ANNUAL REPORT 2020

KINDEN CORPORATION

Kinden

Profile

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

In 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

Business Results in the Year Ended March 2020

Sales and profits attain double-digit growth from the previous year.

During the fiscal year ended March 2020, the Japanese economy continued a modest recovery. Nevertheless, conditions became severe at the end of the fiscal year owing to weakening personal consumption and a decrease in demand as people voluntarily refrained from leaving home due to the spread of COVID-19. This had an adverse impact on corporate production activities and the employment situation as well.

In the construction industry, public investment trended firmly and private investment generally remained level. On the other hand, a shortage of skilled workers caused lingering difficulties in the operating environment.

Under these economic conditions, the Kinden Group made unified efforts to undertake business activities. Thanks to these endeavors, Kinden recorded double-digit growth in net sales and profits from the previous fiscal year, as consolidated net sales increased 12.4%, to ¥585,905 million; operating income increased 11.6%, to ¥45,026 million; and profit attributable to owners of parent increased 12.7%, to ¥32,500 million.

On a non-consolidated basis, all categories recorded double-digit increases from the previous year as net sales of completed construction contracts amounted to ¥516,196 million, up 13.0%, while operating income grew 12.5%, to ¥37,701 million, and profit increased 16.5%, to ¥30,576 million. Looking at sales by customer, The Kansai Electric Power Company, Incorporated (Kansai Electric Power) accounted for 13.4% of sales, Kansai Electric Power Group companies 3.5% of sales and other customers 83.1% of sales.

As for net sales of completed construction contracts by construction sector, sales in the Power Distribution Lining business increased 6.1%, to ¥62,993 million, due to mainly an increase in construction work for Kansai Electric Power. Sales in the Electrical business increased 13.2%, to ¥341,680 million, due to mainly increases in office buildings, commercial and entertainment facilities. Sales in the Information & Communications Network business increased 18.5%, to ¥50,399 million, due to mainly increases in mobile phone-related work and CATV facilities. Sales in the Environmental Management Facilities business increased 15.0%, to ¥34,551 million, due to mainly increases in commercial and entertainment facilities. Sales in the Electric Power & Others business increased 15.0%, to ¥26,570 million, due to mainly increases in the installation of overhead power lines and underground power lines and solar power plant construction.

Profit attributable to owners of parent per common share increased ¥17.24 year on year on a consolidated basis, to ¥150.19. On a non-consolidated basis, profit per common share increased ¥20.30, to ¥141.30.

Consolidated Financial Highlights

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2019 and 2020

	Millions of yen			Thousands of U.S. dollars*
	2019	2020	YoY change	2020
Net sales	¥521,283	¥585,905	12.4%	$5,383,677
Operating income	40,354	45,026	11.6%	413,736
Profit attributable to owners of parent	28,844	32,500	12.7%	298,639
Total assets	634,064	654,279	3.2%	6,011,944
Total net assets	450,265	464,235	3.1%	4,265,695
Return on equity (ROE)	6.5%	7.1 %	0.6pt	—
	Yen			U.S. dollars*
Profit attributable to owners of parent per common share	¥132.95	¥150.19	13.0%	$1.38
Cash dividends per common share	30.00	32.00	6.7%	0.29

* U.S. dollar amounts are computed using the March 31, 2020 exchange rate of ¥108.83=US$1.

Progress of the Medium-Term Management Plan

Attaining our consolidated sales target of ¥530,000 million one year ahead of schedule

Kinden is implementing KINDEN CHALLENGE 2020, a medium-term management plan spanning four years from the fiscal year ended March 2018. The plan's basic policies are "Establish a strong business foundation independent of economic trends," "Further improve productivity through utilization of knowledge and participation of all employees" and "Improve work environment and increase employee satisfaction." In keeping with these policies, Kinden worked to strengthen and link the three main pillars of Electrical, Environmental Management Facilities and Information & Communications Network businesses as an integrated electrical and facility engineering company; strengthen on-site capabilities; contribute to power infrastructure; conduct long-term expansion overseas; and expand renovation and maintenance work. Thanks to these measures, Kinden attained the plan's final year target of consolidated operating income of ¥39,000 million in the fiscal year ended March 31, 2019 and achieved its consolidated sales target of ¥530,000 million in the fiscal year ended March 31, 2020.

In the Electric Power Division, a variety of challenges transcending past frameworks have been further advancing up to the present. These include the diversification of power sources encompassing renewable energy, the upgrading of the electric power infrastructure, integration with the Electrical business that is becoming large scale and the development of business overseas.

In the Electrical Business Division, cooperation among Electrical, Environmental Management Facilities and Information & Communications Network businesses along with interior-related businesses has been further strengthened and relationships have deepened. Additionally, in the Environmental Management Facilities Division, we established three construction departments in Kansai and initiatives for expanding businesses into other areas are progressing. In line with efforts to strengthen on-site capabilities, the Head Office, mainly the Technical Headquarters, and branch offices are collaborating in implementing a host of measures that include establishing and operating the Kinden Quality Control System for "strengthening construction management capabilities." The implementation of action plans for priority management issues in the medium-term management plan is steadily generating emerging results. These management issues include further strengthening functions in the Tokyo Metropolitan Area and reinforcing the system for creating a unified awareness as the Kinden Group for expanding renovation work. Overseas as well, Kinden is pursuing new business opportunities and working to promote localization. As part of these efforts, in January 2020 Kinden made International Electro-Mechanical Services Co. (L.L.C.) (IEMS), of the United Arab Emirates, into a consolidated subsidiary. (→ See pages 11 Topics) At the same time, we are actively promoting human resources development and localization at each base, strengthening support for subsidiaries, and recruiting and cultivating global human resources.

Aiming to Be a Company That Plays a Role in a Sustainable Society

Promoting environmental and social contributions through our businesses.

As a company involved in core areas of energy such as facilities and power infrastructure, Kinden recognizes that contributing to the environment and society through its businesses is a crucial mission. As environment-focused initiatives, Kinden is promoting efforts that include realizing energy savings through comprehensive facility diagnostics systems and building energy systems that are based on renewable energy. Kinden will continue undertaking its business with the aim of contributing to a sustainable society.

Strengthening human resources development essential for raising corporate value

To strengthen the development of human resources, which is the source of corporate value, Kinden is actively working to spur employees' desire to improve and to develop their capabilities. Kinden is taking a variety of approaches as it works to strengthen on-site capabilities such as developing the skills of all employees, including those of partner companies and group subsidiaries. Kinden Gakuen, an education and training facility, and the Human Resources Development Center, a base for technical and skills education, play a core role in Kinden's human resources development.
(→ See pages 4-5 Special Feature.)

Continuously expanding and upgrading corporate governance

Kinden also makes unceasing efforts to strengthen corporate governance based on the concept that its sound development is contingent on corporate governance. Kinden will promote even more-sound and highly transparent management by implementing its priority measures of raising the transparency of the content of its businesses and 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 ¥32 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.

The ordinary interim dividend for the fiscal year was ¥15 per share, in line with the initial forecast, and the year-end dividend was increased by ¥2 per share to ¥17 per share, also in line with the initial forecast. As a result, we paid a full-year dividend of ¥32 per common share for the fiscal year ended March 2020.

Outlook and Strategies for the Fiscal Year Ending March 2021

A year for the initiatives of the medium-term management plan to steadily bear fruit

The economic environment in the year ending March 31, 2021 is expected to become increasingly uncertain owing to such factors as the spread of COVID-19 and the risk of fluctuations in financial and capital markets. In the construction industry, construction demand is expected to trend at a high level against the background of redevelopment projects in the Tokyo Metropolitan Area and the Kansai area and an increase in public works projects along with the strengthen national resilience. Nonetheless, the impact of the spread of COVID-19 warrants close attention.

The fiscal year ending March 31, 2021 will mark the final fiscal year of Kinden's medium-term management plan. Kinden will strive to make this a year in which the achievements of these past three years become firmly rooted and grow.

Regarding the consolidated and non-consolidated earnings forecasts as well as the dividend forecast for the fiscal year ending March 31, 2021, at the present time it is difficult to anticipate when the spread of COVID-19 will cease and therefore reasonably calculating the amount of financial impact on the Kinden Group's business results is also difficult. Accordingly, Kinden will forego any forecasts at present and we will promptly announce our forecasts as soon as such calculation is possible.

In the future, we will make continued efforts to further raise corporate value. I would like to ask our shareholders and investors for your continued support.

June 2020

Takao Uesaka

Takao Uesaka
President

KINDEN's Human Resources Development

Since its founding, Kinden has devoted significant efforts toward developing human resources in keeping with its belief that "people are our most important assets." Beginning with the opening of the Technician Training Institute for training construction-related employees in 1954, Kinden has opened such facilities and organizations as Kinden Gakuen, the Human Resources Development Center and the Human Resources Development Department in line with efforts to comprehensively strengthen and enhance its education system and the content of its education. In 2017, Kinden formulated the Medium-term Human Resources Development Plan (April 2017 to March 2021) and is taking a variety of approaches toward developing the capabilities of all employees.

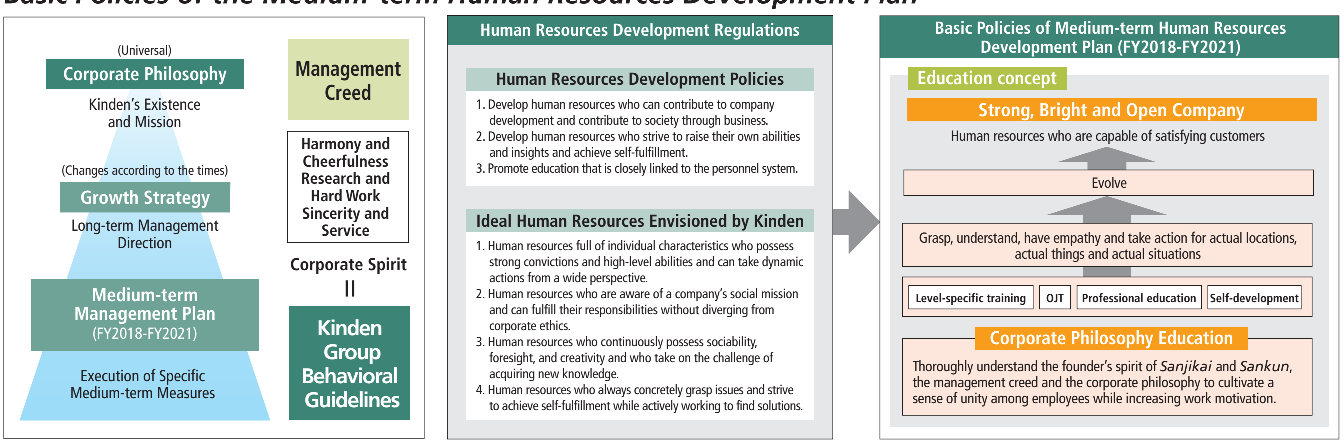
Cultivating Human Resources Capable of Satisfying Customers

Under the Medium-term Human Resources Development Plan, Kinden is striving to improve the capabilities of its human resources and strengthen on-site capabilities based on the theme "developing human resources capable of satisfying customers."

Kinden takes a multifaceted and organic approach toward undertaking employee education and training. In addition to level-specific training such as new employee education, G3 (management-class) training, section manager promotion training and AMP (Advanced Management Program of Education) for cultivating future management-level employees, Kinden also provides various types of other education that include new employee education, professional education and qualification-acquisition education.

During the current fiscal year, the final fiscal year of the Medium-term Human Resources Development Plan, Kinden's basic approach will be to provide "needed education" to the "people in need" at "the time needed" to strengthen on-site capabilities. In doing so, we are working to promote the spread of *Sangen-Shugi*, a principle that emphasizes actual locations, actual things and actual situations; implement "easy-to-understand education"; and establish an "efficient education framework" that does not place an excessive burden on both the teachers and students. In parallel, we are promoting "the digitization of education."

Basic Policies of the Medium-term Human Resources Development Plan



Human Resources Development Staff of Approximately 200 People

The Human Resources Development Department promotes these human resources development plans backed by its staff of approximately 200 people. In this department, various teams collaborate closely to provide highly focused education to improve the capabilities of each and every employee. These teams consist of the Administration Team; the Human Capability Development Team that develops employee capabilities and handles general education for management-track new employees; the Technical Support Team that provides technical, skills and qualification-acquisition education for employees involved in construction and accepts persons from related domestic and overseas organizations for technical and skills education; the Power & Information Training Team that educates new employees in construction related to power distribution lining and information and communications network construction; and the Commercial Wiring Training Team that provides education to new employees in construction related to electrical equipment and air-conditioning pipes and information and communication local area network construction.

Kinden Gakuen and the Human Resources Development Center: Our Two Major Bases for Human Resources Development

Kinden Gakuen and the Human Resources Development Center are the two major bases that serve as the pillars of our human resources development.

