our bonds of trust with customers, and by extension with society, as it aims to be No. 1 in terms of actual capabilities as an integrated electrical and facility engineering company. We will also strive to be a company that supports society by effectively using the earth's finite energy resources and ensuring that all people live comfortably and that a clean earth is also handed down to the next generation.

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

June 2019

Yukikazu Maeda
President

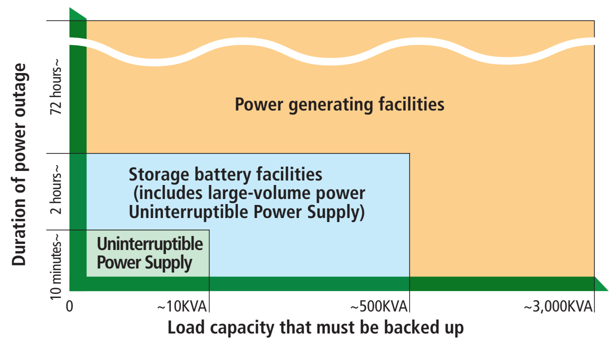
"Contributing to the Maintaining of the Social Infrastructure" ~Implementing Disaster Countermeasures through Our Businesses~

In recent years, Japan has witnessed frequent occurrences of major disasters resulting from typhoons, earthquakes and other natural phenomena. For this reason, the importance of preparing the infrastructure for such natural disasters is now greater than ever. In February 2019, the government's Earthquake Research Committee announced its forecast concerning the possibility of a large-scale earthquake striking Japan in the future and issued a widespread warning. As an integrated electrical and facility engineering company that supports the social infrastructure, Kinden actively undertakes a diversity of businesses involving disaster countermeasures that range from disaster mitigation to restoration businesses. In this Special Feature we introduce examples of some of the disaster countermeasures provided by Kinden.

Supporting Business Continuity by Assuring Power Sources in Emergencies

Emergency power sources such as an uninterruptible power supply (UPS), large-capacity storage batteries and power generators are extremely effective equipment in preparing for power blackouts caused by natural disasters. Nonetheless, relying on emergency power generating equipment to secure electric power required for entire loads is not easy due to factors such as the cost of introducing this equipment. With this in mind, Kinden listens closely to customer requests such as which facilities must be backed up and to what degree and then makes proposals tailored to customer needs in terms of cost, efficiency and other aspects.

Emergency power supply system: Available time and capacity

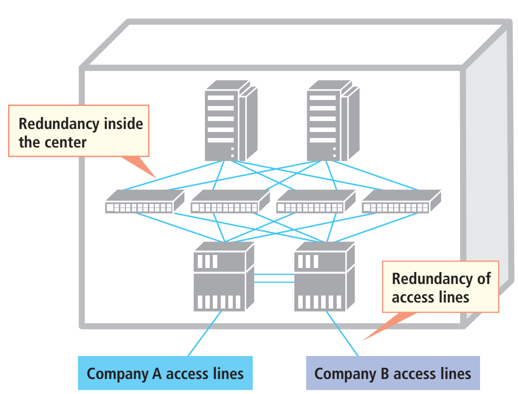


Example of backup load (for a hospital)

Power generating facilities	Fire extinguishing pumps/Elevators/Ordinary and emergency lighting
Storage battery facilities	Operating room/Dialysis equipment/Life support systems
Uninterruptible Power Supply	Ordering/PC for electronic medical records/Server

Disaster Preparation through Redundancy of the Information Communication Infrastructure

Data on servers becomes inaccessible when an information network failure occurs due to a disaster. Therefore, an increasing number of companies are integrating their own business information into servers at data centers, which adopt a variety of measures against failure. Kinden has been involved in the construction of numerous data centers. Kinden raises facility availability through redundancy that handles multiple types of equipment such as routers and access circuits in addition to providing its highly reliable power sources.



Maintaining a Hygienic Environment by Making Preparations for Disrupted Water Supplies

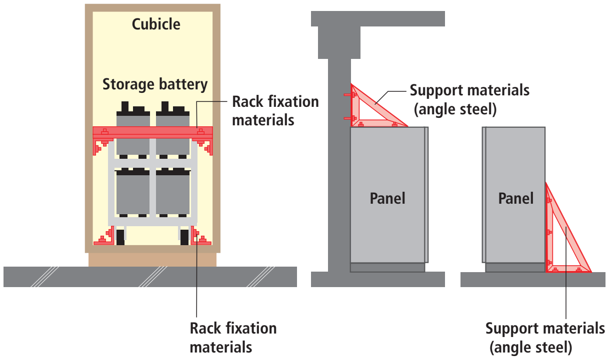
Securing potable water and treating excretion are crucial issues in times of disaster. In recent years there have even been instances of deaths from dehydration and cerebral infarction resulting from people curtailing water consumption to reduce toilet use after toilets became unsanitary due to disrupted water supplies. Kinden installs water-purifying equipment at on-site wells, increases water receiving tanks and sets up emergency-use manhole toilets as part of efforts to assure hygienic living environments that enable facility users to focus on disaster restoration.

Water-purifying equipment

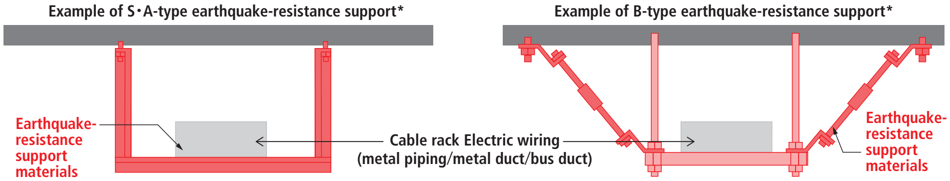
Protecting Facilities through Anti-Seismic Reinforcement

Strong shaking from earthquakes causes various types of damage such as the overturning of power reception and transforming systems; damaging of cable racks, electric wiring and water supply and drainage pipes; and the falling of lighting fixtures. To reduce such damage, Kinden installs rubber vibration isolators and stoppers and takes additional reinforcement measures that utilize angle steel and other seismic-resistant support materials as well as anti-vibration metal fittings. Furthermore, Kinden strives to prevent short circuits in flexible conductors near transformers by carrying out protective measures for insulation covers and insulation separators.

Case1 : Cubicle and Self-standing panel



Case2 : Cable rack and electric wiring

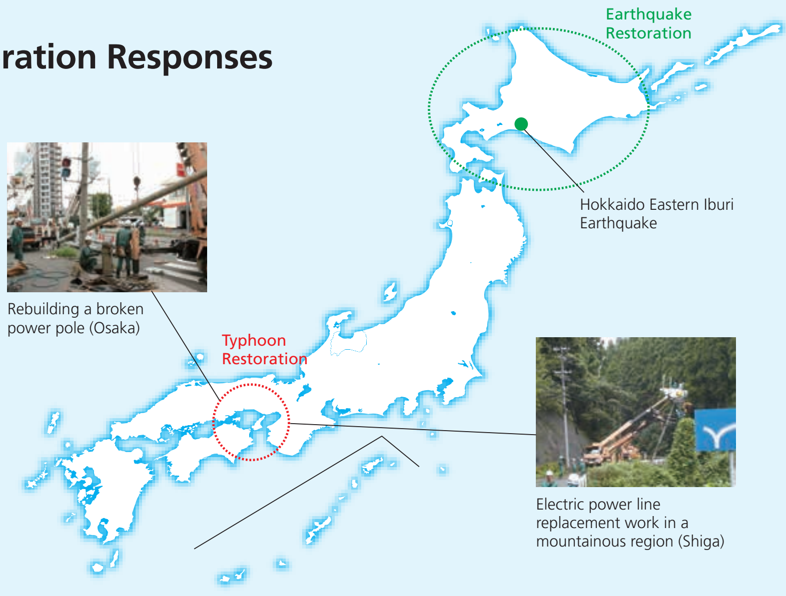


*Earthquake resistance: S-type equipment has the strongest resistance followed by A type and then B type.

Case Example

Typhoon and Earthquake Restoration Responses (September 2018)

In 2018 as well, Japan was struck by numerous natural disasters. During September in particular, Typhoon No. 21 (Typhoon Jebi) crossed Shikoku and the Kinki regions, wreaking enormous damage. Two days later, the Hokkaido Eastern Iburi Earthquake with an intensity of 7 on the Japanese seismic scale struck, causing a power blackout throughout all of Hokkaido. In response to these disasters, Kinden worked around the clock toward disaster restoration, with these efforts led mainly by the Power Distribution Lining and the Electrical departments, and in doing so contributed to the quick restoration of facilities. These initiatives by Kinden were highly acclaimed by customers and local residents alike.



