

**Consolidated Financial Statements**

**KYUDENKO CORPORATION**

*Years ended March 31, 2015 and 2014*





# KYUDENKO CORPORATION

## Consolidated Balance Sheet

	March 31,		
	2014	2015	2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
<b>Assets</b>			
Current assets:			
Cash on hand and in banks (Notes 6, 18 and 20)	¥ 21,679	¥ 37,957	\$ 315,865
Trade notes and accounts receivable (Note 18)	74,104	79,857	664,538
Short-term investments (Note 19)	167	197	1,645
Costs on uncompleted construction contracts	9,471	8,282	68,926
Merchandise	693	1,533	12,759
Raw materials and supplies	578	541	4,504
Deferred tax assets (Note 14)	2,954	3,041	25,311
Other current assets (Note 6)	4,327	4,376	36,421
Allowance for doubtful accounts	(3)	(4)	(38)
Total current assets	113,973	135,784	1,129,933
Non-current assets:			
Property, plant and equipment:			
Buildings and structures (Note 13)	61,341	62,131	517,028
Machinery, vehicles, tools, furniture and fixtures (Note 6)	26,862	30,879	256,965
Leased assets	5,630	6,073	50,544
Land	27,354	27,863	231,866
Construction in progress	667	1,225	10,194
Accumulated depreciation	(43,890)	(46,601)	(387,794)
Total property, plant and equipment	77,966	81,571	678,805
Intangible assets:			
Goodwill (Note 22)	2,389	1,408	11,723
Other intangible assets	1,359	1,189	9,900
Total intangible assets	3,749	2,598	21,624
Investments and other assets:			
Investment securities (Notes 6, 18 and 19)	23,655	29,768	247,715
Long-term loans receivable (Note 6)	295	297	2,473
Asset for retirement benefits (Note 7)	103	235	1,961
Deferred tax assets (Note 14)	3,725	2,380	19,806
Other (Note 6)	3,150	3,080	25,631
Allowance for doubtful accounts	(894)	(773)	(6,436)
Total investments and other assets	30,037	34,987	291,152
Total non-current assets	111,754	119,158	991,582
Total assets	¥ 225,727	¥ 254,942	\$ 2,121,515

	March 31,		
	2014	2015	2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
<b>Liabilities and net assets</b>			
Current liabilities:			
Trade notes and accounts payable (Note 18)	¥ 66,988	¥ 68,445	\$ 569,571
Short-term borrowings (Notes 5 and 18)	3,425	3,282	27,313
Income taxes payable (Note 14)	835	5,140	42,773
Advances received on uncompleted construction contracts	13,696	16,166	134,532
Provision for loss on construction contracts	1,394	449	3,741
Other current liabilities (Notes 5 and 14)	6,012	6,848	56,991
Total current liabilities	92,353	100,332	834,923
Non-current liabilities:			
Convertible bond-type bonds with share subscription rights (Notes 5 and 18)	-	10,000	83,215
Long-term debt (Notes 5 and 18)	18,961	18,047	150,181
Lease obligations (Note 5)	1,977	1,758	14,635
Provision for directors and corporate auditors' retirement benefits	154	228	1,897
Liability for retirement benefits (Note 7)	16,182	18,045	150,165
Other non-current liabilities (Notes 8 and 14)	1,660	1,871	15,577
Total non-current liabilities	38,935	49,951	415,672
Total liabilities	131,289	150,284	1,250,596
Commitments and contingencies (Note 16)			
Net assets (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized – 250,000,000 shares			
Issued – 66,039,535 shares in 2014 and 2015	7,901	7,901	65,755
Capital surplus	7,889	7,889	65,653
Retained earnings	76,691	85,537	711,800
Treasury stock	(19)	(48)	(407)
Total shareholders' equity	92,462	101,279	842,801
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	1,578	4,012	33,389
Unrealized gain (loss) from hedging instruments (Note 21)	—	(82)	(690)
Translation adjustments	153	528	4,399
Retirement benefit liability adjustments (Note 7)	(1,435)	(3,119)	(25,961)
Total accumulated other comprehensive income	296	1,338	11,136
Minority interests	1,679	2,040	16,980
Total net assets	94,438	104,658	870,918
Total liabilities and net assets	¥ 225,727	¥ 254,942	\$ 2,121,515

See notes to consolidated financial statements.