Boasting a history spanning nearly 70 years, Kinden Gakuen (Hyogo Prefecture) enables all employees to acquire technical skills and provides comprehensive education, education in specialized fields and education for acquiring qualifications. This 18,200m^2-site features such facilities as multiple training rooms, multiple practice training classrooms, practical work training areas and simulated electrical facilities rooms that are used primarily for the education of new employees in power distribution lining and general electrical works. This training facility can accommodate approximately 400 people.

Established in 1995, the Human Resources Development Center (Chiba Prefecture) houses cutting-edge facilities capable of simulations in areas ranging from the basic technologies of general electrical works to specialized technologies and provides future-focused practical education. The 19,675m^2-center is equipped with a wide range of enhanced training facilities. These include multiple training rooms, multiple practice training classrooms, practical training areas, simulated electrical facilities rooms, a safety experiential facility and a facility that provides experience in plant construction. This center can accommodate approximately 150 people.

Kinden is turning out numerous human resources from these two training and education bases in eastern and western Japan.

Kinden Gakuen

The Human Resources Development Center

Training session

Undertaking Overseas Human Resources Development for Nearly Half a Century

Kinden began supporting overseas human resources development in 1972 and has accepted numerous trainees from Indonesia, Singapore, Malaysia, the Philippines, Vietnam, Brazil and Mongolia. These trainees who have learned technologies at Kinden fulfill active roles as leading electricians in their own respective countries while also playing an important part in civilian-level diplomacy as persons with a good understanding of Japan.

From July 2014 to October 2018, Kinden provided technical support the Association of Government Technical Institute (AGTI) in Myanmar and established the Sakura-Insein Technical Course, a vocational training facility for electrical work in Yangon. This facility provides training on electric transmission and distribution work and general electrical works and has produced approximately 200 graduates, thereby contributing to the training of young engineers in Myanmar.

Overseas human resources development

Pick Up Column

Total of 10 Gold Medals Earned at the WorldSkills Competition

Kinden has participated in the WorldSkills Competition since 1962 with the aims of improving the skills of its employees and promoting international exchange. Kinden has earned a total of 10 gold medals and two bronze medals at this competition.

At the 45th WorldSkills Competition held in Kazan, Russia, in August 2019, a Kinden employee garnered a gold medal in the information network construction category. This is the third gold medal Kinden has won in the same occupational category. In this category, participants competed in five tasks such as optical fiber and LAN cable wiring installation over four days. This competition featured the participation of elite technicians representing 16 countries and regions. In addition, the participating employees earned the accolade of Best of Nation for achieving the highest scores in each respective country.

Mr. Shimizu engages in his work with constant concentration.

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 (Nara)

Electrical

Tokyo World Gate Kamiyacho Trust Tower (Tokyo)

Information & Communications Network

Osaka Shin-Ai Jogakuin Tsurumi Campus ICT (Osaka)

Environmental Management Facilities

LIBER HOTEL (Osaka)

Electric Power & Others

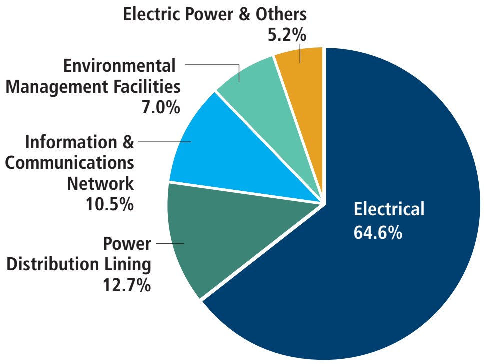
Reinforcing Work of Shin-Kobe Line (Area No.1) (Hyogo)

Review of Operations (Non-Consolidated)

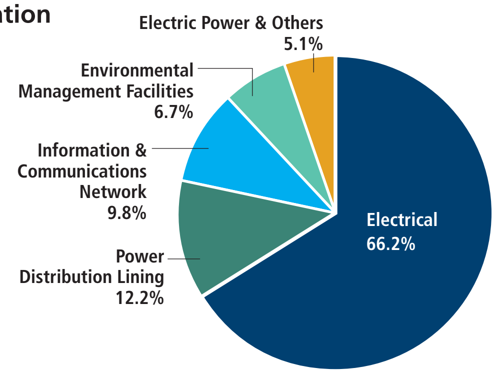
■ Summary by Operation

The summary by operation is on a non-consolidated basis. Orders received were up year on year in the Power Distribution Lining, Information & Communications Network and Environmental Management Facilities segments but declined in the Electrical and Electric Power & Others segments. Net sales of completed construction contracts 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. Going forward, in the construction industry we expect demand for construction to trend at a high level, reflecting increases in redevelopment projects in the Greater Metropolitan Area and the Kansai area as well as in public works projects accompanying the strengthening of national resilience. Nonetheless, it will necessary to keep close watch on the impact of the spread of COVID-19. 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 and the Kansai area as well as develop business overseas from a long-term perspective and will contribute to society by meeting customer needs with high technologies and skills that provide safety, peace of mind and comfort.

Construction Orders



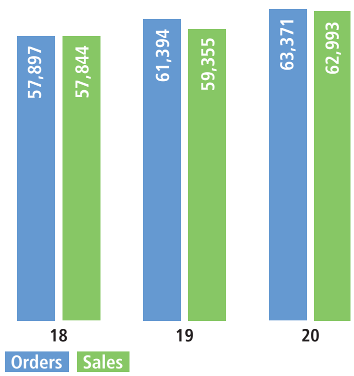
Net Sales of Completed Construction Contracts by Operation



Power Distribution Lining

Orders received increased 3.2% from the previous fiscal year, to ¥63,371 million, and net sales of completed construction contracts rose 6.1%, to ¥62,993 million. The main reason for these increases was a rise in construction work for Kansai Electric Power Company, Incorporated. Our business foundation is stable in Power Distribution Lining. We expect that the separation of electric power transmission and distribution from electric power companies that began in April will have minimal impact on our business results. Meanwhile, in other power distribution related works not associated with Kansai Electric Power Company, Incorporated, in the Kansai area we will collaborate with the Electrical segment to secure orders for power receiving and transforming equipment inside production plants and power distribution line repair work as well as for infrastructure-related work accompanying regional development such as the establishment of smart cities. 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.

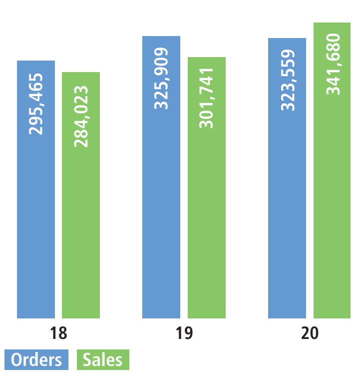
Orders and Sales
Millions of yen



Electrical

Orders received decreased 0.7% from the previous fiscal year, to ¥323,559 million, and net sales of completed construction contracts were up 13.2%, to ¥341,680 million. The main factors underlying the decrease in orders received include a decline in office buildings and commercial and entertainment facilities, while net sales of completed construction contracts were higher due to an increase in office buildings and commercial and entertainment facilities. Going forward, we will actively engage in large-scale redevelopment work in the Greater Metropolitan Area and intensify sales in areas such as renovation work and logistics facilities, where there has been robust capital investment in recent years, as well as capital investment for 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.

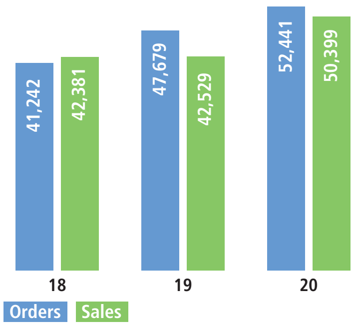
Orders and Sales
Millions of yen



Information & Communications Network

Compared with the previous fiscal year, orders received increased 10.0%, to ¥52,441 million, and net sales of completed construction contracts rose 18.5%, to ¥50,399 million, from the previous fiscal year. The main factors supporting the increase in orders received include increases in instrumentation work and CATV facilities while net sales of completed construction contracts were higher due to an increase in mobile phone-related work and CATV facilities. In the future, with work for transitioning to 5G in mobile phones expected to get fully underway, we will also focus on securing orders for information-infrastructure related works that include government and municipal projects, wireless-activated disaster warning systems for tunnels and security surveillance equipment as well as the installation of LAN and other in-house communication works.

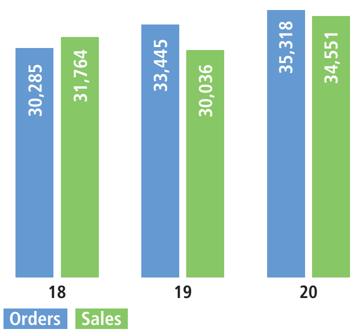
Orders and Sales
Millions of yen



Environmental Management Facilities

Orders received increased 5.6% year on year, to ¥35,318 million, while net sales of completed construction contracts increased 15.0%, to ¥34,551 million. The main factors supporting the increase in orders received include logistics facilities, while net sales of completed construction contracts were higher due to an increase in commercial and entertainment facilities. Going forward, with the Greater Metropolitan Area and the Kansai area serving as operational bases, we will focus efforts on securing orders related to logistics facilities and data center projects in addition to our traditional focus on office buildings as well as healthcare, educational, cultural, commercial and entertainment facilities. We will also attempt to expand orders through proactive proposals to customers related to energy-saving and business continuity planning (BCP) measures.

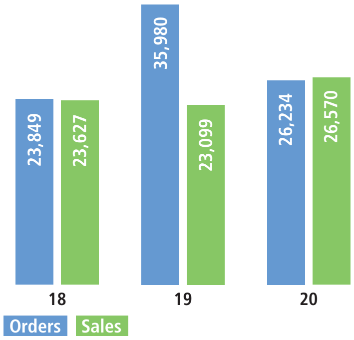
Orders and Sales
Millions of yen



Electric Power & Others

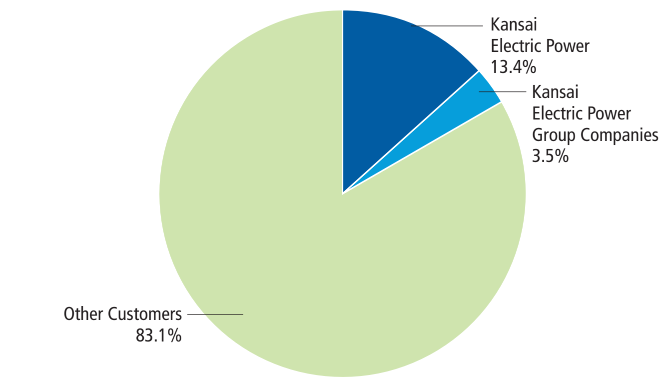
Orders received decreased 27.1% year on year, to ¥26,234 million, and net sales of completed construction contracts rose 15.0%, to ¥26,570 million. The decrease in orders received was mainly due to a decrease in the construction of solar and wind power generation facilities, while net sales of completed construction contracts were higher due to an increase in installation of overhead power lines and solar power generation facilities. 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 wind power generation facilities.