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 Company, Incorporated (Hyogo)

Electrical

Otemachi PLACE (Tokyo)

Information & Communications Network

Mitarai rest house base station (Nara)

Environmental Management Facilities

Laguna Baycourt Club Hotel & Spa Resort (Aichi)

Electric Power & Others

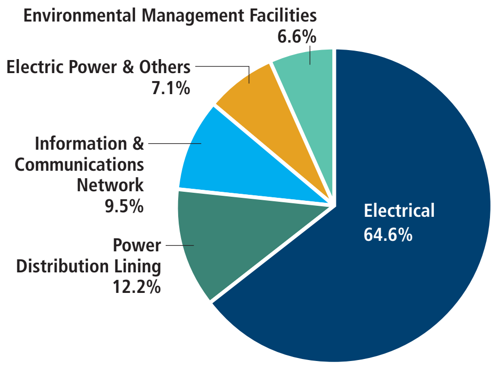
New setting work of underground pipe line (Hyogo)

Review of Operations (Non-Consolidated)

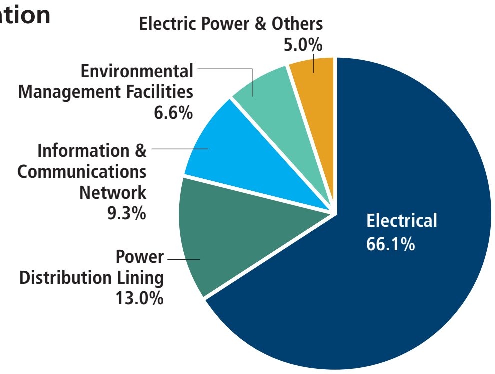
Summary by Operation

The summary by operation is on a non-consolidated basis. Orders received were up year on year in all operations consisting of the Power Distribution Lining, Electrical, Information & Communications Network, Environmental Management Facilities and Electric Power & Others segments. Although net sales of completed construction contracts were up year on year in the Power Distribution Lining, Electrical and Information & Communications Network segments, they decreased in the Environmental Management Facilities and Electric Power & Others segments. 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 continues to be 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

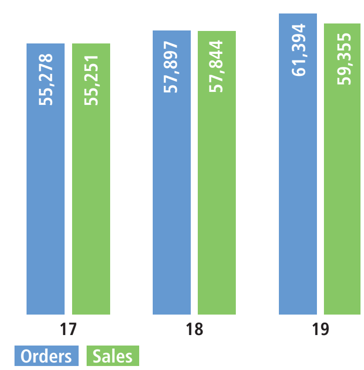


Net Sales of Completed Construction Contracts by Operation



Power Distribution Lining

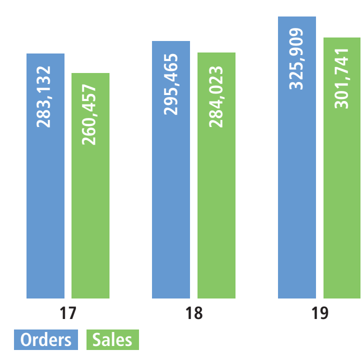
Orders and Sales
Millions of yen



Orders received increased 6.0% from the previous fiscal year, to ¥61,394 million, and net sales of completed construction contracts rose 2.6%, to ¥59,355 million. The main reason for these increases was a rise in construction work for The Kansai Electric Power Company, Incorporated. Although our business foundation is stable in Power Distribution Lining, 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 both 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 bulk electric power receiving works for apartment buildings, high-voltage construction work for convenience stores and internal facility construction projects (power receiving and transforming equipment, etc.). At the same time, in the Kanto area we will promote the further strengthening of our structure on the basis of securing orders for high-voltage bulk electric power receiving works for apartment buildings and high-voltage construction work for convenience stores.

Electrical

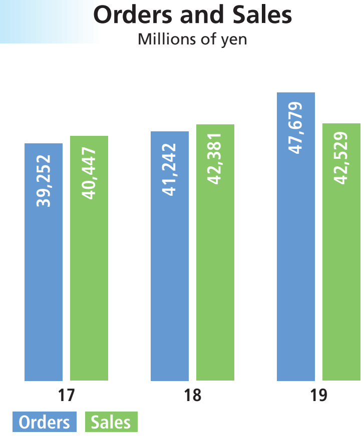
Orders and Sales
Millions of yen



Orders received increased 10.3% from the previous fiscal year, to ¥325,909 million, and net sales of completed construction contracts were up 6.2%, to ¥301,741 million. The main factors supporting the increase in orders received include office buildings and factories, while net sales of completed construction contracts were higher due to an increase in commercial and entertainment facilities and factories. Going forward, we will further strengthen business development in the Greater Metropolitan Area and intensify sales in areas such as renewal construction and logistics facilities, where there has been robust capital investment in recent years, as well as investment for data centers, where demand is expanding. 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 Asia.

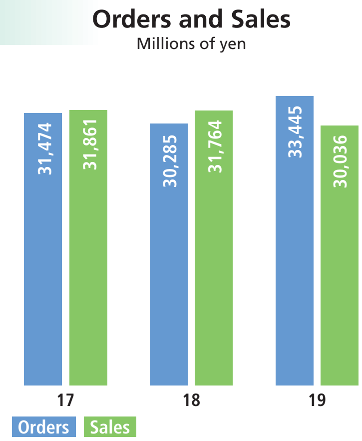
Information & Communications Network

Compared with the previous fiscal year, orders received increased 15.6%, to ¥47,679 million, and net sales of completed construction contracts rose 0.4%, to ¥42,529 million. Orders received and net sales of completed construction contracts for FTTH installation work from an affiliate of Kansai Electric Power remained virtually level with the previous fiscal year. Orders received and net sales of completed construction contracts for mobile phone-related work and CATV facilities 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.



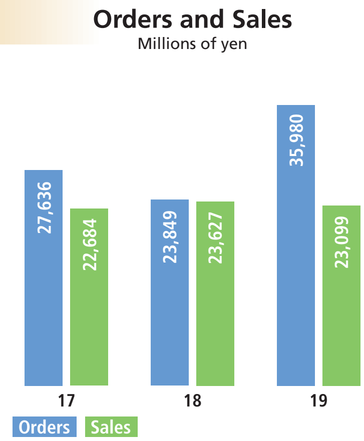
Environmental Management Facilities

Orders received increased 10.4% year on year, to ¥33,445 million, while net sales of completed construction contracts declined 5.4%, to ¥30,036 million. The main reasons for the increase in orders received were rises in educational and cultural facilities and factories, while the decrease in net sales of completed construction contracts was due to declines in office buildings and commercial and entertainment facilities. Going forward, with operation centered around the Greater Metropolitan Area and Kansai Area, 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, and factories. We will also attempt to expand orders through proactive proposals to customers related to energy-saving and business continuity planning (BCP) measures.



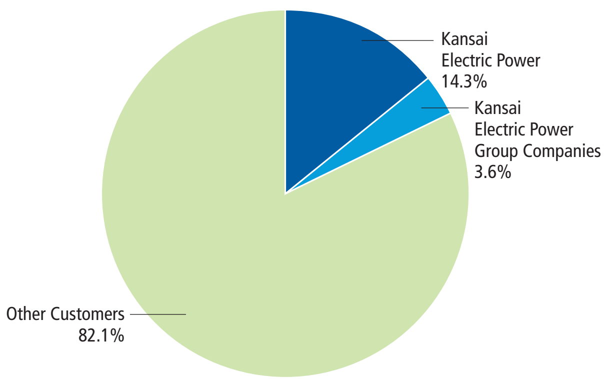
Electric Power & Others

Orders received increased 50.9% year on year, to ¥35,980 million, and net sales of completed construction contracts declined 2.2%, to ¥23,099 million. The increase in orders received was mainly due to increases in installation of overhead power lines and power station and substation construction work. The decrease in net sales of completed construction contracts was mainly due to a decrease in installation of overhead 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 solar and wind power generation facilities.

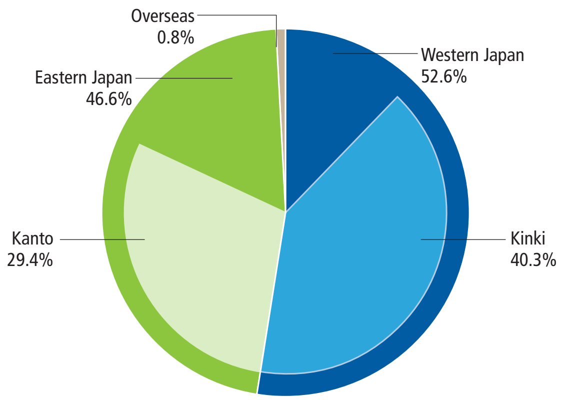


■ *Composition of Non-Consolidated Net Sales, Contract Backlog by Operations and Shareholding Ratio* *(Fiscal 2019)*

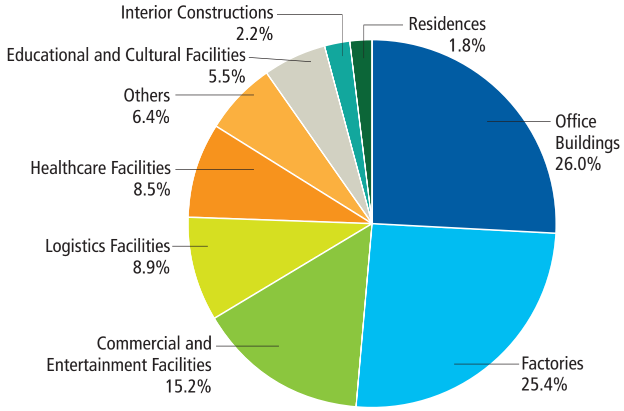
Net Sales by Customer



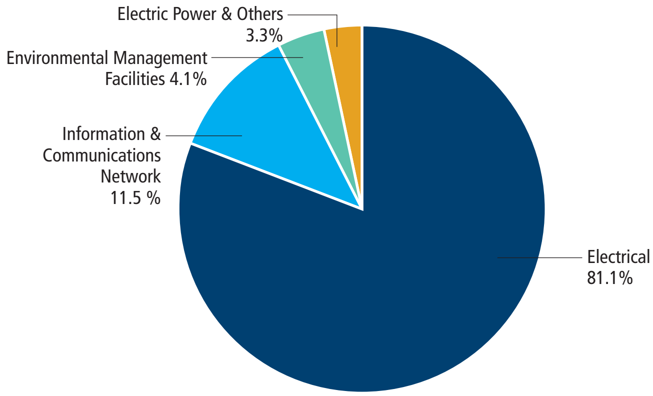
Net Sales by Region (excluding sales of Power Distribution Lining)



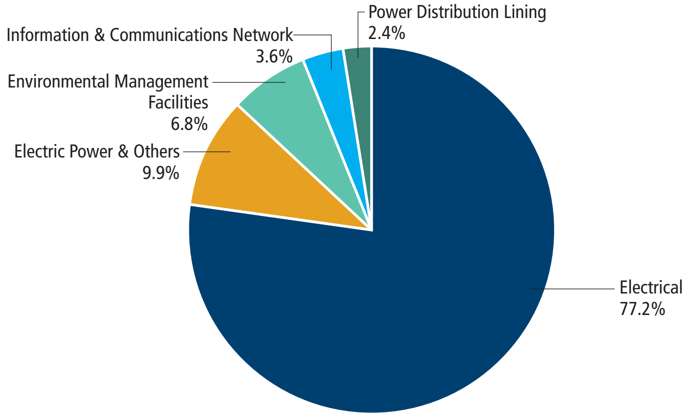
Net Sales by Facility (Electrical)



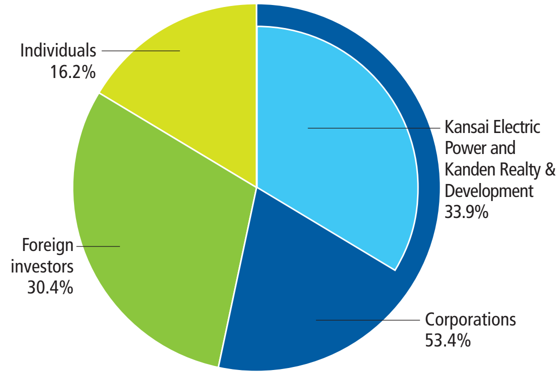
Net Sales of Renewal Construction by Operation (excluding sales of Power Distribution Lining)



Contract Backlog by Operation



Shareholding Ratio



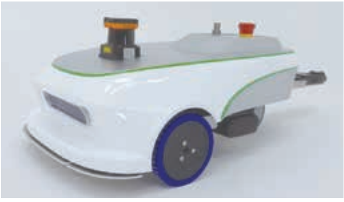
Initiatives for Raising Productivity through the Deployment of Robots and IT

Amid an increasingly conspicuous labor shortage in the construction industry, Kinden is working to enhance the efficiency of our construction-related operations to maintain high-quality construction.