# KYUDENKO CORPORATION

## Consolidated Statement of Income

	Year ended March 31,		
	2014	2015	2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Net sales:			
Construction contracts (Notes 10 and 22)	¥ 267,757	¥ 301,916	\$ 2,512,408
Other	11,552	14,033	116,779
Total net sales	279,310	315,949	2,629,187
Cost of sales:			
Construction contracts	243,746	266,738	2,219,672
Other	10,084	12,100	100,694
Total cost of sales	253,831	278,838	2,320,366
Gross profit:			
Construction contracts	24,010	35,178	292,736
Other	1,467	1,932	16,084
Total gross profit	25,478	37,111	308,821
Selling, general and administrative expenses (Notes 11 and 12)	18,342	20,353	169,371
Operating income (Note 22)	7,136	16,757	139,449
Non-operating income (expenses):			
Interest income	67	76	638
Dividend income	710	283	2,363
Interest expenses	(398)	(386)	(3,217)
Equity in earnings of affiliates	192	234	1,952
Rent income	335	349	2,909
Insurance and dividend income	418	364	3,030
Extra retirement payments	(84)	(62)	(517)
Other, net	530	545	4,538
Ordinary income	8,908	18,163	151,147
Special gains (losses):			
Gain on sales of non-current assets	35	186	1,551
Loss on disposal and sales of non-current assets	(92)	(90)	(753)
Gain on sales of investment securities	363	328	2,732
Gain on bargain purchase	37	232	1,936
Loss on valuation of investment securities	(47)	(9)	(77)
Loss on write down of uncompleted real estate development projects	(1,072)	—	—
Impairment loss (Notes 13 and 22)	(225)	—	—
Other, net	13	—	—
Income before income taxes and minority interests	7,919	18,811	156,537
Income taxes (Note 14):			
Current	1,215	5,453	45,382
Deferred	2,939	1,710	14,237
Income before minority interests	3,764	11,646	96,917
Minority interests	83	128	1,071
Net income	¥ 3,681	¥ 11,517	\$ 95,845

See notes to consolidated financial statements.

# KYUDENKO CORPORATION

## Consolidated Statement of Comprehensive Income

	Year ended March 31,		
	2014	2015	2015
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 4)
Income before minority interests	¥ 3,764	¥ 11,646	\$ 96,917
Other comprehensive income (Note 15):			
Unrealized holding gain (loss) on securities	209	2,439	20,303
Translation adjustments	204	424	3,529
Retirement benefit liability adjustments	—	(1,684)	(14,014)
Share of other comprehensive income of affiliates accounted for by the equity method	(2)	(84)	(704)
Total other comprehensive income	411	1,095	9,113
Comprehensive income	¥ 4,175	¥ 12,741	\$ 106,031
Comprehensive income attributable to:			
Shareholders of Kyudenko Corporation	¥ 4,055	¥ 12,559	\$ 104,515
Minority interests	¥ 120	¥ 182	\$ 1,516

*See notes to consolidated financial statements.*

# KYUDENKO CORPORATION

## Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2014 and 2015:

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
(Millions of yen)												
Balance at April 1, 2013	¥ 7,901	¥ 7,889	¥ 82,260	¥ (4,420)	¥ 93,631	¥ 1,376	¥ –	¥ (51)	¥ –	¥ 1,325	¥ 994	¥ 95,950
Cash dividends paid			(730)		(730)							(730)
Net income			3,681		3,681							3,681
Purchase of treasury stock				(4,119)	(4,119)							(4,119)
Retirement of treasury stock		(8,519)		8,519	–							–
Transfer to capital surplus from retained earnings		8,519	(8,519)		–							–
Net changes in items other than those in shareholders' equity						202	–	204	(1,435)	(1,028)	685	(343)
Total changes during the year	–	–	(5,568)	4,400	(1,168)	202	–	204	(1,435)	(1,028)	685	(1,511)
Balance at March 31, 2014												
Balance at April 1, 2014	7,901	7,889	76,691	(19)	92,462	1,578	–	153	(1,435)	296	1,679	94,438
Cumulative effects of accounting changes (Note 3)			(1,483)		(1,483)							(1,483)
Restated balance	7,901	7,889	75,207	(19)	90,978	1,578	–	153	(1,435)	296	1,679	92,954
Cash dividends paid			(1,188)		(1,188)							(1,188)
Net income			11,517		11,517							11,517
Purchase of treasury stock				(28)	(28)							(28)
Net changes in items other than those in shareholders' equity						2,433	(82)	375	(1,684)	1,041	361	1,402
Total changes during the year	–	–	10,329	(28)	10,300	2,433	(82)	375	(1,684)	1,041	361	11,703
Balance at March 31, 2015	¥ 7,901	¥ 7,889	¥ 85,537	¥ (48)	¥ 101,279	¥ 4,012	¥ (82)	¥ 528	¥ (3,119)	¥ 1,338	¥ 2,040	¥ 104,658

For the year ended March 31, 2015:

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other	Minority interests	Total net assets
										comprehensive income		
	(Thousands of U.S. dollars) (Note 4)											
Balance at April 1, 2014	\$ 65,755	\$ 65,653	\$ 638,189	\$ (166)	\$ 769,432	\$ 13,138	\$ –	\$ 1,276	\$ (11,947)	\$ 2,467	\$ 13,974	\$ 785,874
Cumulative effects of accounting changes (Note 3)			(12,347)		(12,347)							(12,347)
Restated balance	65,755	65,653	625,842	(166)	757,085	13,138	–	1,276	(11,947)	2,467	13,974	773,527
Cash dividends paid			(9,888)		(9,888)							(9,888)
Net income			95,845		95,845							95,845
Purchase of treasury stock				(241)	(241)							(241)
Net changes in items other than those in shareholders' equity						20,250	(690)	3,123	(14,014)	8,669	3,005	11,675
Total changes during the year	–	–	85,957	(241)	85,716	20,250	(690)	3,123	(14,014)	8,669	3,005	97,391
Balance at March 31, 2015	\$ 65,755	\$ 65,653	\$ 711,800	\$ (407)	\$ 842,801	\$ 33,389	\$ (690)	\$ 4,399	\$ ( 25,961)	\$ 11,136	\$ 16,980	\$ 870,918

See notes to consolidated financial statements.

# KYUDENKO CORPORATION

## Consolidated Statement of Cash Flows

	Year ended March 31,		
	2014	2015	2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 7,919	¥ 18,811	\$ 156,537
Depreciation and amortization	4,305	5,262	43,788
Impairment loss	225	—	—
Loss on write down of uncompleted real estate development projects	1,072	—	—
Increase (decrease) in allowance for doubtful accounts	(35)	(125)	(1,043)
Increase (decrease) in liability for retirement benefits and provision for directors and corporate auditors' retirement benefits	(6,780)	(2,996)	(24,933)
Increase (decrease) in provision for loss on construction contracts	854	(966)	(8,041)
Interest and dividend income	(778)	(360)	(3,001)
Interest expenses	398	386	3,217
Foreign exchange loss (gain)	(28)	(105)	(874)
Equity in earnings of affiliates	(192)	(234)	(1,952)
Loss (gain) on sales of property, plant and equipment	1	(190)	(1,583)
Loss on retirement of property, plant and equipment	56	55	459
Loss on valuation of investment securities	47	9	77
Loss (gain) on sales of investment securities	(363)	(328)	(2,732)
Decrease (increase) in trade notes and accounts receivable	2,120	(5,512)	(45,873)
Decrease (increase) in costs on uncompleted construction contracts	(1,915)	1,735	14,440
Decrease (increase) in inventories	(485)	(801)	(6,669)
Increase (decrease) in trade notes and accounts payable	3,830	1,147	9,545
Increase (decrease) in advances received on uncompleted construction contracts	5,326	1,676	13,954
Increase (decrease) in long-term accounts payable	(168)	16	141
Increase (decrease) in consumption taxes payable (receivable)	(1,060)	456	3,799
Other, net	(510)	2,406	20,023
Subtotal	13,840	20,342	169,280
Interest and dividend income received	749	365	3,037
Interest expenses paid	(398)	(386)	(3,217)
Income taxes paid	(1,424)	(1,203)	(10,017)
Net cash provided by operating activities	¥ 12,767	¥ 19,117	\$ 159,083