Orders and Sales
Millions of yen

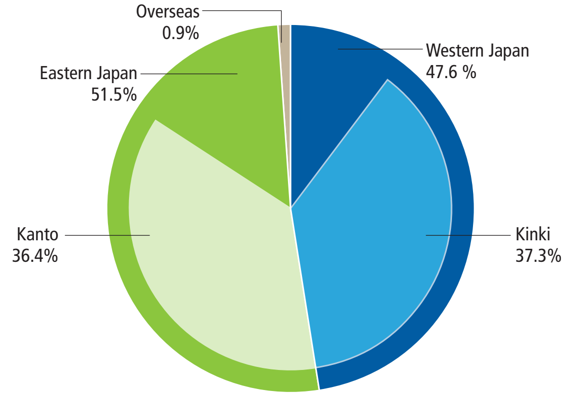


■Composition of Non-Consolidated Net Sales, Contract Backlog by Operation and Shareholding Ratio *(Fiscal 2020)*

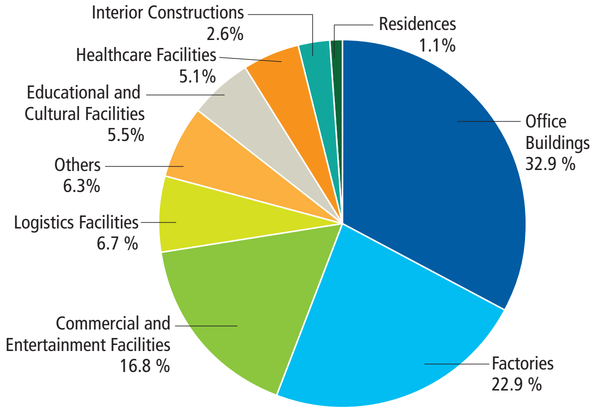
Net Sales by Customer



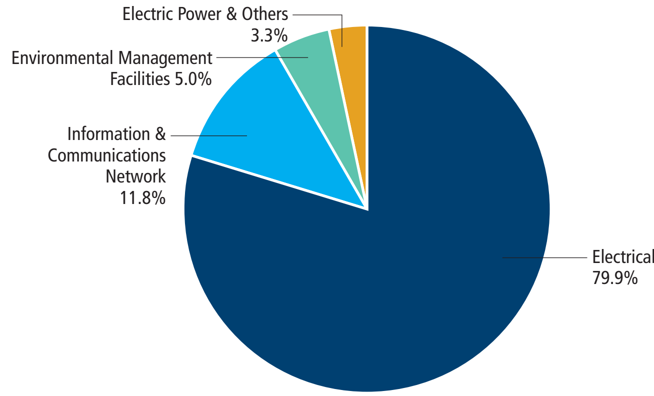
Net Sales by Region (excluding sales of Power Distribution Lining)



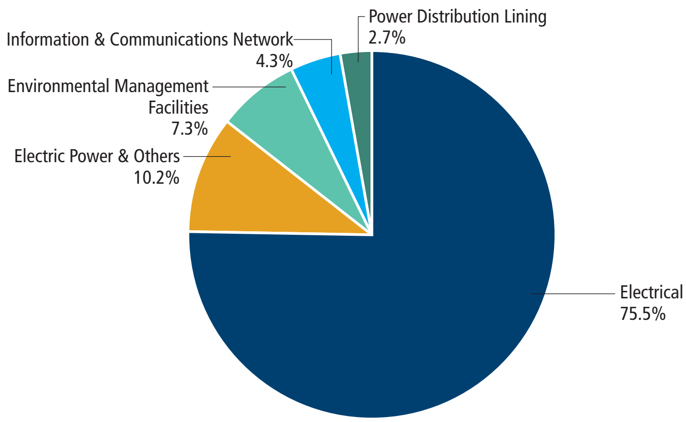
Net Sales by Facility (Electrical)



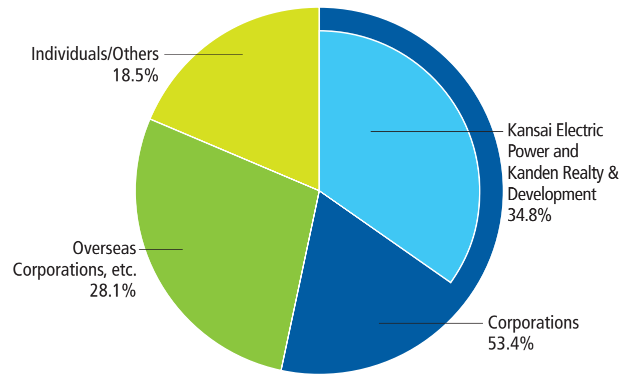
Net Sales of Renewal Construction by Operation (excluding sales of Power Distribution Lining)



Contract Backlog by Operation



Shareholding Ratio



Kinden Makes Local Company into a Subsidiary in Expectation of Business Expansion in the Middle East

To strengthen its business in the Middle East, on January 29, 2020 Kinden acquired a 49% equity stake in International Electro-Mechanical Services Co. (L.L.C.) (IEMS) in the Emirate of Dubai, United Arab Emirates, and made this company into a subsidiary. By making IEMS into a subsidiary, Kinden now has 10 overseas affiliated companies.

Based in Dubai, IEMS is a comprehensive equipment construction company that engages in the construction of a complete set of equipment for super high-rise buildings and commercial facilities. IEMS is involved in numerous construction projects in the United Arab Emirates and surrounding countries, and the total contract amount of its facilities currently under construction exceeds ¥20 billion. Kinden aims to secure future business opportunities and promote further growth in overseas business by leveraging IEMS' construction and technical capabilities in addition to the network and trust it has built locally.

Company name	International Electro-Mechanical Services Co. (L.L.C.)
Representative	Nariosang Hormasji Antia
Location	The Emirate of Dubai, United Arab Emirates
Establishment	1968
Scope of business	Electrical and Air Conditioning
Date of fiscal year-end	March 31
Employees	1,850 (as of December 2019)
Capital	1 million AED (¥30 million: the exchange rate at the end of January 2020)
Sales	186.55 million AED (¥5.5 billion for the fiscal year ended March 31: the exchange rate at the end of January 2020)
Shareholder composition	KINDEN CORPORATION: 49% Saeed Al Shaali International Electrical Fittings Trading L.L.C. (Local partner company): 51% (Due to local legal system, 51% or more investment by local companies is required.)

Executing Our First Wind Turbine Generator System Replacement in Anticipation of Future Demand

Wind turbine generators in Japan tend to have low utilization rates due to such factors as an increased frequency of maintenance due to degradation over time. Accordingly, a rising demand for upgrading equipment is expected within the next few years. To the present, Kinden has been involved in numerous projects for the construction of new wind turbine generator systems. However, Kinden recently received its first-ever order for replacement work for a wind turbine generator system operated by the Hirado Wind Power Plant (Hirado, Nagasaki Prefecture) and completed this work in September 2019.

In this recently undertaken replacement business, we will obtain new knowledge on equipment updates while expanding our wind turbine generator system replacement business by leveraging our know-how in electrical equipment repairs, which is our strength.

Windmill under demolition

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.

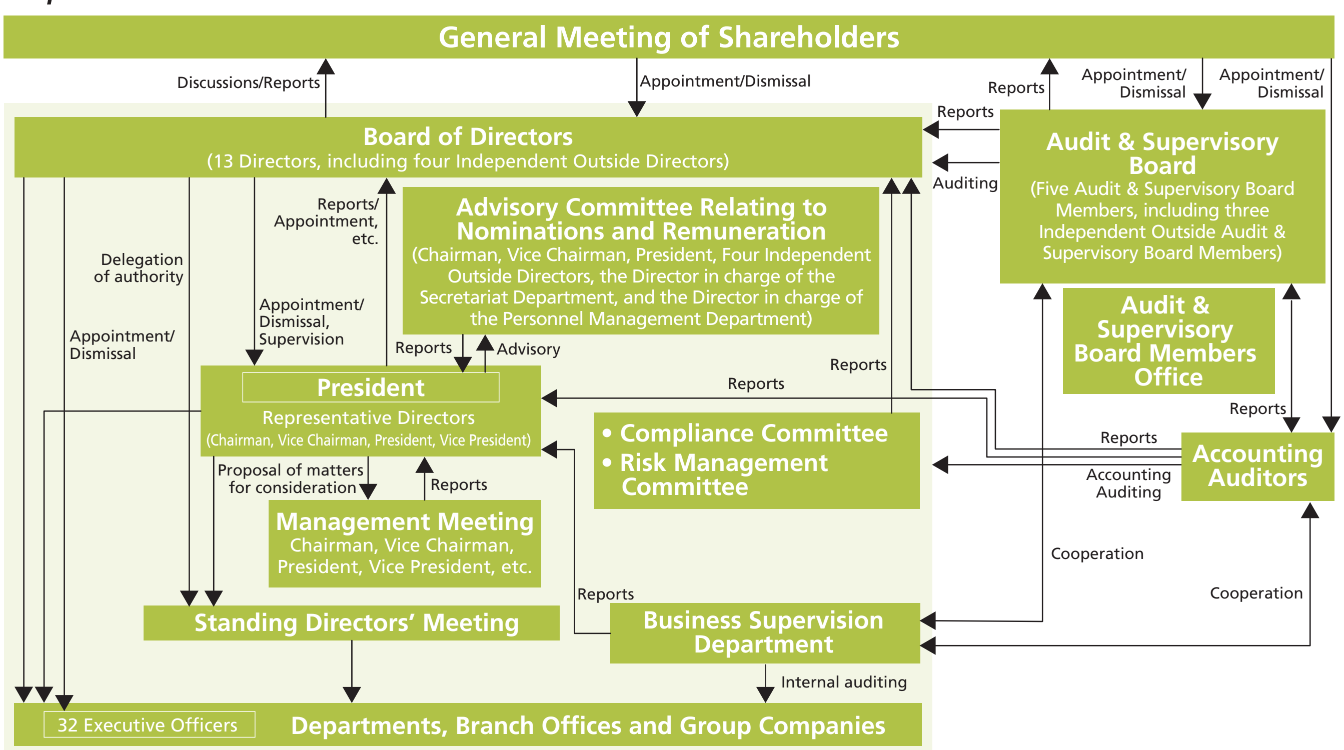
The Company has adopted an Executive Officer system, with the aim of speeding up decision making, enhancing the monitoring function over business execution and enabling the executive officers in charge of specific operations to focus on their business execution. With regard to the monitoring function, the Company seeks to strengthen supervision over business operations by organizing the Board of Directors' and Standing Directors' meetings headed by the Chairman of the Board 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 four 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 Officers	Four Outside Directors, Three 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 the 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, Vice 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, Vice 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 the Audit & Supervisory Board comprising five Audit & Supervisory Board Members. It performs oversight by such means as attending the Board of Directors' meeting and other important meetings, viewing important decision-making documents, receiving business reports from the Board of Directors and examining the business operations of major business sites.

The full-time Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members the results of important meetings they attended and their knowledge of circumstances obtained during audits in addition to holding regular meetings with the President and exchanging information with the Business Administration Monitoring Office and accounting auditor. Additionally, they mutually communicate and exchange information with both directors and auditors of subsidiaries.

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. Both persons have a high degree of 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, Hanroku Toriyama, Keiji Takamatsu and Keizo Morikawa as well as Outside Audit & Supervisory Board Members Masami Yoshioka, Toshimitsu Kamakura and Osa Isamu, 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 set forth by the financial instruments exchange, 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.

Keiji Takamatsu	**Keizo Morikawa**
Mr. Keiji Takamatsu currently serves as Representative Director and Chairman of Kintetsu Department Store Co., Ltd. after previously serving as Representative Director and Vice President of Kintetsu Group Holdings Co., Ltd. The Company appointed him as an Outside Director because it believes he can offer honest advice concerning the Company's management based on his abundant business experience and outstanding knowledge and insights about overall business management.	Mr. Keizo Morikawa currently serves as Representative Director and Chairman of Cosmo Energy Holdings Co., Ltd. after serving as Representative Director and President of Cosmo Oil Co., Ltd. The Company appointed him as an Outside Director because it believes he can offer candid advice concerning the Company's management based on his leadership of the overall management of that company and his efforts to improve corporate value using his excellent knowledge and insights.

Reason for Appointment as Outside Audit & Supervisory Board Members

Masami Yoshioka	**Toshimitsu Kamakura**	**Isamu Osa**
Although Mr. Masami Yoshioka has not been involved in corporate management except for his past experience as an Outside Director, 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.	Mr. Isamu Osa presides over overall management as Representative Chairman & CEO of TSUBAKIMOTO CHAIN CO. The Company appointed him as an Audit & Supervisory Board Member because it believes he can properly execute business duties as an Outside Audit & Supervisory Board Member of the Company based on his excellent knowledge and insights.

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	
Directors (Excluding Outside Directors)	566	473	93	11
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	65	65	—	2
Outside Directors and Outside Audit & Supervisory Boad Members	22	22	—	5

Remuneration for Audit Services

Remuneration paid to PKF Hibiki Audit Corporation in the 106th fiscal term (the fiscal year ended March 31, 2020) for services set forth by the Certified Public Accountants Law totaled ¥49 million.