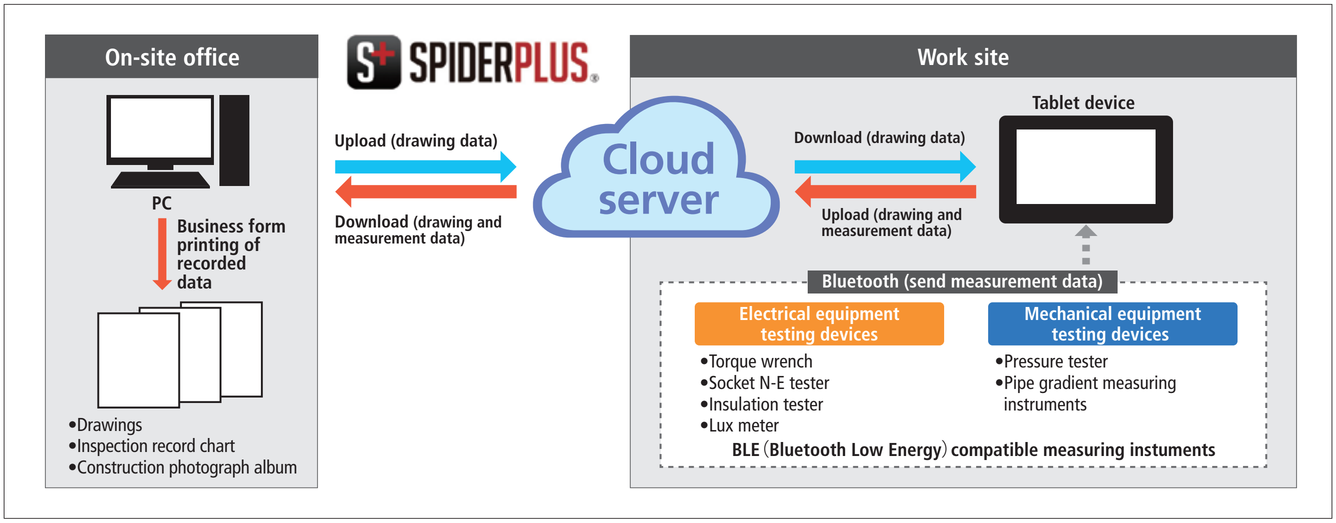
In line with this background, Kinden developed a lux measurement robot. This robot can be set by a tablet device and drives autonomously to the lux measurement point. The intensity of lux data is automatically saved by the robot. Compared with previous methods, this robot reduces actual working time needed for lux measuring by approximately 90%.

Additionally, Kinden and Regolith Inc. jointly developed an optional function that applies IT in electrical and mechanical equipment construction inspections in association with Regolith's SpiderPlus®, a cloud-based drawing management and data sharing app. This is used with various types of measuring instruments equipped with Bluetooth Low Energy. Because this function enables measurements and inspection report preparation to be undertaken simultaneously, there are expectations for significantly enhancing the efficiency of inspection work.

In the future as well, Kinden will contribute to enhancing the efficiency of on-site management work and provide high-quality facilities that can be used with a sense of security, thereby contributing to maintaining the social infrastructure.



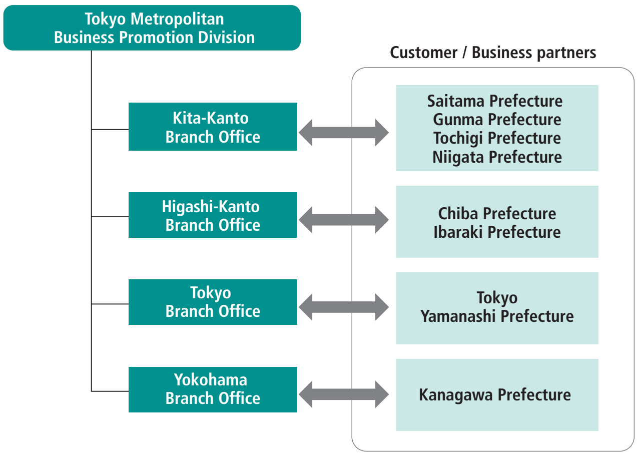
Lux measurement robot



Two Branches Newly Launched to Further Strengthen Business in the Greater Metropolitan Area

On March 16, 2019, Kinden organized a new business structure to further strengthen our business in the Greater Metropolitan Area. Specifically, two construction departments (Kita-Kanto and Higashi-Kanto Construction departments) that operated under the jurisdiction of the Tokyo Branch Office were elevated to independent branche offices. As a result, together with the Yokohama Branch Office, Kinden now operates a four-branch structure within the Greater Metropolitan Area as we further strengthen our community-focused sales and carry out business in each respective area. Moreover, each branch office undertakes independent management while Tokyo Metropolitan Business Promotion Division supervises these four branch offices to promote efficient business operations in the Greater Metropolitan Area as a whole. We aim to further raise productivity by undertaking integrated operations while optimizing organizational management taking an overall view of the entire Greater Metropolitan Area.

Sales activity network in the Greater Metropolitan Area



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. 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.

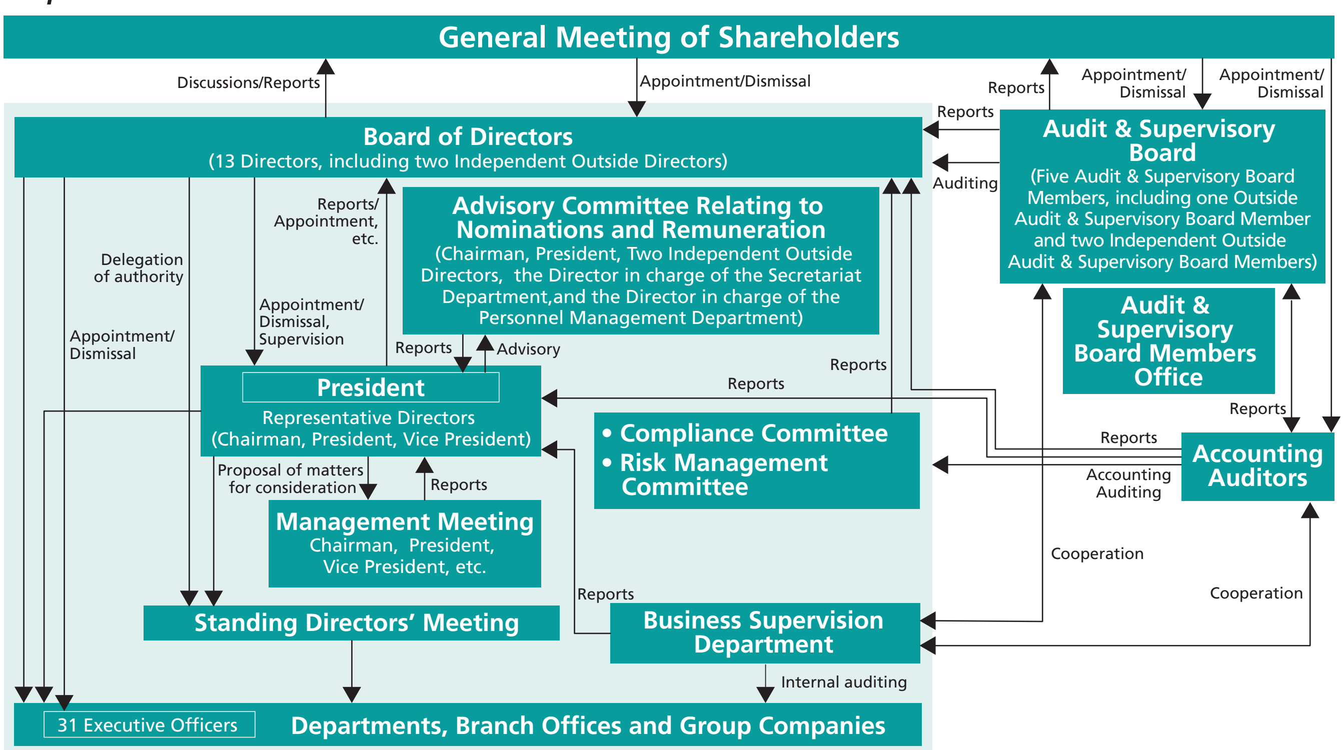
The Company has adopted an Executive Officer system, with the aim of speeding up decision making, enhancing the monitoring function over business execution and enabling the executive officers in charge of specific operations to focus on their business execution. With regard to the monitoring function,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

Corporate Governance System

Overview of the Corporate Governance System

Corporate governance structure	A company with Audit & Supervisory Board Members
Chairman of the Board	Masao Ikoma (Chairman)
Number of Directors	13 (including two Outside Directors)
Directors' terms of office	One year
Number of Audit & Supervisory Board Members	Five (including three Outside Audit & Supervisory Board Members)
Audit & Supervisory Board Members' term of office	Four years
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, Audit & Supervisory Board
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
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.