	Year ended March 31,		
	2014	2015	2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
<b>Cash flows from investing activities</b>			
Payments into time deposits	¥ (10)	¥ (2,022)	\$ (16,826)
Proceeds from withdrawal of time deposits	457	10	83
Purchase of property, plant and equipment	(12,815)	(6,817)	(56,735)
Proceeds from sales of property, plant and equipment	292	351	2,922
Purchase of investment securities	(1,356)	(3,995)	(33,251)
Proceeds from sales of investment securities	1,547	2,180	18,142
Purchase of subsidiaries' shares resulting in changes in scope of consolidation (Note 20)	(2,147)	(526)	(4,384)
Payments of long-term loans receivable	—	(30)	(249)
Collection of long-term loans receivable	59	101	848
Other, net	(483)	(1,067)	(8,881)
Net cash used in investing activities	(14,456)	(11,816)	(98,331)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	(6,731)	(274)	(2,287)
Proceeds from long-term debt	17,110	1,760	14,645
Repayments of long-term debt	(790)	(2,556)	(21,272)
Proceeds from issuance of convertible bond-type bonds with share subscription rights	—	10,000	83,215
Purchase of treasury stock	(4,119)	(28)	(241)
Proceeds from stock issuance to minority shareholders	219	9	74
Repayments to minority shareholders	—	(23)	(192)
Cash dividends paid	(733)	(1,190)	(9,910)
Cash dividends paid to minority shareholders	(2)	(2)	(23)
Other, net	(939)	(1,011)	(8,413)
Net cash provided by financing activities	4,012	6,680	55,595
Effect of exchange rate changes on cash and cash equivalents	174	282	2,348
Net increase (decrease) in cash and cash equivalents	2,498	14,263	118,695
Cash and cash equivalents at the beginning of the year	19,169	21,668	180,311
Cash and cash equivalents at the end of the year (Note 20)	¥ 21,668	¥ 35,931	\$ 299,006

See notes to consolidated financial statements.

# KYUDENKO CORPORATION

## Notes to Consolidated Financial Statements

### 1. Basis of Presentation

KYUDENKO CORPORATION (the “Company”) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

### 2. Summary of Significant Accounting Policies

#### (a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

As of March 31, 2015, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 40 and 4 (36 and 3 in 2014). During the year ended March 31, 2015, the Company acquired Koderu Dengyo Co. and Kakusokukeisou Co. and established Kagoshima Solar Firm Co. and Kyudenko South East Asia Pte. Ltd., which were newly included in the scope of consolidation. The Company also invested in Oita Hiyoshibaru Mega Solar Co., which was newly accounted for by the equity method.

The financial statements of Kakusokukeisou Co. are consolidated by using the financial statements as of December 31 which is prepared solely for consolidation purposes. Kyulien Environment Improving Co., Ltd, Asia Projects Engineering Pte. Ltd. and Kyudenko South East Asia Pte. Ltd. are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. Koderu Dengyo Co. is consolidated using the financial statements as of the fiscal year end, which falls on January 31 and necessary adjustments are made to the financial statements to reflect any significant transactions from February 1 to March 31.