Five-Year Financial Summary

For the fiscal years ended March 31

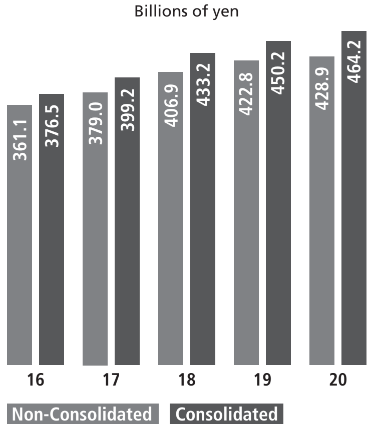
	Consolidated Millions of yen					Non-Consolidated Millions of yen				
	2016	2017	2018	2019	**2020**	2016	2017	2018	2019	**2020**
FOR THE YEAR										
Net sales	¥475,345	¥472,591	¥500,700	¥521,283	**¥585,905**	¥416,293	¥410,703	¥439,641	¥456,762	**¥516,196**
Power distribution lining						56,390	55,251	57,844	59,355	**62,993**
Electrical						253,815	260,457	284,023	301,741	**341,680**
Information & communications network						43,420	40,447	42,381	42,529	**50,399**
Environmental management facilities						29,017	31,861	31,764	30,036	**34,551**
Electric power & others						33,649	22,684	23,627	23,099	**26,570**
Operating income	33,450	36,062	38,618	40,354	**45,026**	28,163	29,336	32,525	33,520	**37,701**
Profit attributable to owners of parent	23,669	26,375	29,478	28,844	**32,500**					
Profit						23,154	22,169	26,206	26,250	**30,576**
Comprehensive income	4,133	28,444	39,865	24,107	**29,457**					
Capital investment*1	5,190	3,556	2,983	3,781	**6,592**					
Depreciation and amortization	4,523	4,928	5,225	5,322	**5,415**					
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	376,521	399,228	433,227	450,265	**464,235**	361,180	379,004	406,924	422,856	**428,929**
Total assets	547,554	570,037	600,925	634,064	**654,279**	502,129	521,637	549,593	579,499	**592,198**
Number of shares outstanding (excluding treasury stock) (Thousands) Balance at end of year	216,963	216,957	216,953	216,951	**211,438**	216,963	216,957	216,953	216,951	**211,438**
Number of employees (Persons)*2	9,957	10,021	10,165	10,867	**12,984**	7,139	7,281	7,398	7,521	**7,645**
Equity ratio (%)	68.5	69.8	71.9	70.8	**70.8**	71.9	72.7	74.0	73.0	**72.4**
Return on equity (ROE) (%)	6.3	6.8	7.1	6.5	**7.1**	6.5	6.0	6.7	6.3	**7.2**
Payout ratio (%)	22.0	21.4	20.6	22.6	**21.3**	22.5	25.4	23.2	24.8	**22.6**
Price-earnings ratio (Times)	12.65	12.78	12.97	13.79	**10.62**	12.93	15.21	14.59	15.16	**11.29**

*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

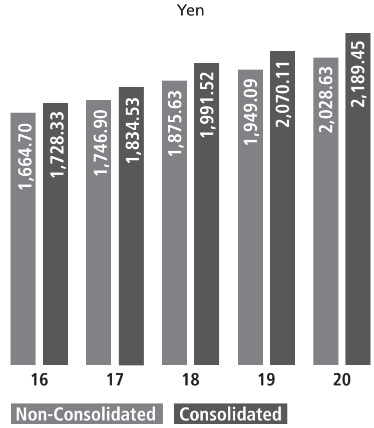
Total Net Assets

Billions of yen



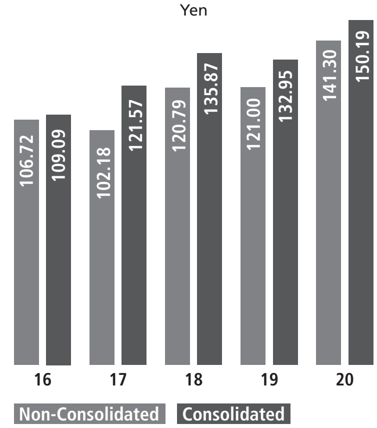
Net Assets per Common Share

Yen



Profit per Common Share

Yen



RESULTS OF OPERATIONS

The Kinden Group recorded a ¥64,622 million, or 12.4%, increase in net sales of completed construction contracts from the previous fiscal year to ¥585,905 million (US$5,383,677 thousand). Gross profit on completed construction contracts increased ¥9,135 million, or 9.9%, from the previous fiscal year to ¥101,318 million (US$930,983 thousand). Although the gross profit margin on completed construction contracts declined 0.4 percentage point due to such factors as a decrease in the profit margin on construction work on hand at the beginning of the year and a decline in reaction to high-profit completed construction contracts in the previous year, gross profit on completed construction contracts increased thanks to a rise in the volume of completed construction contracts.

Operating income rose ¥4,671 million, or 11.6%, to ¥45,026 million (US$413,736 thousand). Despite a rise in selling, general and administrative (SG&A) expenses, operating income increased due to a rise in gross profit on completed construction contracts. The operating margin was 7.7%, the same as in the previous fiscal year.

Ordinary income increased ¥4,236 million, or 10.0%, to ¥46,727 million (US$429,365 thousand).

Profit attributable to owners of parent increased ¥3,656 million, or 12.7%, to ¥32,500 million (US$298,639 thousand). The Company recorded as extraordinary income a ¥1,603 million gain on a revision of its retirement benefit plan accompanying a partial transition to a defined contribution pension plan. The Company recorded as an extraordinary loss a ¥978 million loss on valuation of investment securities accompanying a decline in the market value of stocks.

Net sales of completed construction contracts, operating income, ordinary income and profit attributable to owners of parent increased the previous fiscal year.

FINANCIAL POSITION

Assets

Current assets at March 31, 2020 amounted to ¥416,800 million, up ¥21,304 million, or 5.4%, from March 31, 2019. The rise was due primarily to an increase in cash and deposits and deposits paid.

Noncurrent assets decreased ¥1,088 million, or 0.5%, from the end of the previous fiscal year, to ¥237,479 million. Property, plant and equipment increased ¥2,001 million, to ¥99,584 million. This was due mainly to the construction of new offices. Investments and other assets decreased ¥5,875 million, to ¥132,758 million. This was due mainly to a decrease in investment securities accompanying the decline in market value of stocks.

As a result, total assets amounted to ¥654,279 million (US$6,011,944 thousand) at the end of the fiscal year, up ¥20,215 million, or 3.2%, from the end of the previous fiscal year.

Liabilities

Current liabilities increased ¥15,447 million, or 10.0%, from the end of the previous fiscal year to ¥169,575 million. The increase was mainly due to a rise in notes payable, accounts payable for construction contracts and other.

Noncurrent liabilities decreased ¥9,201 million, or 31.0%, to ¥20,469 million. This was due mainly to a decrease in retirement benefit liabilities accompanying the partial transition to a defined contribution benefit plan. Consequently, total liabilities came to ¥190,044 million (US$1,746,249 thousand), an increase of ¥6,245 million, or 3.4%, from the end of the previous fiscal year.

Net Assets

Shareholders' equity rose ¥16,970 million, to ¥434,617 million, due to an increase in retained earnings on the posting of profit attributable to owners of parent and a decrease due to the payment of shareholder dividends and the purchase of treasury stock. Accumulated other comprehensive income decreased ¥3,149 million, to ¥28,316 million due to a decrease in valuation difference on available-for-sale securities resulting from a decline in stock prices despite an increase in remeasurements of defined benefit plans accompanying the partial transition to a defined contribution benefit plan. Additionally, non-controlling interests amounted to ¥1,301 million.

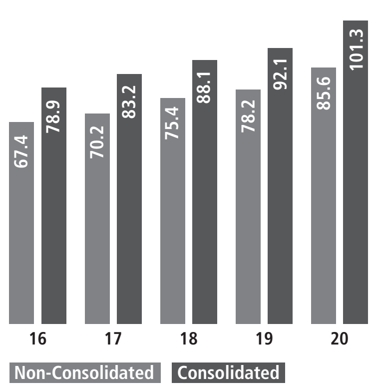
As a result, total net assets amounted to ¥464,235 million (US$4,265,695 thousand), an increase of ¥13,969 million, or 3.1%, from the end of the previous fiscal year. The equity ratio stood at 70.8%, the same as at the end of the previous fiscal year.

CASH FLOW ANALYSIS

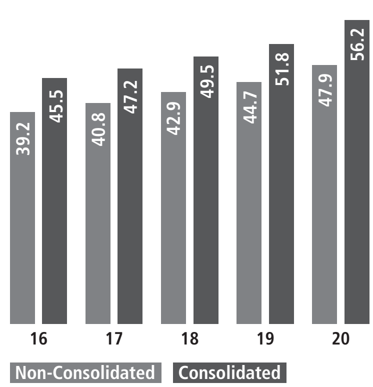
Net cash provided by operating activities in the fiscal year under review amounted to ¥46,732 million (US$429,406 thousand), compared with ¥23,931 million in the previous fiscal year. This was due to profit before income taxes, despite income taxes paid.

Net cash used in investing activities came to ¥28,934 million (US$265,871 thousand), compared with ¥11,608 million in the previous

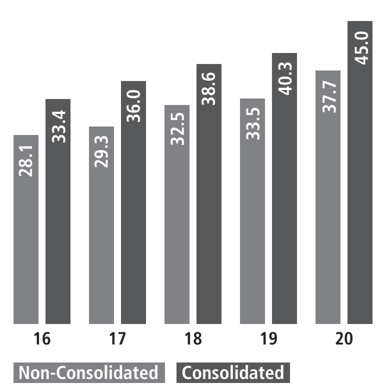
Gross Profit on Completed Construction Contracts
Billions of yen



Selling, General and Administrative Expenses
Billions of yen



Operating Income
Billions of yen



fiscal year. This was due to such factors as payments for the purchase of property, plant and equipment and purchase of investment securities as well as payments of deposit.

Net cash used in financing activities was ¥15,761 million (US$144,827 thousand), compared with ¥7,158 million in the previous fiscal year, mainly owing to purchase of treasury stock and cash dividends paid.

As a result, cash and cash equivalents stood at ¥149,008 million (US$1,369,187 thousand), an increase of ¥1,817 million from the end of the previous fiscal year, compared with ¥5,712 million at the previous fiscal year.

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. The Kinden Group formulated a four-year medium-term management plan being implemented from fiscal 2017 to fiscal 2020 and is making efforts to establish a strong business foundation that is not influenced by economic trends.

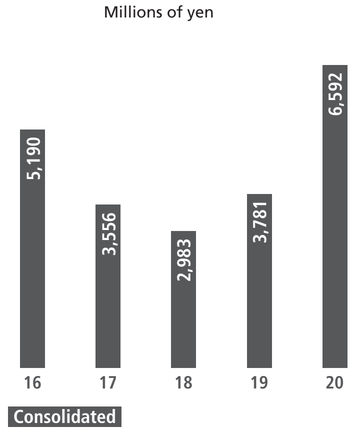
1. Price-based competition for private-sector construction orders

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 and outsourcing costs

A sharp surge to higher levels than forecast in the price of raw materials as well as in outsourced labor unit costs 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.

Capital Investment



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 Kansai Electric Power Group

The Kinden Group receives orders and carries out power distribution lining, electric power and other work from Kansai Electric Power Group, 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 and the Outbreak of Infectious Diseases

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

It should be noted that with COVID-19 infections now prevalent globally, it is difficult to anticipate any stagnation of economic activities resulting from the spread of this infectious disease and the timing of the subsiding of the spread of this infectious disease. Accordingly, reasonably estimating the Kinden Group's business results and financial condition as of the end of this fiscal year is also difficult.

As a response to this infectious virus, under the COVID-19 Task Force chaired by the President, we are placing top priority on the safety of customers, employees, and their families and are implementing measures to prevent infections and their spread as well as measures to ensure business continuity.

Consolidated Balance Sheets

KINDEN CORPORATION AND SUBSIDIARIES
March 31, 2019 and 2020

ASSETS	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
CURRENT ASSETS:			
Cash and deposits	¥ 40,255	¥ 50,791	$ 466,700
Notes receivable, accounts receivable from completed construction contracts and other	222,123	220,635	2,027,344
Short-term investment securities	110,000	107,002	983,204
Costs on uncompleted construction contracts	16,878	18,076	166,095
Raw materials and supplies	1,350	1,502	13,804
Deposits paid	—	10,000	91,886
Other	6,888	10,518	96,650
Allowance for doubtful accounts	(1,999)	(1,725)	(15,857)
Total current assets	395,496	416,800	3,829,829
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings and structures	91,836	96,067	882,733
Machinery, equipment and vehicles	39,358	40,130	368,741
Tools, furniture and fixtures	10,868	11,604	106,627
Land	57,360	57,851	531,579
Construction in progress	608	140	1,291
Accumulated depreciation	(102,449)	(106,210)	(975,928)
Total property, plant and equipment	97,582	99,584	915,044
INTANGIBLE ASSETS	2,351	5,136	47,196
INVESTMENTS AND OTHER ASSETS:			
Investment securities	132,342	114,032	1,047,804
Long-term deposits	—	10,000	91,886
Net defined benefit asset	—	2,702	24,828
Deferred tax assets	958	1,392	12,797
Other	6,275	5,526	50,779
Allowance for doubtful accounts	(941)	(894)	(8,221)
Total investments and other assets	138,634	132,758	1,219,874
Total noncurrent assets	238,568	237,479	2,182,115
Total assets	¥634,064	¥654,279	$6,011,944