Audit & Supervisory Board and Internal Audits

The Audit & Supervisory Board supervises the business execution of the Board of Directors in accordance with policies set by Audit & Supervisory Board composed of the five Audit & Supervisory Board Members. It performs oversight 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.

Internal audits are conducted, as ordered by the President, by the Business Supervision Department (eight 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.

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 Company, Incorporated, 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, 2019, 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 Company, Incorporated. 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 continues to be selected for such a position.	Although Mr. Toshimitsu Kamakura has not been involved in corporate management except for his past experience as an Outside Director, 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 continues to be 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
		Fixed remuneration	Performance-based remuneration	Retirement benefits	
Directors (Excluding Outside Directors)	534	455	78	—	15
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	66	66	—	—	3
Outside Directors and Outside Audit & Supervisory Boad Members	30	30	—	—	7

Note: Includes remuneration for five Directors and three Audit & Supervisory Board Members who retired at the conclusion of the 104th General Meeting of Shareholders held in June 2018.

Remuneration for Audit Services

Remuneration paid to PKF Hibiki Audit Corporation in the 105th fiscal term (the fiscal year ended March 31, 2019) for services set forth by the Certified Public Accountants Law totaled ¥47 million and remuneration for non-auditing services totaled ¥3 million. Non-auditing services consist of financial research services.

Five-Year Financial Summary

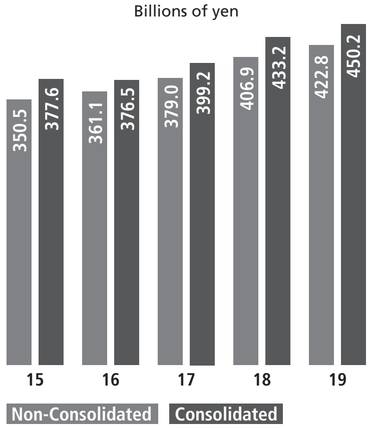
For the fiscal years ended March 31

	Consolidated Millions of yen					Non-Consolidated Millions of yen				
	2015	2016	2017	2018	**2019**	2015	2016	2017	2018	**2019**
FOR THE YEAR										
Net sales	¥467,972	¥475,345	¥472,591	¥500,700	**¥521,283**	¥403,363	¥416,293	¥410,703	¥439,641	**¥456,762**
Power distribution lining						61,678	56,390	55,251	57,844	**59,355**
Electrical						230,119	253,815	260,457	284,023	**301,741**
Information & communications network						47,030	43,420	40,447	42,381	**42,529**
Environmental management facilities						26,846	29,017	31,861	31,764	**30,036**
Electric power & others						37,689	33,649	22,684	23,627	**23,099**
Operating income	29,325	33,450	36,062	38,618	**40,354**	22,464	28,163	29,336	32,525	**33,520**
Profit attributable to owners of parent	20,552	23,669	26,375	29,478	**28,844**					
Profit						16,083	23,154	22,169	26,206	**26,250**
Comprehensive income	42,058	4,133	28,444	39,865	**24,107**					
Capital investment*1	1,915	5,190	3,556	2,983	**3,781**					
Depreciation and amortization	4,451	4,523	4,928	5,225	**5,322**					
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	377,659	376,521	399,228	433,227	**450,265**	350,569	361,180	379,004	406,924	**422,856**
Total assets	542,246	547,554	570,037	600,925	**634,064**	489,939	502,129	521,637	549,593	**579,499**
Number of shares outstanding (excluding treasury stock) (Thousands) Balance at end of year	216,996	216,963	216,957	216,953	**216,951**	216,996	216,963	216,957	216,953	**216,951**
Number of employees (Persons)*2	9,563	9,957	10,021	10,165	**10,867**	6,895	7,139	7,281	7,398	**7,521**
Equity ratio (%)	69.3	68.5	69.8	71.9	**70.8**	71.6	71.9	72.7	74.0	**73.0**
Return on equity (ROE) (%)	5.7	6.3	6.8	7.1	**6.5**	4.7	6.5	6.0	6.7	**6.3**
Payout ratio (%)	21.1	22.0	21.4	20.6	**22.6**	27.0	22.5	25.4	23.2	**24.8**
Price-earnings ratio (Times)	15.87	12.65	12.78	12.97	**13.79**	20.27	12.93	15.21	14.59	**15.16**

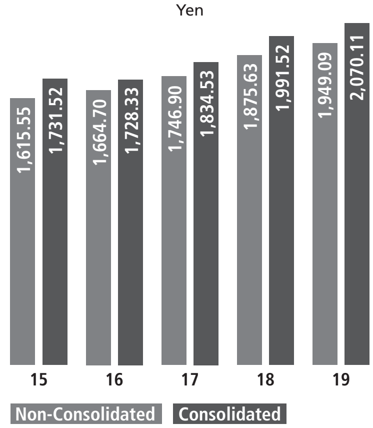
(Note) The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the consolidated fiscal year under review and therefore the figures for total assets and equity ratio for previous consolidated fiscal years are expressed after retroactive application of this accounting standard.

*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

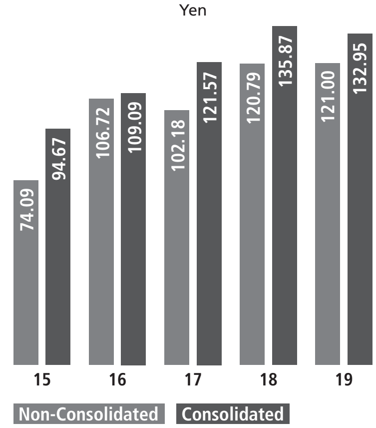
Total Net Assets
Billions of yen



Net Assets per Common Share
Yen



Profit per Common Share
Yen



RESULTS OF OPERATIONS

The Kinden Group recorded a ¥20,582 million increase in net sales of completed construction contracts from the previous fiscal year to ¥521,283 million (US$4,696,666 thousand). Operating income rose ¥1,736 million, to ¥40,354 million (US$363,590 thousand). Ordinary income increased ¥2,107 million, to ¥42,491 million (US$382,838 thousand). Profit attributable to owners of parent decreased ¥634 million, to ¥28,844 million (US$259,880 thousand). Net sales of completed construction contracts, operating income and ordinary income increased year on year, but profit attributable to owners of parent declined from the previous year.

FINANCIAL POSITION

Assets

Current assets at March 31, 2019 amounted to ¥395,496 million, up ¥31,245 million, or 8.6%, from March 31, 2018. The rise was due primarily to an increase in notes receivable, accounts receivable from completed construction contracts and other.

Noncurrent assets increased ¥1,893 million, or 0.8%, from the end of the previous fiscal year, to ¥238,568 million. Property, plant and equipment decreased ¥1,252 million, to ¥97,582 million. There were no particularly large new acquisitions and sales or disposals and this decrease was mainly because depreciation expenses exceeded the amount of acquisitions of property, plant and equipment. Investments and other assets rose ¥2,835 million, to ¥138,634 million. This was mainly because of an increase of investment securities.

As a result, total assets amounted to ¥634,064 million (US$5,712,805 thousand) at the end of the fiscal year, up ¥33,138 million, or 5.5%, from the end of the previous fiscal year.

Liabilities

Current liabilities increased ¥17,658 million, or 12.9%, from the end of the previous fiscal year to ¥154,127 million. The increase was mainly due to a rise in notes payable, accounts payable for construction contracts and other.

Noncurrent liabilities decreased ¥1,558 million, or 5.0%, to ¥29,671 million. Consequently, total liabilities came to ¥183,798 million (US$1,655,991 thousand), an increase of ¥16,100 million, or 9.6%, from the end of the previous fiscal year.

Net Assets

Shareholders' equity rose ¥21,788 million, to ¥417,646 million, due to an increase in retained earnings on the posting of profit attributable to owners of parent. Accumulated other comprehensive income decreased ¥4,743 million, to ¥31,465 million, due to a decline in the market value of investment securities. Additionally, non-controlling interests amounted to ¥1,153 million.

As a result, total net assets amounted to ¥450,265 million (US$4,056,814 thousand), an increase of ¥17,038 million, or 3.9%, from the end of the previous fiscal year. The equity ratio stood at 70.8%, down 1.1 percentage points from the end of the previous fiscal year.

CASH FLOW ANALYSIS

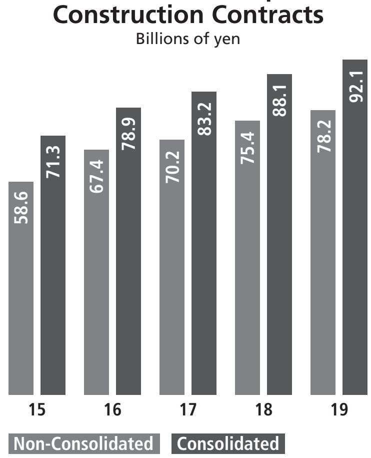
Net cash provided by operating activities in the fiscal year under review amounted to ¥23,931 million (US$215,615 thousand). This was due to profit before income taxes, despite income taxes paid and an increase in notes and accounts receivable–trade.

Net cash used in investing activities came to ¥11,608 million (US$104,593 thousand), due to payments for the purchase of property, plant and equipment and purchase of investment securities.

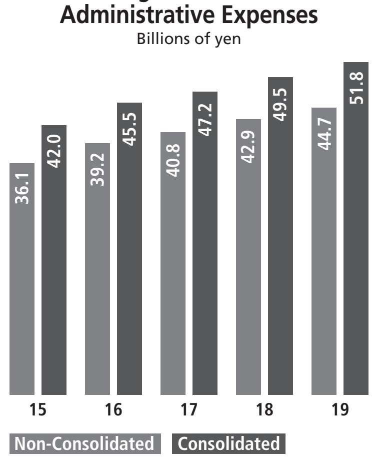
Net cash used in financing activities was ¥7,158 million (US$64,495 thousand), mainly owing to cash dividends paid.

As a result, cash and cash equivalents stood at ¥147,191 million (US$1,326,166 thousand), an increase of ¥5,712 million from the end of the previous fiscal year.