All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method (goodwill) have been amortized by the straight-line method over periods not exceeding 20 years. However, immaterial amounts of goodwill and negative goodwill are charged or credited to income in the year of acquisition.

(b) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts and income statement accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests in the consolidated financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(d) Inventories

Costs on uncompleted construction contracts are stated at cost by the specific identification method.

Merchandise and raw materials and supplies are stated principally at the lower of cost or market, cost being determined principally by the periodic average method.

(e) Short-term investments and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. In cases where an embedded derivative in a compound financial instrument cannot be separately measured, the entire compound financial instrument is measured at fair value with changes in value charged or credited to income. Non-marketable securities classified as other securities are carried at cost except for investments in limited partnerships that are accounted for by the equity method. Cost of securities sold is determined by the moving average

method.

(f) Property, plant and equipment and depreciation (excluding leased assets)

Depreciation of property, plant and equipment (excluding leased assets) of the Company and its consolidated subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives and the residual value in accordance with the Corporation Tax Law of Japan, except for certain buildings of the Company and domestic consolidated subsidiaries, which are depreciated by the straight-line method.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

(g) Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of five years.

(h) Leases

Non-cancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of collectability of receivables from companies in financial difficulty.

(j) Allowance for investment loss

Allowance for investment loss is provided at an amount considered to be appropriate based on an evaluation of the financial condition of the individual investees. The allowance is directly deducted from each investment account.

(k) Provision for loss on construction contracts

Provision for loss on construction contracts is provided with respect to construction projects for which anticipated future losses can be reasonably estimated.

(l) Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods within the average remaining years of service of the employees. Prior service cost is being amortized as incurred by the straight-line method over periods within the average remaining years of service of the employees.

All the consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximate the retirement benefit obligation at year-end.

In addition, accrued retirement benefits for directors and corporate auditors of certain consolidated subsidiaries are provided at the amount payable at year-end in accordance with each company's internal regulations. Retirement benefit expenses for directors and corporate auditors are charged to income when the general shareholders' meeting approves the resolutions for the payments of those benefits.

(m) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Research and development costs

Research and development costs are charged to income as incurred.

(o) Recognizing revenues and costs of construction contracts

Revenues and costs of construction contracts for which contract revenues, contract costs and the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for construction contracts for which the percentage-of-completion cannot be reliably estimated.

(p) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(q) Derivative financial instruments

The Company and certain affiliates enter into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. Derivatives financial institutions are carried at fair value with changes in unrealized gain or loss charged or credited to income, except for those which meet criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Hedging instruments are derivative

transactions and hedged items are primarily interest payments on long-term debt (including foreign currency interest payments) and long-term debt denominated in foreign currencies. Hedge effectiveness is not assessed if the substantial terms and conditions of the hedging instruments and the hedged items are the same. With regard to interest rate swaps and currency swaps which meet certain conditions, the Company applies the special treatment (short-cut method) assuming no ineffectiveness in the hedging relationship between hedged items and hedging instruments.

The Company also has compound financial instruments with embedded derivatives as part of its surplus fund management.

(r) Impairment of fixed assets

The Company and its consolidated subsidiaries base their asset grouping for assessing impairment losses on fixed assets on their management accounting categories (each branch of the Company and each consolidated subsidiary). Leased assets and idle assets are separately evaluated for impairment.

(t) Standards issued but not yet effective

Accounting standards for business combinations

On September 13, 2013, the Accounting Standards Board of Japan (ASBJ) issued “Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22), “Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7), “Revised Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2), “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10), and “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4).

1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent’s ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to “minority interests” was changed to “non-controlling interests,” and accounting treatment for adjustments to provisional amounts during a measurement period was also changed.

2) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

### **3. Accounting Changes**

#### Application of accounting standards for retirement benefits

The Company and its domestic subsidiaries adopted Section 35 of “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter the “Accounting Standard”) and the main clause of Section 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015; hereinafter the “Guidance”) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed from using a bond maturity approximate to the estimated average remaining years of service of the eligible employees as a basis of determining the discount rate to using a single weighted-average discount rate which reflects the expected timing and amount of benefit payments.