See the accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2019	2020	Thousands of U.S. dollars 2020
CURRENT LIABILITIES:			
Notes payable, accounts payable for construction contracts and other	¥ 83,908	¥ 87,705	$ 805,895
Short-term loans payable	15,540	15,817	145,344
Income taxes payable	10,814	12,183	111,947
Advances received on uncompleted construction contracts	13,580	10,925	100,388
Provision for loss on construction contracts	477	2,434	22,367
Provision for warranties for completed construction	477	605	5,564
Provision for directors' bonuses	194	225	2,072
Other	29,133	39,677	364,584
Total current liabilities	154,127	169,575	1,558,164
NONCURRENT LIABILITIES:			
Long-term loans payable	—	26	244
Deferred tax liabilities	2,091	309	2,845
Provision for directors' retirement benefits	200	207	1,902
Net defined benefit liability	27,135	19,665	180,703
Other	243	260	2,389
Total noncurrent liabilities	29,671	20,469	188,084
Total liabilities	183,798	190,044	1,746,249
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2020)	26,411	26,411	242,685
Capital surplus	29,184	29,136	267,728
Retained earnings	363,104	388,879	3,573,275
Treasury stock	(1,053)	(9,810)	(90,144)
Total shareholders' equity	417,646	434,617	3,993,544
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	38,864	29,674	272,665
Foreign currency translation adjustment	(686)	(864)	(7,946)
Remeasurements of defined benefit plans	(6,711)	(493)	(4,531)
Total accumulated other comprehensive income	31,465	28,316	260,187
NON-CONTROLLING INTERESTS	1,153	1,301	11,963
Total net assets	450,265	464,235	4,265,695
Total liabilities and net assets	¥634,064	¥654,279	$6,011,944

Consolidated Statements of Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net sales of completed construction contracts	¥521,283	¥585,905	$5,383,677
Cost of sales of completed construction contracts	429,099	484,586	4,452,694
Gross profit on completed construction contracts	92,183	101,318	930,983
Selling, general and administrative expenses	51,828	56,291	517,246
Operating income	40,354	45,026	413,736
Non-operating income:			
Interest income	317	257	2,367
Dividends income	1,760	1,926	17,698
Other	1,092	772	7,095
Total non-operating income	3,169	2,955	27,160
Non-operating expenses:			
Interest expenses	236	244	2,243
Foreign exchange losses	—	315	2,900
Other	797	695	6,388
Total non-operating expenses	1,033	1,255	11,532
Ordinary income	42,491	46,727	429,365
Extraordinary income:			
Gain on sales of noncurrent assets	46	283	2,609
Gain on revision of retirement benefit plan	—	1,603	14,735
Other	44	270	2,490
Total extraordinary income	90	2,158	19,834
Extraordinary losses:			
Loss on valuation of investment securities	38	978	8,990
Other	477	117	1,077
Total extraordinary losses	515	1,095	10,067
Profit before income taxes	42,066	47,790	439,132
Income taxes-current	13,833	16,286	149,649
Income taxes-deferred	(669)	(1,036)	(9,526)
Total income taxes	13,164	15,249	140,122
Profit	28,902	32,541	299,009
Profit attributable to non-controlling interests	57	40	370
Profit attributable to owners of parent	¥ 28,844	¥ 32,500	$ 298,639

	Yen		U.S. dollars
	2019	2020	2020
Amounts per common share:			
Profit attributable to owners of parent	¥132.95	¥150.19	$1.38
Cash dividends	30.00	32.00	0.29

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Profit	¥28,902	¥32,541	$299,009
Other comprehensive income:			
Valuation difference on available-for-sale securities	(3,993)	(9,189)	(84,442)
Foreign currency translation adjustment	(394)	(112)	(1,033)
Remeasurements of defined benefit plans, net of tax	(406)	6,218	57,138
Other comprehensive income	(4,794)	(3,083)	(28,337)
Comprehensive income	¥24,107	¥29,457	$270,672
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥24,100	¥29,351	$269,701
Comprehensive income attributable to non-controlling interests	7	105	970

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, 2019 and 2020

	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, 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 April 1, 2019	218,141	¥26,411	¥29,184	¥363,104	¥(1,053)	¥38,864	¥(686)	¥(6,711)	¥1,153	¥450,265
Cash dividends				(6,725)						(6,725)
Profit attributable to owners of parent				32,500						32,500
Purchase of treasury stock					(8,756)					(8,756)
Disposal of treasury stock			0		0					0
Change of scope of consolidation										—
Purchase of shares of consolidated subsidiaries										—
Sales of shares of consolidated subsidiaries			(48)							(48)
Net changes of items other than shareholders' equity						(9,189)	(177)	6,218	148	(3,001)
Balance at March 31, 2020	218,141	¥26,411	¥29,136	¥388,879	¥(9,810)	¥29,674	¥(864)	¥(493)	¥1,301	¥464,235

	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, 2019	218,141	$242,685	$268,168	$3,336,433	$(9,681)	$357,108	$(6,312)	$(61,670)	$10,600	$4,137,331
Cash dividends				(61,798)						(61,798)
Profit attributable to owners of parent				298,639						298,639
Purchase of treasury stock					(80,463)					(80,463)
Disposal of treasury stock			0		0					1
Change of scope of consolidation										—
Purchase of shares of consolidated subsidiaries										—
Sales of shares of consolidated subsidiaries			(441)							(441)
Net changes of items other than shareholders' equity						(84,442)	(1,633)	57,138	1,363	(27,575)
Balance at March 31, 2020	218,141	$242,685	$267,728	$3,573,275	$(90,144)	$272,665	$(7,946)	$(4,531)	$11,963	$4,265,695

See the accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KINDEN CORPORATION AND SUBSIDIARIES
For the fiscal years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥ 42,066	¥ 47,790	$ 439,132
Adjustments for:			
Depreciation	5,322	5,415	49,761
Increase (decrease) in allowance for doubtful accounts	(199)	(361)	(3,322)
Increase (decrease) in provision for loss on construction contracts	(57)	1,957	17,982
Increase (decrease) in net defined benefit liability	623	(361)	(3,324)
Decrease (increase) in net defined benefit asset	—	(1,258)	(11,568)
Interest and dividends income	(2,077)	(2,183)	(20,065)
Interest expenses	236	244	2,243
Loss (gain) on valuation of investment securities	38	978	8,990
Loss (gain) on sales and retirement of non-current assets	162	(192)	(1,765)
Decrease (increase) in notes and accounts receivabl-trade	(21,594)	4,439	40,789
Decrease (increase) in costs on uncompleted construction contracts	(4,105)	(1,128)	(10,370)
Increase (decrease) in notes and accounts payable-trade	14,509	2,105	19,347
Increase (decrease) in advances received on uncompleted construction contracts	(420)	(2,712)	(24,919)
Other	(398)	5,090	46,771
Sub-total	34,107	59,821	549,680
Interest and dividends income received	2,081	2,140	19,667
Interest expenses paid	(236)	(244)	(2,243)
Income taxes paid	(12,021)	(14,985)	(137,699)
Net cash provided by (used in) operating activities	23,931	46,732	429,406
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into time deposits	(5,204)	(4,959)	(45,574)
Proceeds from withdrawal of time deposits	8,484	5,730	52,655
Payments of deposit	—	(20,000)	(183,772)
Purchase of property, plant and equipment	(3,778)	(6,473)	(59,480)
Proceeds from sales of property, plant and equipment	59	331	3,042
Purchase of investment securities	(11,822)	(8,775)	(80,634)
Proceeds from sales and redemption of investment securities	2,030	8,365	76,867
Payments of loans receivable	—	(2,992)	(27,500)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	91	844
Other	(1,377)	(252)	(2,319)
Net cash provided by (used in) investing activities	(11,608)	(28,934)	(265,871)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	(700)	(128)	(1,177)
Purchase of treasury stock	(5)	(8,756)	(80,464)
Cash dividends paid	(6,291)	(6,725)	(61,798)
Dividends paid to non-controlling interests	(15)	(5)	(48)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(35)	—	—
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	3	2	22
Other	(114)	(148)	(1,362)
Net cash provided by (used in) financing activities	(7,158)	(15,761)	(144,827)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(86)	(218)	(2,007)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,077	1,817	16,699
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	141,478	147,191	1,352,487
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	634	—	—
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	¥147,191	¥149,008	$1,369,187

See the accompanying notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

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

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

The amounts stated in the accompanying consolidated financial statements are in Japanese yen. U.S. dollar amounts included in the accompanying consolidated financial statements and the notes to consolidated financial statements represent the arithmetic result of translating Japanese yen to U.S. dollar amounts on a basis of ¥108.83 to US$1, the fixed-market rate on March 31, 2020. 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: 20

(2) The names of the principal consolidated subsidiaries are as reported in Network on p.50-51 of the Annual Report. The Company acquired all voting rights in Daito Denki Kouji Co., Ltd. and acquired a 49% equity share in International Electro-Mechanical Services Co. (L.L.C.) (control of all voting rights based on contract). As a result, these companies became consolidated subsidiaries from the consolidated fiscal year under review.

(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 31, 2020, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 on March 31, 2020, Accounting Standards Board of Japan)
- “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 on March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

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

(2) Planned date of application

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

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

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

CHANGE OF THE PRESENTATION METHOD

(Consolidated statements of income)

“Real estate rent,” “equity in earnings of affiliates,” and “foreign exchange gains” accounted for as separate items under non-operating income in the previous consolidated fiscal year are included in “other” in non-operating income in the consolidated fiscal year under review to make presentation simple and concise and because the importance of amounts is not significant. To reflect these changes in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “real estate rent” of ¥185 million, “equity in earnings of affiliates” of ¥84 million, “foreign exchange gains” of ¥241 million and “other” of ¥581 million presented under non-operating income in the Consolidated Statements of Income for the previous consolidated fiscal year are reclassified as “other” of ¥1,092 million.

“Condolence money,” “taxes and dues,” and “settlement package” accounted for as separate items under non-operating expenses in the previous consolidated fiscal year are included in “other” in non-operating expenses in the consolidated fiscal year under review to make presentation simple and concise and because the importance of amounts is not significant. To reflect these changes in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “condolence money” of ¥62 million, “taxes and dues” of ¥147 million, “settlement package” of ¥209 million and “other” of ¥377 million presented under non-operating expenses in the Consolidated Statements of Income for the previous consolidated fiscal year are reclassified as “other” of ¥797 million.

“Gain on sales of investment securities,” “gain on sales of memberships,” and “gain on liquidation of subsidiaries and associates” accounted for as separate items under extraordinary income in the previous consolidated fiscal year are included in “other” in extraordinary income in the consolidated fiscal year under review to make presentation simple and concise and because the importance of amounts is not significant. To reflect these changes in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “gain on sales of investment securities” of ¥20 million, “gain on sales of memberships” of ¥1 million, and “gain on liquidation of subsidiaries and associates” of ¥22 million presented under extraordinary income in the Consolidated Statements of Income for the previous consolidated fiscal year are reclassified as “other” of ¥44 million.

“Loss on sales of noncurrent assets,” “loss on retirement of noncurrent assets,” “impairment loss,” “loss on sales of investment securities,” and “loss on valuation of memberships” accounted for as separate items under extraordinary loss in the previous consolidated fiscal year are included in “other” under extraordinary loss in the consolidated fiscal year under review to make presentation simple and concise and because the importance of amounts is not significant. To reflect these changes in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “loss on sales of noncurrent assets” of ¥2 million, “loss on retirement of noncurrent assets” of ¥207 million, “impairment loss” of ¥265 million, “loss on sales of investment securities” of ¥0 million and “loss on valuation of memberships” of ¥1 million presented under extraordinary loss in the Consolidated Statements of Income for the previous consolidated fiscal year are reclassified as “other” of ¥477 million.

(Consolidated statements of Cash Flows)

“Impairment loss,” “foreign exchange losses (gains),” “equity in (earnings) losses of affiliates,” “loss on valuation of membership,” “loss (gain) on sales of investment securities,” “loss (gain) on liquidation of subsidiaries and associates,” and “decrease (increase) in other inventories” accounted for as separate items under “net cash provided by (used in) operating activities” in the previous consolidated fiscal year are included in “other” in “net cash provided by (used in) operating activities from the consolidated fiscal year under review to make presentation simple and concise and because the importance of amounts are not significant. To reflect these changes in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “impairment loss” of ¥265 million, “foreign exchange losses (gains) of” (¥176 million), “equity in (earnings) losses of affiliates of (¥84 million),” “loss on valuation of membership” of ¥1 million, “loss (gain) on sales of investment securities” of (¥20 million), “loss (gain) on liquidation of subsidiaries and associates” of (¥22 million), “decrease (increase) in other inventories” of (¥90 million) and “others” of (¥270 million) in the Consolidated Statements of Cash Flows in the previous consolidated fiscal year are reclassified as “other” gain of (¥398 million).

“Loss (gain) on sales of property, plant and equipment” and “loss on retirement of property, plant and equipment” accounted for as separate items under “net cash provided by (used in) operating activities” in the previous consolidated fiscal year are presented under “loss (gain) on sales and retirement of non-current assets” in “net cash provided by (used in) operating activities” from the consolidated fiscal year under review to make presentation simple and concise and because the importance of amounts are not significant. To reflect these changes in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “loss (gain) on sales of property, plant and equipment” of (¥44 million) and “loss on retirement of property, plant and equipment” of ¥207million in the Consolidated Statements of Cash Flows in the previous consolidated fiscal year are reclassified “loss (gain) on sales and retirement of non-current assets” of ¥162 million.