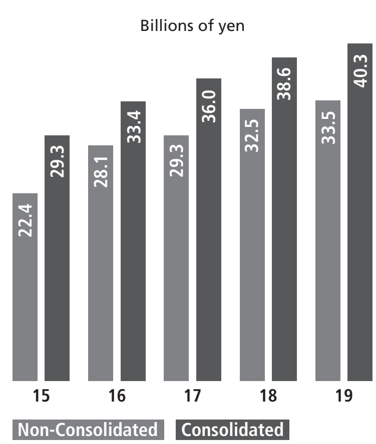
Gross Profit on Completed Construction Contracts



Selling, General and Administrative Expenses



Operating Income



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 Company, Incorporated, 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.

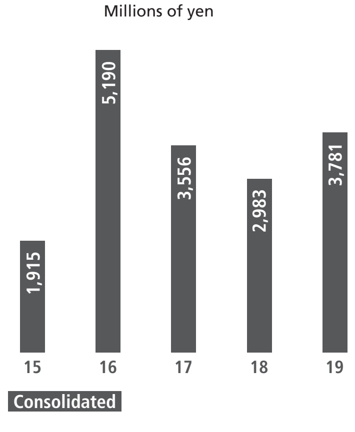
Exposure to Bad Debts Due to Customer Bankruptcies and Other Factors

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, 2018 and 2019

ASSETS	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
CURRENT ASSETS:			
Cash and deposits	¥ 45,876	¥ 40,255	$ 362,692
Notes receivable, accounts receivable from completed construction contracts and other	199,744	222,123	2,001,293
Short-term investment securities	102,000	110,000	991,080
Costs on uncompleted construction contracts	12,781	16,878	152,068
Raw materials and supplies	1,168	1,350	12,167
Other	4,812	6,888	62,062
Allowance for doubtful accounts	(2,132)	(1,999)	(18,016)
Total current assets	364,250	395,496	3,563,348
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings and structures	91,287	91,836	827,432
Machinery, equipment and vehicles	38,945	39,358	354,610
Tools, furniture and fixtures	10,700	10,868	97,919
Land	57,766	57,360	516,805
Construction in progress	23	608	5,484
Accumulated depreciation	(99,888)	(102,449)	(923,051)
Total property, plant and equipment	98,834	97,582	879,200
INTANGIBLE ASSETS	2,041	2,351	21,183
INVESTMENTS AND OTHER ASSETS:			
Investment securities	129,157	132,342	1,192,384
Deferred tax assets	879	958	8,637
Other	6,721	6,275	56,538
Allowance for doubtful accounts	(960)	(941)	(8,485)
Total investments and other assets	135,798	138,634	1,249,074
Total noncurrent assets	236,674	238,568	2,149,457
Total assets	¥600,925	¥634,064	$5,712,805

See the accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
CURRENT LIABILITIES:			
Notes payable, accounts payable for construction contracts and other	¥ 68,764	¥ 83,908	$ 756,004
Short-term loans payable	16,240	15,540	140,012
Income taxes payable	8,838	10,814	97,437
Advances received on uncompleted construction contracts	14,017	13,580	122,358
Provision for loss on construction contracts	534	477	4,299
Provision for warranties for completed construction	510	477	4,304
Provision for directors' bonuses	195	194	1,755
Other	27,367	29,133	262,487
Total current liabilities	136,468	154,127	1,388,660
NONCURRENT LIABILITIES:			
Deferred tax liabilities	4,652	2,091	18,846
Provision for directors' retirement benefits	297	200	1,806
Net defined benefit liability	25,923	27,135	244,482
Other	356	243	2,196
Total noncurrent liabilities	31,229	29,671	267,331
Total liabilities	167,698	183,798	1,655,991
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2019)	26,411	26,411	237,962
Capital surplus	29,623	29,184	262,949
Retained earnings	340,873	363,104	3,271,502
Treasury stock	(1,049)	(1,053)	(9,493)
Total shareholders' equity	395,858	417,646	3,762,921
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	42,857	38,864	350,158
Foreign currency translation adjustment	(343)	(686)	(6,189)
Remeasurements of defined benefit plans	(6,304)	(6,711)	(60,470)
Total accumulated other comprehensive income	36,209	31,465	283,498
NON-CONTROLLING INTERESTS	1,159	1,153	10,393
Total net assets	433,227	450,265	4,056,814
Total liabilities and net assets	¥ 600,925	¥ 634,064	$5,712,805

Consolidated Statements of Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net sales of completed construction contracts	¥500,700	¥521,283	$4,696,666
Cost of sales of completed construction contracts	412,576	429,099	3,866,113
Gross profit on completed construction contracts	88,124	92,183	830,553
Selling, general and administrative expenses	49,506	51,828	466,962
Operating income	38,618	40,354	363,590
Non-operating income:			
Interest income	288	317	2,859
Dividends income	1,623	1,760	15,858
Real estate rent	225	185	1,667
Equity in earnings of affiliates	90	84	759
Foreign exchange gains	—	241	2,175
Other	456	581	5,239
Total non-operating income	2,683	3,169	28,560
Non-operating expenses:			
Interest expenses	244	236	2,129
Foreign exchange losses	97	—	—
Condolence money	100	62	564
Taxes and dues	2	147	1,328
Settlement package	—	209	1,890
Other	474	377	3,398
Total non-operating expenses	917	1,033	9,312
Ordinary income	40,383	42,491	382,838
Extraordinary income:			
Gain on sales of noncurrent assets	70	46	414
Gain on sales of investment securities	—	20	184
Gain on sales of memberships	1	1	13
Gain on liquidation of subsidiaries and associates	—	22	202
Total extraordinary income	72	90	815
Extraordinary losses:			
Loss on sales of noncurrent assets	17	2	26
Loss on retirement of noncurrent assets	98	207	1,868
Impairment loss	1	265	2,392
Loss on sales of investment securities	—	0	1
Loss on valuation of investment securities	0	38	345
Loss on valuation of shares of subsidiaries and associates	20	—	—
Loss on sales of memberships	0	—	—
Loss on valuation of memberships	8	1	10
Total extraordinary losses	147	515	4,645
Profit before income taxes	40,308	42,066	379,008
Income taxes–current	11,805	13,833	124,639
Income taxes–deferred	(873)	(669)	(6,033)
Total income taxes	10,931	13,164	118,606
Profit	29,376	28,902	260,402
Profit (loss) attributable to non-controlling interests	(101)	57	522
Profit attributable to owners of parent	¥ 29,478	¥ 28,844	$ 259,880

	Yen		U.S. dollars
	2018	2019	2019
Amounts per common share:			
Profit attributable to owners of parent	¥135.87	¥132.95	$1.19
Cash dividends	28.00	30.00	0.27

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit	¥29,376	¥28,902	$260,402
Other comprehensive income:			
Valuation difference on available-for-sale securities	7,711	(3,993)	(35,983)
Foreign currency translation adjustment	(260)	(394)	(3,552)
Remeasurements of defined benefit plans, net of tax	3,038	(406)	(3,665)
Other comprehensive income	10,489	(4,794)	(43,201)
Comprehensive income	¥39,865	¥24,107	$217,201
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥39,918	¥24,100	$217,138
Comprehensive income attributable to non-controlling interests	(52)	7	63

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, 2018 and 2019

	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, 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 April 1, 2018	218,141	¥26,411	¥29,623	¥340,873	¥(1,049)	¥42,857	¥(343)	¥(6,304)	¥1,159	¥433,227
Cash dividends				(6,291)						(6,291)
Profit attributable to owners of parent				28,844						28,844
Purchase of treasury stock					(3)					(3)
Disposal of treasury stock			0		0					0
Change of scope of consolidation				(321)						(321)
Purchase of shares of consolidated subsidiaries			(376)							(376)
Sales of shares of consolidated subsidiaries			(62)							(62)
Net changes of items other than shareholders' equity						(3,993)	(343)	(406)	(6)	(4,750)
Balance at March 31, 2019	218,141	¥26,411	¥29,184	¥363,104	¥(1,053)	¥38,864	¥(686)	¥(6,711)	¥1,153	¥450,265

	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, 2018	218,141	$237,962	$266,899	$3,071,208	$(9,459)	$386,141	$(3,095)	$(56,804)	$10,448	$3,903,301
Cash dividends				(56,686)						(56,686)
Profit attributable to owners of parent				259,880						259,880
Purchase of treasury stock					(34)					(34)
Disposal of treasury stock			0		0					0
Change of scope of consolidation				(2,899)						(2,899)
Purchase of shares of consolidated subsidiaries			(3,388)							(3,388)
Sales of shares of consolidated subsidiaries			(561)							(561)
Net changes of items other than shareholders' equity						(35,983)	(3,093)	(3,665)	(54)	(42,797)
Balance at March 31, 2019	218,141	$237,962	$262,949	$3,271,502	$(9,493)	$350,158	$(6,189)	$(60,470)	$10,393	$4,056,814