In accordance with the transitional treatment provided in Section 37 of the Accounting Standard, the cumulative effect of changing the methods for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, liability for retirement benefits increased by ¥2,296 million (\$19,107 thousand) and retained earnings decreased by ¥1,483 million (\$12,347 thousand) at the beginning of the fiscal year ended March 31, 2015. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2015 was immaterial.

The effect of this change on per share amounts is described in “17. Amounts Per Share” of the notes to consolidated financial statements.”

### **4. U.S. Dollar Amounts**

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥120.17= U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2015. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

### **5. Short-Term Borrowings, Long-Term Debt, Convertible Bond-type Bonds with Share Subscription Rights and Lease Obligations**

The annual weighted-average interest rates applicable to short-term borrowings (excluding the current portion of long-term debt) were 0.841% and 1.242% at March 31, 2014 and 2015, respectively.

Long-term debt, convertible bond-type bonds with share subscription rights and lease obligations at March 31, 2014 and 2015 consisted of the following:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Loans from banks due through 2029 with interest rates ranging from 0.25% to 1.49%	¥ 21,400	¥ 20,603	\$ 171,454
Convertible bond-type bonds with share subscription rights (non-interest bearing)	—	10,000	83,215
Lease obligations due through 2024	2,932	2,609	21,715
	24,332	33,213	276,385
Less current portion	(3,394)	(3,407)	(28,353)
	¥ 20,938	¥ 29,806	\$ 248,032

The aggregate annual maturities of long-term debt, convertible bond-type bonds with share subscription rights and lease obligations are summarized as follows:

<u>Year ending March 31,</u>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2016	¥ 3,407	\$ 28,353
2017	3,165	26,345
2018	7,020	58,422
2019	16,097	133,956
2020	707	5,885
2021 and thereafter	2,814	23,423
	¥ 33,213	\$ 276,385

## 6. Pledged Assets

The assets pledged as collateral for long-term debt of the Company's investees involved in the renewable energy generation business and/or PFI business at March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash on hand and in banks	¥ 42	¥ 197	\$ 1,646
Other current assets – short-term loans receivable	33	9	79
Machinery, vehicles, tools, furniture and fixtures	1,584	1,399	11,646
Investment securities	336	403	3,356
Long-term loans receivable	121	111	929
Investments and other assets – other	15	15	124
Total	¥ 2,133	¥ 2,136	\$ 17,782



## 7. Retirement Benefit Plans

The Company has defined contribution plans, and the Company and its consolidated subsidiaries also have defined benefit plans (corporate pension plans and lump-sum payment plans) covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The Company and its consolidated subsidiaries may pay additional retirement benefits under certain circumstances.

For all the defined benefit plans of consolidated subsidiaries, liabilities and expenses for retirement benefits are calculated using the simplified method.

### (a) Defined benefit plans

- 1) The changes in the retirement benefit obligation for the years ended March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 40,328	¥ 37,825	\$ 314,769
Cumulative effect of accounting changes	—	2,296	19,107
Restated balance at the beginning of the year	40,328	40,121	333,876
Service cost	1,191	1,362	11,338
Interest cost	806	530	4,411
Actuarial gain and loss	(78)	893	7,432
Retirement benefit paid	(4,422)	(4,552)	(37,881)
Prior service cost	—	3,855	32,086
Balance at the end of the year	¥ 37,825	¥ 42,211	\$ 351,263

- 2) The changes in the plan assets for the years ended March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 17,662	¥ 23,171	\$ 192,823
Expected return on plan assets	618	463	3,856
Actuarial gain and loss	694	1,758	14,629
Contributions by the Company	8,547	4,474	37,237
Retirement benefit paid	(4,401)	(4,314)	(35,903)
Other	50	49	408
Balance at the end of the year	¥ 23,171	¥ 25,602	\$ 213,053