“Collection of loans receivable” listed as a separate item under “net cash provided by (used in) investment activities” in the previous consolidated fiscal year is presented under “other” in “net cash provided by (used in) investment activities” from the consolidated fiscal year under review to make presentation simple and concise and because the importance of the amounts is not significant. To reflect this change in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “collection of loans receivable” of ¥8 million and “other” of (¥1,386 million) in the Consolidated Statements of Cash Flows in the previous consolidated fiscal year are reclassified as “other” of (¥1,377 million).

“Proceeds from sales of treasury stock” listed as a separate item under “net cash provided by (used in) financing activities” in the previous consolidated fiscal year is presented under “other” in “net cash provided by (used in) financing activities” from the consolidated fiscal year under review to make presentation simple and concise and because the importance of the amount is not significant. To reflect this change in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, “proceeds from sales of treasury stock” of ¥0 million and “other” of (¥114 million) in the Consolidated Statements of Cash Flows in the previous consolidated fiscal year are reclassified as “other” of (¥114 million).

ADDITIONAL INFORMATION

(Partial transition to a defined contribution pension plan)

From April 2019, the Company has transitioned to a defined contribution pension plan for part of its corporate defined benefit plan and adopted “Guidance on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1 on December 16, 2016, Accounting Standards Board of Japan).

The Company recorded extraordinary income of ¥1,603 million (US$14,735 thousand) in the consolidated fiscal year as the amount of the impact of this transition.

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
	2019	2020	2020
Investment securities-equity	¥2,251	¥2,392	$ 21,984

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
	2019	2020	2020
Investment securities-equity	¥22	¥11	$101
Investments and other assets-long-term loans receivable	18	7	72

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
	2019	2020	2020
BAN-BAN Networks Co., Ltd.	¥ 20	¥20	$191

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
	2019	2020	2020
Buildings and structures, machinery and vehicles.........................	¥5,136	¥5,136	$47,195

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
2019	2020	2020
¥(1)	¥2	$24

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
2019	2020	2020
¥349	¥2,388	$21,947

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
	2019	2020	2020
Employees' salaries	¥24,886	¥26,604	$244,456
Retirement benefit expenses	1,573	1,510	13,876
Provision of allowance for doubtful accounts.....................	(177)	(300)	(2,763)

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
2019	2020	2020
¥498	¥571	$5,246

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
	2019	2020	2020
Buildings and structures	¥ 3	¥ —	$ —
Machinery and vehicles...............	11	9	83
Tools, furniture and fixtures.........	—	0	0
Land	31	274	2,525
Total	¥46	¥283	$2,609

6. The principal breakdown of other in extraordinary income are as follows:

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Gain on sale of investment securities ...	¥20	¥157	$1,445
Gain on negative goodwill	—	73	673

7. The principal breakdown of other in extraordinary loss are as follows:

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Loss on sales of noncurrent assets....	¥ 2	¥12	$117
Loss on retirement of noncurrent assets..	207	94	871
Impairment loss	265	7	70
Loss on sale of investment securities	0	1	17

8. The breakdown of loss on sale of noncurrent assets included in other (extraordinary loss) is as follows.

For the fiscal years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures	¥1	¥10	$ 93
Machinery and vehicles	1	1	15
Tools, furniture and fixtures.........	0	0	0
Land	—	0	8
Total	¥2	¥12	$117

9. Impairment loss included in other (extraordinary loss)

For the fiscal years ended March 31, 2019 and 2020, the Group recorded the following impairment losses for asset groups.

For the fiscal year ended March 31, 2019

Application	Location	Type	Millions of yen
Idle assets	Kinki region: 7 properties	Land	242
	Other: 3 properties	Land	22

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 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, 2020

Application	Location	Type	Millions of yen	Thousands of U.S. dollars
Idle assets	Kinki region: 4 properties	Land	7	$68
	Other: 1 property	Land	0	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 ¥7 million (US$70 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
	2019	2020	2020
Valuation difference on available-for-sale securities			
Amount recorded during the period	¥(5,732)	¥(13,143)	$(120,772)
Reclassification adjustments	(0)	21	196
Amount before tax effect adjustments	(5,733)	(13,122)	(120,575)
Tax effect	1,739	3,932	36,133
Valuation difference on available-for-sale securities .	(3,993)	(9,189)	(84,442)
Foreign currency translation adjustment			
Amount recorded during the period	(394)	(112)	(1,033)
Reclassification adjustments	—	—	—
Foreign currency translation adjustment	(394)	(112)	(1,033)
Remeasurements of defined benefit plans, net of tax			
Amount recorded during the period	(1,542)	5,254	48,277
Reclassification adjustments	941	3,734	34,311
Amount before tax effect adjustments	(600)	8,988	82,589
Tax effect	193	(2,769)	(25,450)
Remeasurements of defined benefit plans, net of tax.....	(406)	6,218	57,138
Total other comprehensive income	¥(4,794)	¥(3,083)	$ (28,337)

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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	¥15.0	March 31, 2018	June 27, 2018
Board of Directors' Meeting on October 31, 2018	Common stock	¥3,037 million	¥14.0	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	Retained earnings	¥16.0	March 31, 2019	June 26, 2019

For the fiscal year ended March 31, 2020

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, 2019	Increase	Decrease	At March 31, 2020
Stock issued				
Common stock	218,141	—	—	218,141
Total	218,141	—	—	218,141
Treasury stock				
Common stock	1,189	5,512	0	6,702
Total	1,189	5,512	0	6,702

(Note) An increase 5,512 thousand in the number of common treasury shares resulted from purchases of 5,510 thousand shares of common treasury shares based on a resolution by the Board of Directors and purchases of 2 thousand 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 25, 2019	Common stock	¥3,471 million $31,895 thousand	¥16.0 $0.14	March 31, 2019	June 26, 2019
Board of Directors' Meeting on October 30, 2019	Common stock	¥3,254 million $29,902 thousand	¥15.0 $0.13	September 30, 2019	November 29, 2019

(2) Dividends with a date of record during the fiscal year ended March 31, 2020 and an effective date during the next fiscal year

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
General Meeting of Shareholders on June 24, 2020	Common stock	¥3,594 million $33,028 thousand	Retained earnings	¥17.0 $0.15	March 31, 2020	June 25, 2020

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
	2019	**2020**	**2020**
Cash and deposits	¥ 40,255	**¥ 50,791**	**$ 466,700**
Deposits with maturities longer than 3 months	(3,064)	**(2,782)**	**(25,565)**
Short-term investment with maturities within 3 months after the date of acquisition	110,000	**100,999**	**928,052**
Cash and cash equivalents	¥147,191	**¥149,008**	**$1,369,187**

2. Principal breakdown of assets and liabilities of company that became a newly consolidated subsidiary through the acquisition of shares or equity

The breakdown of assets and liabilities at the start of consolidation accompanying the new consolidation of International Electro-Mechanical Services through the acquisition of equity interest and the relationship between the acquisition price of the equity interest in the said consolidated subsidiary and the expenditures (net amounts) due to the acquisition are as follows:

For the fiscal years ended March 31, 2020

	Millions of yen	Thousands of U.S. dollars
	2020	2020
current assets	¥7,165	$65,838
Noncurrent assets	263	2,420
Goodwill	2,480	22,796
Current Liabilities	(3,366)	(30,934)
Noncurrent liabilities	(3,428)	(31,507)
Foreign currency translation adjustment	(1)	(16)
Acquisition price of equity	3,112	28,596
Cash and cash equivalents	(3,568)	(32,790)
Deduction: income from acquisition	(456)	(4,193)

Furthermore, the amounts of assets and liabilities of the other company that became newly consolidated subsidiaries due to the acquisition of shares during the current consolidated fiscal year are omitted due to the lack of materiality.

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.

Deposits paid and long-term deposits are to Kansai Electric Power Co., Inc., and the Company has judged that there is minimal credit risk due to nonfulfillment of contracts.

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

Short-term loans payable and long-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, 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, 2020

	Millions of yen		
	Book value	Market value	Difference
(1) Cash and deposits	¥ 50,791	¥ 50,791	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	218,954	218,954	—
(3) Short-term investment securities and investment securities	215,791	215,251	(539)
(4) Deposits paid	10,000	10,000	—
(5) Long-term deposits	10,000	10,008	8
Total assets	505,537	505,005	(531)
(1) Notes payable, accounts payable for construction contracts and other	87,705	87,705	—
(2) Short-term loans payable	15,817	15,817	—
(3) Long-term loans payable	26	26	—
Total liabilities	¥103,550	¥103,550	¥ —
Derivatives	—	—	—

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

March 31, 2020

	Thousands of U.S. dollars		
	Book value	Market value	Difference
(1) Cash and deposits	$ 466,700	$ 466,700	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other*	2,011,893	2,011,893	—
(3) Short-term investment securities and investment securities	1,982,831	1,977,870	(4,960)
(4) Deposits paid	91,886	91,886	—
(5) Long-term deposits	91,886	91,962	75
Total assets	4,645,199	4,640,313	(4,885)
(1) Notes payable, accounts payable for construction contracts and other	805,895	805,895	—
(2) Short-term loans payable	145,344	145,344	—
(3) Long-term loans payable	244	244	—
Total liabilities	$ 951,484	$ 951,484	$ —
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 investment securities

Assets

(1) Cash and deposits and (4) Deposits paid

These 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.

(5) Long-term deposits

The market values are determined as the present values discounted at interest rates reflecting credit risk through to maturity.

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.

(3) Long-term loans payable

Long-term loans payable with variable interest rates are short term and reflect market interest rates. Market value is almost equal to book value, so book value is used.

(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
	2019	**2020**	**2020**
Unlisted stocks, etc.	¥5,067	**¥5,243**	**$48,176**

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, 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, 2020

	Millions of yen			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥ 50,791	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	220,635	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)	6,000	35,746	3,400	10
Held-to-maturity debt securities (Commercial paper)	4,999	—	—	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	96,000	—	—	—
Other	—	—	10	—
Deposits paid	10,000	—	—	—
Long-term deposits	—	10,000	—	—
Total	¥388,426	¥45,746	¥3,410	¥ 10

March 31, 2020

	Thousands of U.S. dollars			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	$ 466,700	$ —	$ —	$ —
Notes receivable, accounts receivable from completed construction contracts and other	2,027,344	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Corporate bonds)	55,131	328,460	31,241	91
Held-to-maturity debt securities (Commercial paper)	45,942	—	—	—
Held-to-maturity debt securities (Negotiable certificate of deposits)	882,109	—	—	—
Other	—	—	91	—
Deposits paid	91,886	—	—	—
Long-term deposits	—	91,886	—	—
Total	$3,569,115	$420,347	$31,333	$ 91

(Note 4) As for the amount of long-term loans payble and 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, 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, 2020

	Millions of yen		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	¥ 11,725	¥ 11,746	¥ 20
Subtotal	11,725	11,746	20
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	33,536	32,975	(560)
Commercial paper	4,999	4,999	—
Negotiable certificates of deposit	96,000	96,000	—
Other	10	9	(0)
Subtotal	134,546	133,985	(560)
Total	¥146,271	¥145,731	¥ (539)

March 31, 2020

	Millions of yen		
	Book value	Market value	Difference
(1) Securities whose market value exceeds the book value			
Bonds payable	$107,744	$107,935	$ 190
Subtotal	107,744	107,935	190
(2) Securities whose market value is equal to or lower than the book value			
Bonds payable	308,151	303,003	(5,147)
Commercial paper	45,942	45,942	—
Negotiable certificates of deposit	882,109	882,109	—
Other	91	88	(3)
Subtotal	1,236,295	1,231,143	(5,151)
Total	$1,344,040	$1,339,079	$ (4,960)

2. Available-for-Sale Securities

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, 2020

	Millions of yen		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	¥64,370	¥22,341	¥42,028
Subtotal	64,370	22,341	42,028
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	5,141	5,575	(433)
Other	7	7	—
Subtotal	5,149	5,582	(433)
Total	¥69,519	¥27,924	¥41,595

March 31, 2020

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
(1) Securities whose market value exceeds the acquisition cost			
Equity	$591,476	$205,287	$386,189
Subtotal	591,476	205,287	386,189
(2) Securities whose market value is equal to or lower than the acquisition cost			
Equity	47,244	51,227	(3,983)
Other	70	70	—
Subtotal	47,314	51,298	(3,983)
Total	$638,791	$256,585	$382,206

3. Available-for-Sale Securities Sold

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, 2020

	Millions of yen		
	Sold	Total gain on sales	Total loss on sales
Equity	¥353	¥157	¥1
Total	¥353	¥157	¥1

For the fiscal year ended March 31, 2020

	Thousands of U.S. dollars		
	Sold	Total gain on sales	Total loss on sales
Equity	$3,243	$1,445	$17
Total	$3,243	$1,445	$17

4. Impairment Loss on Securities

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.(¥38 million on stocks with market value in available-for-sale-securities and ¥0 million on stocks without market values in available-for-sale-securities). Among available-for-sale securities, the Company recognized impairment loss of ¥38 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, 2020

During the fiscal year ended March 31, 2020, the Company recognized impairment loss on securities of ¥978 million (US$8,990 thousand) (¥17 million (US$160 thousand) in corporate bonds in held-to-maturity dept securities, ¥958 million (US$8,810 thousand) on stocks with market value in available-for-sale-securities and ¥2 million (US$19 thousand) on stocks without market values in available-for-sale-securities).