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥ 40,308	¥ 42,066	$ 379,008
Adjustments for:			
Depreciation	5,225	5,322	47,956
Impairment loss	1	265	2,392
Increase (decrease) in allowance for doubtful accounts	(3,663)	(199)	(1,794)
Increase (decrease) in provision for loss on construction contracts	246	(57)	(514)
Increase (decrease) in net defined benefit liability	1,470	623	5,621
Interest and dividends income	(1,911)	(2,077)	(18,718)
Interest expenses	244	236	2,129
Foreign exchange losses (gains)	8	(176)	(1,589)
Equity in (earnings) losses of affiliates	(90)	(84)	(759)
Loss (gain) on valuation of investment securities	0	38	345
Loss on valuation of shares of subsidiaries and associates	20	—	—
Loss on valuation of membership	8	1	10
Loss (gain) on sales of property, plant and equipment	(54)	(44)	(401)
Loss on retirement of property, plant and equipment	98	207	1,868
Loss (gain) on sales of investment securities	—	(20)	(183)
Loss (gain) on liquidation of subsidiaries and associates	—	(22)	(202)
Decrease (increase) in notes and accounts receivable–trade	(17,477)	(21,594)	(194,560)
Decrease (increase) in costs on uncompleted construction contracts	(270)	(4,105)	(36,988)
Decrease (increase) in other inventories	(95)	(90)	(817)
Increase (decrease) in notes and accounts payable–trade	3,064	14,509	130,727
Increase (decrease) in advances received on uncompleted construction contracts	(800)	(420)	(3,789)
Other	3,721	(270)	(2,439)
Sub-total	30,055	34,107	307,301
Interest and dividends income received	1,916	2,081	18,752
Interest expenses paid	(244)	(236)	(2,129)
Income taxes paid	(12,595)	(12,021)	(108,309)
Net cash provided by (used in) operating activities	19,132	23,931	215,615
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into time deposits	(3,341)	(5,204)	(46,888)
Proceeds from withdrawal of time deposits	2,691	8,484	76,441
Purchase of property, plant and equipment	(2,744)	(3,778)	(34,043)
Proceeds from sales of property, plant and equipment	54	59	532
Purchase of investment securities	(10,317)	(11,822)	(106,516)
Proceeds from sales and redemption of investment securities	3,326	2,030	18,295
Payments of loans receivable	(3)	—	—
Collection of loans receivable	16	8	77
Other	(550)	(1,386)	(12,492)
Net cash provided by (used in) investing activities	(10,867)	(11,608)	(104,593)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	50	(700)	(6,306)
Purchase of treasury stock	(11)	(5)	(49)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(5,857)	(6,291)	(56,686)
Dividends paid to non-controlling interests	(0)	(15)	(138)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(35)	(315)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	3	34
Other	(119)	(114)	(1,034)
Net cash provided by (used in) financing activities	(5,939)	(7,158)	(64,495)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(180)	(86)	(776)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,145	5,077	45,750
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	139,333	141,478	1,274,698
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	—	634	5,717
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	¥ 141,478	¥ 147,191	$1,326,166

See the accompanying notes to consolidated financial statements.

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 ¥110.99 to US$1, the fixed-market rate on March 31, 2019. 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.46-47 of the Annual Report.

(3) Names of non-consolidated subsidiaries

Kinden International, Ltd.
Kinden India Private Limited

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 International, Ltd.
Kinden India Private Limited

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

Sanyu Co., Ltd. and four other companies

The two non-equity method non-consolidated subsidiaries and the five 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

(Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting)

Kinden has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the consolidated fiscal year under review. Accordingly, deferred tax assets are presented in investments and other assets and deferred tax liabilities are presented in noncurrent liabilities.

As a result, deferred tax assets of ¥5,637 million that were classified under current assets, deferred tax assets of ¥652 million that were classified under investments and other assets and deferred tax liabilities of ¥10,062 million that were classified under noncurrent liabilities on the consolidated balance sheets for the previous consolidated fiscal year have been reclassified as deferred tax assets of ¥879 million under investments and other assets and deferred tax liabilities of ¥4,652 million under noncurrent liabilities.

Deferred tax assets and deferred tax liabilities relating to the same taxable entity were offset against each other and total assets decreased ¥5,409 million compared with the amount before the accounting change.

(Consolidated Statement of Income)

"Taxes and dues" 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. Additionally, "compensation expenses" which was accounted for as a separate item in the previous consolidated fiscal year is included in "other" under "non-operating expenses" in the consolidated fiscal year under review because it is 10% or less of total non-operating expenses. To reflect these changes in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, "compensation expenses" of ¥241 million and "other" of ¥234 million presented under "non-operating expenses" in the previous consolidated fiscal year are reclassified as "taxes and dues" of ¥2 million and "other" of ¥474 million under "non-operating expenses."

NOTES TO CONSOLIDATED BALANCE SHEETS

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

March 31

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investment securities–equity	¥2,839	¥2,251	$20,283

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
	2018	2019	2019
Investment securities–equity	¥22	¥22	$202
Investments and other assets–long-term loans receivable	19	18	167

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
	2018	2019	2019
BAN-BAN Networks Co., Ltd.	¥ 20	¥20	$186
Antelec Ltd.	416	—	—
Total	¥437	¥20	$186

(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, 2019.

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
	2018	2019	2019
Buildings and structures, machinery and vehicles	¥5,172	¥5,136	$46,276

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
2018	2019	2019
¥19	¥(1)	$(13)

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
2018	2019	2019
¥321	¥349	$3,151

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
	2018	2019	2019
Employees' salaries	¥24,095	¥24,886	$224,220
Retirement benefit expenses	1,788	1,573	14,175
Provision of allowance for doubtful accounts	(586)	(177)	(1,595)

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
2018	2019	2019
¥548	¥498	$4,488

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
	2018	2019	2019
Buildings and structures	¥ 3	¥ 3	$ 30
Machinery and vehicles	12	11	102
Tools, furniture and fixtures	0	—	—
Land	53	31	281
Other	0	—	—
Total	¥70	¥46	$414

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
	2018	2019	2019
Buildings and structures	¥—	¥1	$15
Machinery and vehicles	0	1	10
Tools, furniture and fixtures	0	0	0
Land	16	—	—
Other	0	—	—
Total	¥17	¥2	$26

7. Impairment loss

For the fiscal years ended March 31, 2018 and 2019, the Group recorded the following impairment losses for asset groups.

For the fiscal year ended March 31, 2018

Application	Location	Type	Millions of yen
Idle assets	Kinki region: 1 property	Land	¥0
	Other: 5 properties	Land	1

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 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, 2019

Application	Location	Type	Millions of yen	Thousands of U.S. dollars
Idle assets	Kinki region: 7 properties	Land	¥242	$2,189
	Other: 3 properties	Land	22	203

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 ¥265 million (US$2,392 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
	2018	2019	2019
Valuation difference on available-for-sale securities			
Amount recorded during the period	¥11,123	¥(5,732)	$(51,650)
Reclassification adjustments	—	(0)	(7)
Amount before tax effect adjustments	11,123	(5,733)	(51,658)
Tax effect	(3,412)	1,739	15,675
Valuation difference on available-for-sale securities	7,711	(3,993)	(35,983)
Foreign currency translation adjustment			
Amount recorded during the period	(260)	(394)	(3,552)
Reclassification adjustments	—	—	—
Foreign currency translation adjustment	(260)	(394)	(3,552)
Remeasurements of defined benefit plans, net of tax			
Amount recorded during the period	2,894	(1,542)	(13,894)
Reclassification adjustments	1,470	941	8,483
Amount before tax effect adjustments	4,364	(600)	(5,411)
Tax effect	(1,326)	193	1,746
Remeasurements of defined benefit plans, net of tax	3,038	(406)	(3,665)
Total other comprehensive income	¥10,489	¥(4,794)	$(43,201)

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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	¥14.0	March 31, 2017	June 28, 2017
Board of Directors' Meeting on October 31, 2017	Common stock	¥2,820 million	¥13.0	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	Retained earnings	¥15.0	March 31, 2018	June 27, 2018

For the fiscal year ended March 31, 2019

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, 2018	Increase	Decrease	At March 31, 2019
Stock issued				
Common stock	218,141	—	—	218,141
Total	218,141	—	—	218,141
Treasury stock				
Common stock	1,187	2	0	1,189
Total	1,187	2	0	1,189

(Note) An increase of 2 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 26, 2018	Common stock	¥3,254 million $29,320 thousand	¥15.0 $0.13	March 31, 2018	June 27, 2018
Board of Directors' Meeting on October 31, 2018	Common stock	¥3,037 million $27,365 thousand	¥14.0 $0.12	September 30, 2018	November 30, 2018

(2) Dividends with a date of record during the fiscal year ended March 31, 2019 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 25, 2019	Common stock	¥3,471 million $31,275 thousand	Retained earnings	¥16.0 $0.14	March 31, 2019	June 26, 2019

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
	2018	2019	2019
Cash and deposits	¥ 45,876	¥ 40,255	$ 362,692
Deposits with maturities longer than 3 months	(6,397)	(3,064)	(27,606)
Short-term investment with maturities within 3 months after the date of acquisition	102,000	110,000	991,080
Cash and cash equivalents	¥141,478	¥147,191	$1,326,166

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, 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, 2019

	Millions of yen		
	Book value	Market value	Difference
(1) Cash and deposits	¥ 40,255	¥ 40,255	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	220,175	220,175	—
(3) Short-term investment securities and investment securities	237,275	237,166	(108)
Total assets	¥497,706	¥497,597	¥(108)
(1) Notes payable, accounts payable for construction contracts and other	83,908	83,908	—
(2) Short-term loans payable	15,540	15,540	—
Total liabilities	¥ 99,448	¥ 99,448	¥ —
Derivatives	—	—	—

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

March 31, 2019

	Thousands of U.S. dollars		
	Book value	Market value	Difference
(1) Cash and deposits	$ 362,692	$ 362,692	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	1,983,745	1,983,745	—
(3) Short-term investment securities and investment securities	2,137,806	2,136,827	(979)
Total assets	$4,484,245	$4,483,265	$(979)
(1) Notes payable, accounts payable for construction contracts and other	756,004	756,004	—
(2) Short-term loans payable	140,012	140,012	—
Total liabilities	$ 896,017	$ 896,017	$ —
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
	2018	**2019**	**2019**
Unlisted stocks, etc.	¥5,669	**¥5,067**	**$45,657**

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, 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, 2019

	Millions of yen			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥ 40,255	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	222,123	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)	7,900	30,000	5,700	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	110,000	—	—	—
Total	¥380,278	¥30,000	¥5,700	¥ —

March 31, 2019

	Thousands of U.S. dollars			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	$ 362,692	$ —	$ —	$ —
Notes receivable, accounts receivable from completed construction contracts and other	2,001,293	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)	71,177	270,294	51,355	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	991,080	—	—	—
Total	$3,426,244	$270,294	$51,355	$ —

(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, 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, 2019

	Millions of yen		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	¥ 24,351	¥ 24,430	¥ 78
Subtotal	24,351	24,430	78
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	19,392	19,205	(187)
Negotiable certificates of deposit..........................	110,000	110,000	—
Subtotal	129,392	129,205	(187)
Total	¥153,744	¥153,636	¥(108)

March 31, 2019

	Thousands of U.S. dollars		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	$ 219,406	$ 220,114	$ 707
Subtotal	219,406	220,114	707
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	174,726	173,038	(1,687)
Negotiable certificates of deposit..........................	991,080	991,080	—
Subtotal	1,165,806	1,164,119	(1,687)
Total	$1,385,212	$1,384,233	$ (979)

2. Available-for-Sale Securities

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)
Subtotal	2,633	3,031	(398)
Total............................	¥88,393	¥27,942	¥60,451

March 31, 2019

	Millions of yen		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	¥ 82,595	¥ 27,756	¥ 54,838
Subtotal	82,595	27,756	54,838
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	935	1,055	(120)
Subtotal	935	1,055	(120)
Total............................	¥83,530	¥28,812	¥54,717

March 31, 2019

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	$744,166	$250,082	$494,083
Subtotal	744,166	250,082	494,083
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	8,427	9,513	(1,086)
Subtotal	8,427	9,513	(1,086)
Total............................	$752,593	$259,596	$492,997

3. Available-for-Sale Securities Sold

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, 2019

	Millions of yen		
	Sold	Total gain on sales	Total loss on sales
Equity	¥54	¥20	¥0
Total	¥54	¥20	¥0

For the fiscal year ended March 31, 2019

	Thousands of U.S. dollars		
	Sold	Total gain on sales	Total loss on sales
Equity	$487	$184	$1
Total	$487	$184	$1

4. Impairment Loss on Securities

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. Among available-for-sale securities, the Company recognized impairment loss of ¥0 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, 2019

During the fiscal year ended March 31, 2019, the Company recognized impairment loss on securities of ¥38 million (US$345 thousand) (¥38 million (US$343 thousand) on stocks with market value in available-for-sale-securities and ¥0 million (US$1 thousand) on stocks without market values in available-for-sale-securities).

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, 2018 and 2019

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
	2018	**2019**	**2019**
Opening balance of projected benefit obligations	¥ 134,496	**¥134,621**	**$1,212,916**
Service cost	5,405	**5,263**	**47,426**
Interest cost	395	**395**	**3,562**
Actuarial loss	(1,226)	**1,093**	**9,856**
Retirement benefits provided	(4,449)	**(4,397)**	**(39,619)**
Closing balance of projected benefit obligations	¥134,621	**¥136,977**	**$1,234,141**

(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
	2018	**2019**	**2019**
Opening balance of plan assets	¥105,676	**¥108,698**	**$979,354**
Expected return on plan assets	2,103	**2,164**	**19,499**
Actuarial gain	1,668	**(448)**	**(4,038)**
Contribution of employer	2,774	**2,825**	**25,454**
Retirement benefits paid	(3,524)	**(3,397)**	**(30,610)**
Closing balance of plan assets.	¥108,698	**¥109,842**	**$989,659**

(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
	2018	2019	2019
Projected benefit obligations, funded plan	¥116,485	¥ 118,183	$1,064,812
Plan assets	(108,698)	(109,842)	(989,659)
	7,786	8,341	75,153
Projected benefit obligations, unfunded plan	18,136	18,793	169,329
Net amount of liabilities and assets recorded on the balance sheet	25,923	27,135	244,482
Net defined benefit liability	25,923	27,135	244,482
Net defined benefit asset	—	—	—
Net amount of liabilities and assets recorded on the balance sheet	¥ 25,923	¥ 27,135	$ 244,482

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost*	¥5,405	¥5,263	$47,426
Interest cost	395	395	3,562
Expected return on plan assets	(2,103)	(2,164)	(19,499)
Amortization value of actuarial loss	2,033	1,505	13,563
Amortization value of prior service cost	(563)	(563)	(5,080)
Retirement benefit expenses related to defined benefit plans	¥5,167	¥4,436	$39,972

* 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
	2018	2019	2019
Prior service cost	¥ 563	¥563	$5,080
Actuarial gains and losses	(4,928)	36	330
Total	¥(4,364)	¥600	$5,411

(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
	2018	2019	2019
Unrecognized prior service cost	¥ (4,511)	¥ (3,947)	$ (35,564)
Unrecognized actuarial loss	13,616	13,653	123,016
Total	¥ 9,105	¥ 9,706	$ 87,451

(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:

	2018	2019
Domestic bonds	47%	47%
Domestic equities	13	12
Foreign bonds	6	6
Foreign equities	10	11
Insurance assets (General account)	23	23
Cash and deposits	0	0
Others	1	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

	2018	2019
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
	2018	2019	2019
Deferred tax assets:			
Allowance for doubtful accounts	¥ 681	¥ 639	$ 5,765
Accrued expenses	4,039	4,212	37,954
Accrued enterprise tax	666	767	6,919
Net defined benefit liability	7,976	8,269	74,502
Loss on valuation of investment securities	1,033	1,027	9,255
Loss on valuation of memberships	402	396	3,568
Impairment loss	401	443	3,998
Provision for loss on construction contracts	1	146	1,315
Unrealized gains	802	758	6,833
Others	1,850	1,708	15,389
Subtotal of deferred tax assets	17,856	18,369	165,503
Valuation allowance	(3,074)	(2,821)	(25,423)
Total deferred tax assets	¥ 14,782	¥15,547	$140,079
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(17,593)	(15,853)	(142,841)
Reserve for advanced depreciation of noncurrent assets	(100)	(100)	(901)
Others	(861)	(726)	(6,545)
Total deferred tax liabilities	¥(18,554)	¥(16,680)	$(150,288)
Net deferred tax liabilities	¥ (3,772)	¥ (1,133)	$ (10,208)

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

	2018	2019
Effective statutory tax rate	30.8%	This disclosure is omitted as the difference between the effective statutory tax rate and the effective tax rate after adopting tax effect accounting is 5% or less of the effective statutory tax rate.
(Adjustments)		
Permanently non-deductible items	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, 2018 and 2019

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, 2018 and 2019

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, 2018 and 2019

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, 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

Customer name	Net sales Millions of yen	Related segment
The Kansai Electric Power Company, Incorporated	¥66,062	Facility Construction Business

For the fiscal year ended March 31, 2019

(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 Company, Incorporated	¥66,847	$602,287	Facility Construction Business

Information about Impairment Loss on Noncurrent Assets for Each Reporting Segment

For the fiscal years ended March 31, 2018 and 2019

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, 2018 and 2019

Not applicable.

Information about Gain on Negative Goodwill for Each Reporting Segment

For the fiscal years ended March 31, 2018 and 2019

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.

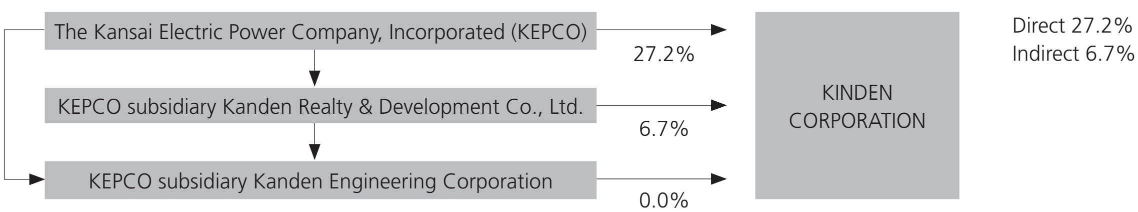
For the fiscal year ended March 31, 2018

<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 Company, Incorporated (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">¥64,476 million</td><td>Accounts receivable from completed construction contracts</td><td>¥9,861 million</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥473 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, 2018.

For the fiscal year ended March 31, 2019

<table>
<tr><th>Type of transaction</th><th>Name of company or individual (address)</th><th>Capital stock or investment</th><th>Description of business or position</th><th>Percentage of voting rights held</th><th colspan="2">Transactions between related parties</th></tr>
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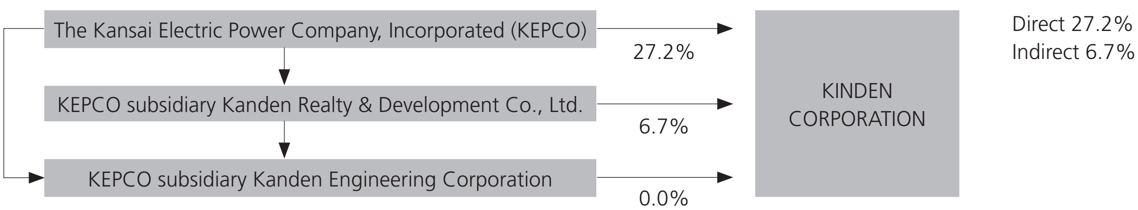
$4,408,691 thousand</td><td>Electric power business</td><td>(Held)
Direct Indirect
27.2% 6.7%
[See Figure 1]</td><td colspan="2">Receipt of orders for power distribution lining and transmission line construction, etc.
Concurrent service of directors</td></tr>
<tr><td colspan="2">Description of transaction</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">¥65,247 million
$587,868 thousand</td><td>Accounts receivable from completed construction contracts</td><td>¥ 10,028 million
$90,354 thousand</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥642 million
$5,789 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, 2019.

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, 2018
Not applicable.

For the fiscal year ended March 31, 2019
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
	2018	2019	2019
Net assets per common share	¥1,991.52	**¥2,070.11**	**$18.65**
Profit attributable to owners of parent per common share	135.87	**132.95**	**1.19**

(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
	2018	2019	2019
Profit attributable to owners of parent	¥29,478	**¥28,844**	**$259,880**
Amount not attributable to ordinary shareholders	—	—	—
Profit attributable to owners of parent applicable to common stock	29,478	**28,844**	**259,880**

	Thousands of shares	
	2018	2019
Average number of common stock outstanding for each period	216,955	**216,952**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total net assets	¥433,227	**¥450,265**	**$4,056,814**
Amounts deducted from total net assets	1,159	**1,153**	**10,393**
Non-controlling interests	1,159	**1,153**	**10,393**
Total net assets related to common stock	432,067	**449,112**	**4,046,420**

	Thousands of shares	
	2018	2019
Number of common stock used to calculate net assets per share	216,953	**216,951**

SUBSEQUENT EVENTS

(Partial transfer to a defined contribution benefit plan)

From April 2019, Kinden transferred a portion of its defined benefit plan to a defined contribution benefit plan and has adopted Guidance on Accounting for Transfer between Retirement Benefit Plans (ASBJ Implementation Guidance No.1 issued on December 16, 2016).