The Group determines impairment loss on the stocks and corporate bonds in question based on "significant decline," which it defines as a decline of 30% or higher in the market value for stocks and corporate bonds 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, 2019 and 2020

Not applicable.

RETIREMENT BENEFITS

1. Outline of the Adopted Retirement Benefit Plan

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

In April 2019, the Company transitioned a portion of its traditional defined benefit pension plan to a defined contribution pension plan.

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
	2019	2020	2020
Opening balance of projected benefit obligations	¥134,621	**¥136,977**	**$1,258,636**
Service cost	5,263	**3,760**	**34,554**
Interest cost	395	**276**	**2,544**
Actuarial loss	1,093	**86**	**797**
Retirement benefits provided	(4,397)	**(4,737)**	**(43,529)**
Increase in value due to the acquisition of a newly consolidated subsidiary	—	**430**	**3,959**
Decrease in value accompanying the transition to a defined contribution pension plan	—	**(43,073)**	**(395,789)**
Closing balance of projected benefit obligations	¥136,977	**¥ 93,721**	**$ 861,173**

(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
	2019	2020	2020
Opening balance of plan assets	¥108,698	**¥109,842**	**$1,009,301**
Expected return on plan assets	2,164	**1,586**	**14,578**
Actuarial gain	(448)	**(2,823)**	**(25,947)**
Contribution of employer	2,825	**1,850**	**17,002**
Retirement benefits paid	(3,397)	**(3,666)**	**(33,688)**
Decrease in value accompanying the transition to a defined contribution pension plan	—	**(30,031)**	**(275,948)**
Closing balance of plan assets	¥109,842	**¥ 76,757**	**$ 705,298**

(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
	2019	2020	2020
Projected benefit obligations, funded plan	¥ 118,183	¥ 74,122	$ 681,082
Plan assets	(109,842)	(76,757)	(705,298)
	8,341	(2,635)	(24,216)
Projected benefit obligations, unfunded plan	18,793	19,599	180,090
Net amount of liabilities and assets recorded on the balance sheet	27,135	16,963	155,874
Net defined benefit liability	27,135	19,665	180,703
Net defined benefit asset	—	(2,702)	(24,828)
Net amount of liabilities and assets recorded on the balance sheet	¥ 27,135	¥ 16,963	$ 155,874

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost*[1.2]	¥5,263	¥ 3,760	¥ 34,554
Interest cost	395	276	2,544
Expected return on plan assets	(2,164)	(1,586)	(14,578)
Amortization value of actuarial loss	1,505	1,483	13,635
Amortization value of prior service cost	(563)	(1,023)	(9,406)
Retirement benefit expenses related to defined benefit plans	4,436	2,910	26,747
Gains and losses associated with the transition to a defined contribution pension plan	¥ —	¥ (1,603)	¥ (14,735)

*[1] Employees' retirement cost of consolidated subsidiaries that calculate employees'retirement benefits by the simplified method is included Inservice cost.

*[2] Gains accompanying the transition to a defined contribution pension plan are recorded as extraordinary income.

(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
	2019	2020	2020
Prior service cost	¥563	¥ (7,140)	$(65,615)
Actuarial gains and losses	36	(1,847)	(16,973)
Total	¥600	¥ (8,988)	$ (82,589)

(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
	2019	2020	2020
Unrecognized prior service cost	¥ (3,947)	¥ (11,088)	$ (101,885)
Unrecognized actuarial loss	13,653	11,806	108,484
Total	¥ 9,706	¥ 718	$ 6,598

(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:

	2019	2020
Domestic bonds	47%	37%
Domestic equities	12	11
Foreign bonds	6	6
Foreign equities	11	9
Insurance assets (General account)	23	31
Cash and deposits	0	0
Others	1	5
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

	2019	2020
Discount rate	0.29%, 0.8%	0.29%, 0.8%
Long-term expected rate of return	2.0%, 1.2%	2.0%, 1.2%

3. Defined contribution plan

The required amount of contribution to the Company's defined contribution plan is ¥1,284 million (US$11,799 thousand) in the current consolidated fiscal year.

DEFERRED TAX ACCOUNTING

1. Principal Components of Deferred Tax Assets and Liabilities

March 31

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Allowance for doubtful accounts	¥ 639	¥ 544	$ 5,000
Accrued expenses	4,212	5,060	46,501
Accrued enterprise tax	767	896	8,239
Net defined benefit liability	8,269	4,997	45,918
Loss on valuation of investment securities	1,027	1,214	11,157
Loss on valuation of memberships	396	383	3,523
Impairment loss	443	444	4,083
Provision for loss on construction contracts	146	744	6,844
Unrealized gains	758	732	6,728
Others	1,708	1,725	15,852
Subtotal of deferred tax assets	18,369	16,743	153,849
Valuation allowance	(2,821)	(2,900)	(26,653)
Total deferred tax assets	¥15,547	¥ 13,842	$ 127,195
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(15,853)	(11,922)	(109,549)
Reserve for advanced depreciation of noncurrent assets	(100)	(100)	(919)
Others	(726)	(737)	(6,775)
Total deferred tax liabilities	¥(16,680)	¥(12,759)	$(117,243)
Net defended tax assets (liabilities)	¥ (1,133)	¥ 1,083	$ 9,952

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

2019	2020
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.	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.

BUSINESS COMBINATION, ETC

Business Combination Through Acquisition

1. Overview of business combination

(1) Name of the acquired company and details of its business

Name of the acquired company: International Electro-Mechanical Services Co. (L.L.C.)

Business description: electrical equipment construction, air conditioning equipment construction

(2) Main reasons for undertaking business combination

Based in the Emirate of Dubai, International Electro-Mechanical Services Co. (L.L.C.) has operated as a comprehensive equipment construction company for over 50 years since its founding in 1968.

The company's customers consist of European companies in addition to numerous Middle Eastern companies. The company has a solid record in the United Arab Emirates and surrounding countries for the construction of a full set of equipment for super high-rise buildings, large commercial facilities, hospitals and other facilities.

Kinden aims to secure future business opportunities and achieve further growth in overseas business by utilizing that company's technical and construction capabilities in addition to its network and creditworthiness.

(3) Business combination date

January 29, 2020 (equity acquisition date)

March 31, 2020 (the deemed acquisition date)

(4) Legal format for business combination

Equity acquisition

(5) Name of company following combination

No change

(6) Percentage of acquired voting rights

49% (control of all voting rights based on contract)

(7) Main basis up to the decision to acquire company

The Company acquired an interest with cash as consideration.

2. Time period of acquired company that is included in the consolidated financial statements

The deemed acquisition date is March 31, 2020 and the consolidated financial settlement of the acquired company is based on the financial statements as of March 31, 2020. Therefore, business results are not included in the consolidated financial statements.

3. Breakdown of acquisition cost and each type of consideration of acquired company

Consideration for acquisition	Cash	¥3,112 million (US$28,596 thousand)
Acquisition cost		¥3,112 million (US$28,596 thousand)

4. Details and amount of principal costs associated with acquisition

Advisory fees and others ¥153 million (US$1,412 thousand)

5. Amount of goodwill generated, reason for generation, amortization method and amortization period

(1) Amount of goodwill generated

¥2,480 million (US$22,796 thousand)

The amount of goodwill is provisionally calculated because identifying recognizable assets and liabilities and calculating their fair value had not been completed as of the end of the current consolidated fiscal year and the purchase price allocation has yet to be completed.

(2) Cause of generation

This goodwill is generated from the expected excess earning power from future business development.

(3) Amortization method and amortization period

Straight-line amortization over 5 years

6. Amount of assets and liabilities assumed on the day of business combination and their main breakdown

Current assets	¥7,165 million ($ 65,838 thousand)
Noncurrent assets	¥263 million ($ 2,420 thousand)
Total assets	¥7,428 million ($ 68,259 thousand)
Current Liabilities	¥3,366 million ($ 30,934 thousand)
Noncurrent liabilities	¥3,428 million ($ 31,507 thousand)
Total liabilities	¥6,795 million ($ 62,441 thousand)

7. Approximate amount of impact on Consolidated Statements of Income for the current consolidated fiscal year and calculation method assuming the business combination was completed on the date of beginning of the consolidated fiscal year

Omitted because it is difficult to calculate the estimated amount for the current consolidated fiscal year.

ASSET RETIREMENT OBLIGATION

For the fiscal years ended March 31, 2019 and 2020

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, 2019 and 2020

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, 2019 and 2020

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, 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

Customer name	Net sales Millions of yen	Related segment
The Kansai Electric Power Company, Incorporated	¥66,847	Facility Construction Business

For the fiscal year ended March 31, 2020

(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	Net sales: Thousands of U.S. dollars	Related segment
The Kansai Electric Power Company, Incorporated	¥70,613	$648,845	Facility Construction Business

Information about Impairment Loss on Noncurrent Assets for Each Reporting Segment

For the fiscal years ended March 31, 2019 and 2020

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 year ended March 31, 2019

Not applicable.

For the fiscal year ended March 31, 2020

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

Information about Gain on Negative Goodwill for Each Reporting Segment

For the fiscal year ended March 31, 2019

Not applicable.

For the fiscal year ended March 31, 2020

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

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, 2019

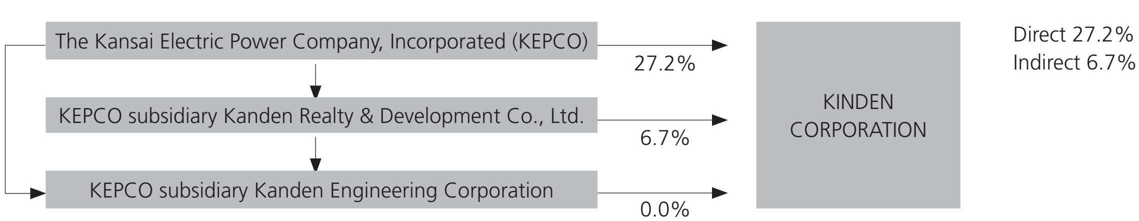
<table>
<tr><th>Type of transaction</th><th>Name of company or individual (address)</th><th>Capital stock or investment</th><th>Description of business or position</th><th>Percentage of voting rights held</th><th colspan="2">Transactions between related parties</th></tr>
<tr><td rowspan="4">Other affiliates</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">¥65,247 million</td><td>Accounts receivable from completed construction contracts</td><td>¥10,028 million</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥642 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



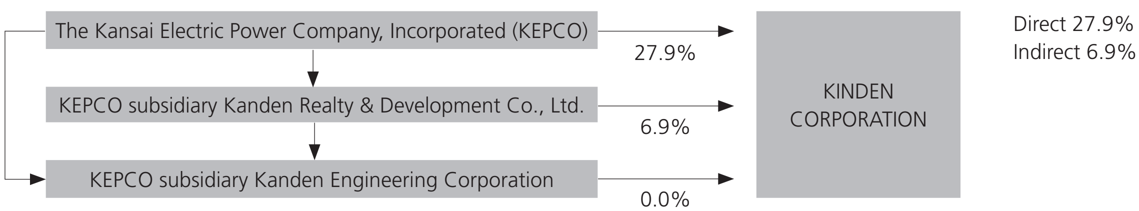
(Note 3) Percentage of voting rights held is calculated based on the number of shares with voting rights owned as of March 31, 2019.

For the fiscal year ended March 31, 2020

<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="6">Other affiliates</td><td rowspan="6">The Kansai Electric Power Company, Incorporated (Kita-ku, Osaka)</td><td>¥489,320 million
$4,496,193 thousand</td><td>Electric power business</td><td>(Held)
Direct Indirect
27.9% 6.9%
[See Figure 1]</td><td colspan="2">Receipt of orders for power distribution lining and transmission line construction, etc.
Concurrent service of directors, etc.</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">¥68,971 million
$633,756 thousand</td><td>Accounts receivable from completed construction contracts</td><td>¥12,152 million
$111,661 thousand</td></tr>
<tr><td>Advances received on uncompleted construction contracts</td><td>¥453 million
$4,167 thousand</td></tr>
<tr><td colspan="2" rowspan="2">Deposit of assets</td><td rowspan="2">¥20,000 million
$183,772 thousand</td><td>Deposit</td><td>¥10,000 million
$91,886 thousand</td></tr>
<tr><td>Long-term deposits</td><td>¥10,000 million
$91,886 thousand</td></tr>
</table>

(Note 1) Consumption taxes are not included in transaction amounts associated with business transactions 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.
(Note 3) The interest rate on deposits is determined considering market interest rates.
(Note 4) The Kansai Electric Power Company, Incorporated transferred its general power transmission and distribution business to Kansai Transmission and Distribution, Inc. as of April 1, 2020 through a company split. Along with this, from the same date, the party placing orders for electrical work (power distribution work, transmission line work, etc.) has been changed to Kansai Transmission and Distribution, Inc.

Figure 1



(Note 5) Percentage of voting rights held is calculated based on the number of shares with voting rights owned as of March 31, 2020.

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, 2019
Not applicable.

For the fiscal year ended March 31, 2020
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
	2019	2020	2020
Net assets per common share	¥2,070.11	**¥2,189.45**	**$20.11**
Profit attributable to owners of parent per common share	132.95	**150.19**	**1.38**

(Note 1) Diluted profit attributable to owners of parent per common share is omitted because there are no dilutive securities.

(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
	2019	2020	2020
Profit attributable to owners of parent	¥28,844	**¥32,500**	**$298,639**
Amount not attributable to ordinary shareholders	—	—	—
Profit attributable to owners of parent applicable to common stock	28,844	**32,500**	**298,639**

	Thousands of shares	
	2019	2020
Average number of common stock outstanding for each period	216,952	**216,399**

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Total net assets	¥450,265	**¥464,235**	**$4,265,695**
Amounts deducted from total net assets	1,153	**1,301**	**11,963**
Non-controlling interests	1,153	**1,301**	**11,963**
Total net assets related to common stock	449,112	**462,933**	**4,253,731**

	Thousands of shares	
	2019	2020
Number of common stock used to calculate net assets per share	216,951	**211,438**

SUBSEQUENT EVENTS

Not applicable.

CONSOLIDATED SUPPLEMENTAL SCHEDULES

Schedule of Corporate Bonds

Not applicable.

Schedule of Outstanding Loans, etc.

	At April 1, 2019	At March 31, 2020	Average rate	Due date
Short-term loans payable	¥15,540 million	¥15,817 million $145,344 thousand	1.390%	—
Current portion of long-term loans payable	—	¥20 million $183 thousand	0.600	—
Current portion of lease obligations	¥64 million	¥49 million $456 thousand	—	—
Long-term loans payable (Excluding current portion of long-term loans payable)	—	¥6 million $61 thousand	0.600	2021
Lease obligations (Excluding current portion of lease obligations)	¥143 million	¥171 million $1,575 thousand	—	From 2021 to 2026
Other interest-bearing debt	—	—	—	—
Total	¥ 15,747 million	¥16,065 million $147,621 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 scheduled repayment amounts of long-term debt within 5 years after the consolidated closing date (excluding current portion of long-term loans payable) 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
Long-term loans payable	¥6 million $61 thousand	—	—	—

(Note 3) The aggregate annual maturities of lease obligations within five years after March 31, 2020 (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	¥88 million $812 thousand	¥57 million $524 thousand	¥24 million $226 thousand	¥1 million $12 thousand

Schedule of Asset Retirement Obligations

Not applicable.

OTHERS

Quarterly Information for the Fiscal Year ended March 31, 2020

(Cumulative period)	One quarter	Two quarters	Three quarters	Full year
Net sales	¥110,159 million $1,012,217 thousand	¥251,425 million $2,310,260 thousand	¥383,551 million $3,524,319 thousand	¥585,905 million $5,383,677 thousand
Profit before income taxes	¥5,891million $54,138 thousand	¥15,995 million $146,974 thousand	¥28,606 million $262,857 thousand	¥47,790 million $439,132 thousand
Profit attributable to owners of parent	¥3,290 million $30,233 thousand	¥10,225 million $93,955 thousand	¥18,980 million $174,405 thousand	¥32,500 million $298,639 thousand
Profit attributable to owners of parent per common share	¥15.17 $0.13	¥47.13 $0.43	¥87.49 $0.80	¥150.19 $1.38

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit attributable to owners of parent per common share	¥15.17 $0.13	¥31.97 $0.29	¥40.36 $0.37	¥62.84 $0.57

Independent Auditors’ Report

To the Board of Directors of
KINDEN CORPORATION

Opinion

We have audited the accompanying consolidated balance sheet of KINDEN CORPORATION(the “Company”) and its consolidated subsidiaries as of March 31, 2020, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2020, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board and its members for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Audit & Supervisory Board and its members are responsible for overseeing the Company and its consolidated subsidiaries’ financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. These audit procedures are based on auditor’s professional judgment and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, and the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

The engagement partners on the audit resulting in this independent auditor's report are Seiji Doko Certified Public Accountant, Takahiro Fujita Certified Public Accountant, and Takashi Kinoshita Certified Public Accountant.

PKF Hibiki Audit Corporation

Hibiki Audit Corporation
Osaka, Japan
June,24 2020

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Non-Consolidated Statements of Income

KINDEN CORPORATION
For the fiscal years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net sales of completed construction contracts	¥456,762	$516,196	$4,743,141
Cost of sales of completed construction contracts	378,480	430,533	3,956,021
Gross profit on completed construction contracts	78,281	85,662	787,120
Selling, general and administrative expenses	44,760	47,961	440,699
Operating income	33,520	37,701	346,421
Non-operating income:			
Interest income	193	174	1,600
Interest on securities	150	165	1,522
Dividends income	4,446	4,737	43,528
Other	474	355	3,266
Total non-operating income	5,265	5,432	49,918
Non-operating expenses:			
Interest expenses	232	234	2,157
Foreign exchange losses	—	289	2,662
Dismantlement cost	66	114	1,049
Other	559	399	3,666
Total non-operating expenses	859	1,037	9,536
Ordinary income	37,926	42,095	386,802
Extraordinary income:			
Gain on sales of noncurrent assets	44	283	2,601
Gain on revision of retirement benefit plan	—	1,603	14,735
Other	44	191	1,759
Total extraordinary income	88	2,078	19,095
Extraordinary losses:			
Loss on retirement of noncurrent assets	207	95	875
Loss on valuation of investment securities	38	785	7,219
Other	270	19	179
Total extraordinary losses	515	900	8,273
Profit before income taxes	37,499	43,273	397,624
Income taxes:			
Income taxes-current	11,677	13,616	125,117
Income taxes-deferred	(428)	(919)	(8,449)
Total income taxes	11,249	12,696	116,668
Profit	¥ 26,250	$ 30,576	$ 280,956

	Yen		U.S. dollars
	2019	2020	2020
Amounts per common share:			
Profit	¥ 121.00	¥ 141.30	$1.29
Cash dividends	30.00	32.00	0.29

Non-Consolidated Balance Sheets

KINDEN CORPORATION
March 31, 2019 and 2020

ASSETS	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
CURRENT ASSETS:			
Cash and deposits	¥ 14,170	¥ 22,862	$ 210,079
Notes receivable-trade	4,037	2,340	21,508
Electronically recorded monetary claims	33,437	23,296	214,064
Accounts receivable from completed construction contracts	161,867	169,614	1,558,531
Short-term investment securities	110,000	107,002	983,204
Costs on uncompleted construction contracts	14,440	15,559	142,966
Raw materials and supplies	794	798	7,336
Deposits paid	—	10,000	91,886
Other	5,134	7,743	71,150
Allowance for doubtful accounts	(1,955)	(1,639)	(15,069)
Total current assets	341,926	357,578	3,285,659
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings	76,847	79,869	733,894
Accumulated depreciation	(55,023)	(55,668)	(511,516)
Buildings, net	21,823	24,201	222,378
Structures	5,498	5,703	52,406
Accumulated depreciation	(5,047)	(5,100)	(46,869)
Structures, net	451	602	5,536
Machinery and equipment	2,313	2,340	21,502
Accumulated depreciation	(1,834)	(1,928)	(17,721)
Machinery and equipment, net	478	411	3,781
Vehicles	19,476	20,289	186,435
Accumulated depreciation	(16,254)	(16,659)	(153,080)
Vehicles, net	3,221	3,630	33,355
Tools, furniture and fixtures	9,632	9,698	89,116
Accumulated depreciation	(8,555)	(8,505)	(78,156)
Tools, furniture and fixtures, net	1,077	1,192	10,960
Land	55,071	55,554	510,466
Construction in progress	494	38	357
Total property, plant and equipment	82,618	85,631	786,835
INTANGIBLE ASSETS:			
Leasehold right	116	116	1,068
Telephone subscription right	136	136	1,252
Software	1,926	2,167	19,919
Total intangible assets	2,179	2,420	22,241
INVESTMENTS AND OTHER ASSETS:			
Investment securities	125,237	107,438	987,213
Stocks of subsidiaries and associates	9,271	9,369	86,091
Investments in capital of subsidiaries and associates	—	3,265	30,008
Long-term deposits	—	10,000	91,886
Long-term loans receivable	8	7	72
Long-term loans receivable from employees	4	2	20
Long-term loans receivable from subsidiaries and associates	15,329	12,510	114,950
Claims provable in bankruptcy, claims provable in rehabilitation and other	3	3	36
Long-term prepaid expenses	117	89	817
Prepaid pension cost	—	1,258	11,568
Other	3,679	3,453	31,737
Allowance for doubtful accounts	(876)	(830)	(7,634)
Total investments and other assets	152,774	146,568	1,346,768
Total noncurrent assets	237,572	234,620	2,155,845
Total assets	¥579,499	¥592,198	$5,441,504

LIABILITIES AND NET ASSETS	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
CURRENT LIABILITIES:			
Notes payable-trade	¥ 2,258	¥ 1,753	$ 16,111
Accounts payable for construction contracts	70,681	74,258	682,336
Short-term loans payable	14,710	14,610	134,246
Accounts payable-other	8,648	10,587	97,283
Accrued expenses	12,648	14,999	137,825
Income taxes payable	9,601	10,719	98,497
Advances received on uncompleted construction contracts	9,237	7,410	68,096
Provision for loss on construction contracts	477	2,434	22,367
Provision for warranties for completed construction	252	282	2,591
Provision for directors' bonuses	78	93	860
Other	5,939	9,012	82,808
Total current liabilities	134,534	146,161	1,343,026
NONCURRENT LIABILITIES:			
Deferred tax liabilities	4,918	140	1,294
Provision for retirement benefits	16,302	15,931	146,390
Other	888	1,035	9,512
Total noncurrent liabilities	22,108	17,107	157,196
Total liabilities	156,642	163,269	1,500,223
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized: 600,000,000 shares			
Issued: 218,141,080 shares (2020)	26,411	26,411	242,685
Capital surplus	29,657	29,657	272,516
Retained earnings	329,955	353,806	3,251,000
Treasury stock	(1,053)	(9,810)	(90,144)
Total shareholders' equity	384,971	400,065	3,676,057
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities	37,885	28,864	265,224
Total valuation and translation adjustments	37,885	28,864	265,224
Total net assets	422,856	428,929	3,941,281
Total liabilities and net assets	¥579,499	¥592,198	$5,441,504

Board of Directors and Audit & Supervisory Board Members

As of June 24, 2020

Chairman:	Masao Ikoma
Vice Chairman:	Yukikazu Maeda
President:	Takao Uesaka
Vice President:	Hidehiko Yukawa
Directors:	Masaya Amisaki *[1]
	Hiroyuki Hayashi *[1]
	Hideo Tanaka *[2]
	Hiroshi Nishimura *[2]
	Moriyoshi Sato *[2]
	Harunori Yoshida *[3]*[5]
	Hanroku Toriyama *[3]*[5]
	Keiji Takamatsu *[3]*[5]
	Keizo Morikawa *[3]*[5]
Audit & Supervisory Board Members:	Masataka Mizumoto
	Nobuhiro Sakata
	Masami Yoshioka *[4]*[5]
	Toshimitsu Kamakura *[4]*[5]
	Isamu Osa *[4]*[5]

*[1] Senior Executive Officer
*[2] Managing Executive Officer
*[3] Outside Director
*[4] Outside Audit & Supervisory Board Member
*[5] 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:	¥26,400,000,000 (As of March 31, 2020)
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:	7,836 (As of March 31, 2020)
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, plumbing 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, land development, road construction, distribution undergrounding and paving
Other	Painting, mechanical installation, landscaping and steel structures

Network

As of July 31, 2020

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

International Electro-Mechanical Services Co. (L.L.C.)
OFFICE 407, 4th Floor, OUD Metha Building, Sheikh Rashid Road, Dubai HEALTHCARE CITY - DUBAI - U.A.E

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, Power Communication Construction

Electric Power Branch Office
Sub-branch Offices: Nagoya, Wakasa

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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