Along with this transfer, the Company expects to record extraordinary income of ¥1,603 million in the next consolidated fiscal year.

CONSOLIDATED SUPPLEMENTAL SCHEDULES

Schedule of Corporate Bonds

Not applicable.

Schedule of Outstanding Loans, etc.

	At April 1, 2018	At March 31, 2019	Average rate	Due date
Short-term loans payable	¥16,240 million	¥ 15,540 million $140,012 thousand	1.418%	—
Current portion of long-term loans payable	—	—	—	—
Current portion of lease obligations	¥70 million	¥64 million $576 thousand	—	—
Long-term loans payable (Excluding current portion of long-term loans payable)	—	—	—	—
Lease obligations (Excluding current portion of lease obligations)	¥156 million	¥143 million $1,296 thousand	—	From 2020 to 2023
Other interest-bearing debt	—	—	—	—
Total	¥16,467 million	¥15,747 million $141,885 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, 2019 (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	¥82 million $745 thousand	¥46 million $418 thousand	¥13 million $123 thousand	¥0 million $8 thousand

Schedule of Asset Retirement Obligations

Not applicable.

OTHERS

Quarterly Information for the Fiscal Year ended March 31, 2019

(Cumulative period)	One quarter	Two quarters	Three quarters	Full year
Net sales	¥88,237 million $795,002 thousand	¥207,748 million $1,871,777 thousand	¥331,331 million $2,985,241 thousand	¥521,283 million $4,696,666 thousand
Profit before income taxes	¥3,044 million $27,430 thousand	¥12,078 million $108,827 thousand	¥21,965 million $197,903 thousand	¥42,066 million $379,008 thousand
Profit attributable to owners of parent	¥1,738 million $15,665 thousand	¥7,753 million $69,861 thousand	¥14,573 million $131,300 thousand	¥28,844 million $259,880 thousand
Profit attributable to owners of parent per common share	¥8.01 $0.07	¥35.74 $0.32	¥67.17 $0.60	¥132.95 $1.19

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit attributable to owners of parent per common share	¥8.01 $0.07	¥27.73 $0.24	¥31.43 $0.28	¥65.78 $0.59

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, 2019, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year ended March 31, 2019 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, 2019, 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 25, 2019
PKF HIBIKI AUDIT CORPORATION

Non-Consolidated Statements of Income

KINDEN CORPORATION
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net sales of completed construction contracts	¥439,641	¥456,762	$4,115,346
Cost of sales of completed construction contracts	364,192	378,480	3,410,043
Gross profit on completed construction contracts	75,449	78,281	705,303
Selling, general and administrative expenses	42,924	44,760	403,287
Operating income	32,525	33,520	302,015
Non-operating income:			
Interest income	232	193	1,743
Interest on securities	135	150	1,358
Dividends income	2,320	4,446	40,061
Foreign exchange gains	—	112	1,014
Other	415	361	3,257
Total non-operating income	3,104	5,265	47,436
Non-operating expenses:			
Interest expenses	240	232	2,098
Foreign exchange losses	127	—	—
Condolence money	100	62	564
Taxes and dues	2	147	1,328
Settlement package	—	209	1,890
Other	345	206	1,859
Total non-operating expenses	815	859	7,741
Ordinary income	34,813	37,926	341,711
Extraordinary income:			
Gain on sales of noncurrent assets	67	44	400
Gain on sales of investment securities	—	20	184
Gain on sales of memberships	1	1	13
Gain on liquidation of subsidiaries and associates	—	22	202
Total extraordinary income	69	88	801
Extraordinary losses:			
Loss on sales of noncurrent assets	17	1	15
Loss on retirement of noncurrent assets	94	207	1,865
Impairment loss	1	265	2,392
Loss on sales of investment securities	—	1	15
Loss on valuation of investment securities	0	38	345
Loss on valuation of shares of subsidiaries and associates	20	—	—
Loss on sales of memberships	0	—	—
Loss on valuation of memberships	6	1	10
Total extraordinary losses	141	515	4,644
Profit before income taxes	34,741	37,499	337,868
Income taxes:			
Income taxes–current	9,584	11,677	105,213
Income taxes–deferred	(1,048)	(428)	(3,856)
Total income taxes	8,535	11,249	101,356
Profit	¥ 26,206	¥ 26,250	$ 236,511

	Yen		U.S. dollars
	2018	2019	2019
Amounts per common share:			
Profit	¥120.79	¥ 121.00	$1.09
Cash dividends	28.00	30.00	0.27

Non-Consolidated Balance Sheets

KINDEN CORPORATION
March 31, 2018 and 2019

ASSETS	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
CURRENT ASSETS:			
Cash and deposits	¥ 18,810	¥ 14,170	$ 127,675
Notes receivable–trade	4,281	4,037	36,378
Electronically recorded monetary claims	35,283	33,437	301,261
Accounts receivable from completed construction contracts	140,348	161,867	1,458,396
Short-term investment securities	102,000	110,000	991,080
Costs on uncompleted construction contracts	11,391	14,440	130,109
Raw materials and supplies	721	794	7,155
Other	3,318	5,134	46,257
Allowance for doubtful accounts	(2,088)	(1,955)	(17,615)
Total current assets	314,067	341,926	3,080,699
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings	76,551	76,847	692,378
Accumulated depreciation	(54,147)	(55,023)	(495,749)
Buildings, net	22,404	21,823	196,628
Structures	5,430	5,498	49,537
Accumulated depreciation	(5,012)	(5,047)	(45,473)
Structures, net	417	451	4,064
Machinery and equipment	2,221	2,313	20,841
Accumulated depreciation	(1,761)	(1,834)	(16,529)
Machinery and equipment, net	460	478	4,311
Vehicles	18,889	19,476	175,478
Accumulated depreciation	(15,643)	(16,254)	(146,449)
Vehicles, net	3,246	3,221	29,028
Tools, furniture and fixtures	9,421	9,632	86,788
Accumulated depreciation	(8,556)	(8,555)	(77,080)
Tools, furniture and fixtures, net	864	1,077	9,707
Land	55,444	55,071	496,185
Construction in progress	18	494	4,453
Total property, plant and equipment	82,855	82,618	744,379
INTANGIBLE ASSETS:			
Leasehold right	116	116	1,047
Telephone subscription right	148	136	1,232
Software	1,549	1,926	17,354
Total intangible assets	1,815	2,179	19,633
INVESTMENTS AND OTHER ASSETS:			
Investment securities	122,174	125,237	1,128,364
Stocks of subsidiaries and associates	7,832	9,271	83,538
Long-term loans receivable	9	8	77
Long-term loans receivable from employees	6	4	38
Long-term loans receivable from subsidiaries and associates	16,935	15,329	138,112
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	3	35
Long-term prepaid expenses	123	117	1,057
Other	4,667	3,679	33,147
Allowance for doubtful accounts	(893)	(876)	(7,900)
Total investments and other assets	150,855	152,774	1,376,472
Total noncurrent assets	235,526	237,572	2,140,486
Total assets	¥549,593	¥579,499	$5,221,186

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
CURRENT LIABILITIES:			
Notes payable–trade	¥ 1,760	¥ 2,258	$ 20,345
Accounts payable for construction contracts	58,132	70,681	636,829
Short-term loans payable	15,210	14,710	132,534
Accounts payable–other	7,535	8,648	77,922
Accrued expenses	12,258	12,648	113,959
Income taxes payable	7,612	9,601	86,512
Advances received on uncompleted construction contracts	9,838	9,237	83,228
Provision for loss on construction contracts	530	477	4,299
Provision for warranties for completed construction	225	252	2,270
Provision for directors' bonuses	86	78	711
Other	5,809	5,939	53,513
Total current liabilities	118,998	134,534	1,212,127
NONCURRENT LIABILITIES:			
Deferred tax liabilities	7,099	4,918	44,314
Provision for retirement benefits	15,654	16,302	146,880
Other	917	888	8,002
Total noncurrent liabilities	23,670	22,108	199,196
Total liabilities	142,669	156,642	1,411,324
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2019)	26,411	26,411	237,962
Capital surplus	29,657	29,657	267,211
Retained earnings	309,996	329,955	2,972,838
Treasury stock	(1,049)	(1,053)	(9,493)
Total shareholders' equity	365,016	384,971	3,468,520
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities	41,908	37,885	341,341
Total valuation and translation adjustments	41,908	37,885	341,341
Total net assets	406,924	422,856	3,809,861
Total liabilities and net assets	¥549,593	¥579,499	$5,221,186

Board of Directors and Audit & Supervisory Board Members

As of June 25, 2019

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] MORIYOSHI SATO*[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, 2019)
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:	7,726 (As of March 31, 2019)
URL:	https://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, plant 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, 2019

OVERSEAS OFFICES

Singapore Office

Guam Office

Yangon Office (Myanmar)

Saipan Office

Dubai Office (United Arab Emirates)

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 International, Ltd.
54, Hopewell Centre, 183 Queen's Road East 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

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

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

International Division

Tokyo Metropolitan Business Promotion Division

Kita-Kanto Branch Office
Sub-branch Offices: Gunma, Utsunomiya, Niigata, Nagaoka

Higashi-Kanto Branch Office
Sub-branch Offices: Ichihara, Kashima, Ibaraki, Tsukuba

Tokyo Branch Office
Sub-branch Office: Kofu

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

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

Osaka Branch Office

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

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

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

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

Chugoku Branch Office
Sub-branch Offices: 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

Daito Denki Kouji Co., Ltd.

Kinden Services Company, Incorporated

KINDENSPINET CORPORATION

Shirama Wind Farm Co., Ltd.

Shiratakiyama Wind Farm Co., Ltd.

Nishihara Construction 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
https://www.kinden.co.jp/english/

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