- 3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet at March 31, 2014 and 2015 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 37,825	¥ 42,211	\$ 351,263
Plan assets at fair value	(23,171)	(25,602)	(213,053)
	<u>14,654</u>	<u>16,608</u>	<u>138,209</u>
Unfunded retirement benefit obligation	—	—	—
Net liability for retirement benefits in the consolidated balance sheet	<u>14,654</u>	<u>16,608</u>	<u>138,209</u>
Liability for retirement benefits	14,654	16,608	138,209
Asset for retirement benefits	—	—	—
Net liability for retirement benefits in the consolidated balance sheet	<u>¥ 14,654</u>	<u>¥ 16,608</u>	<u>\$ 138,209</u>

- 4) The components of retirement benefit expenses for the years ended March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 1,141	¥ 1,313	\$ 10,929
Interest cost	806	530	4,411
Expected return on plan assets	(618)	(463)	(3,856)
Amortization of actuarial gain and loss	1,631	1,590	13,238
Amortization of prior service cost	(1,029)	(978)	(8,141)
Other	84	377	3,143
Retirement benefit expenses	<u>¥ 2,016</u>	<u>¥ 2,370</u>	<u>\$ 19,724</u>

- 5) The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ —	¥ (4,834)	\$ (40,227)
Actuarial gain and loss	—	2,455	20,435
Total	<u>¥ —</u>	<u>¥ (2,378)</u>	<u>\$ (19,792)</u>

- 6) The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥ (4,662)	¥ 171	\$ 1,425
Unrecognized actuarial gain and loss	6,884	4,428	36,854
Total	<u>¥ 2,221</u>	<u>¥ 4,600</u>	<u>\$ 38,280</u>

- 7) The fair value of plan assets, by major category, as a percentage of total plan assets at March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>
Bonds	43%	46%
Stocks	32%	30%
Other	25%	24%
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

- 8) Weighted average assumptions used in accounting for the above plans were as follows:

	<b>2014</b>	<b>2015</b>
Discount rates	2.0%	1.1%
Expected rates of return on plan assets	3.5%	2.0%

- (b) Defined benefit plans accounted for using the simplified method

- 1) The changes in liability for retirement benefits calculated using the simplified method for the years ended March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 1,454	¥ 1,424	\$ 11,850
Retirement benefit expenses	161	135	1,128
Retirement benefit paid	(68)	(111)	(928)
Contributions	(329)	(336)	(2,796)
Other	205	88	739
Balance at the end of the year	¥ 1,424	¥ 1,200	\$ 9,993

- 2) The following table sets forth the funded status of the plans accounted for using the simplified method and the amounts recognized in the consolidated balance sheet at March 31, 2014 and 2015 for the defined benefit plans:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 3,745	¥ 4,024	\$ 33,490
Plan assets at fair value	(2,523)	(3,135)	(26,092)
	1,222	889	7,398
Unfunded retirement benefit obligation	201	311	2,595
Net liability for retirement benefits in the consolidated balance sheet	1,424	1,200	9,993
Liability for retirement benefits	1,527	1,436	11,955
Asset for retirement benefits	(103)	(235)	(1,961)
Net liability for retirement benefits in the consolidated balance sheet	¥ 1,424	¥ 1,200	\$ 9,993

- 3) Retirement benefit expenses calculated using the simplified method amounted to ¥161 million and ¥135 million (\$1,128 thousand) at March 31, 2014 and 2015, respectively

(c) Defined contribution plans

Contributions made to defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2014 and 2015 were ¥353 million and ¥342 million (\$2,851 thousand), respectively.

## 8. Asset Retirement Obligations

Asset retirement obligations mainly represent future obligations to restore leased property to its original condition associated with the removal of the consolidated subsidiaries' renewable energy generation facilities.

The asset retirement obligations are measured at the present value of the future liabilities applying discount rates of 1.416% to 1.994% corresponding with 17 years for the estimated useful life of those facilities from the acquisition date.

The following table indicates the changes in asset retirement obligations for the years ended March 31, 2014 and 2015:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 476	¥ 699	\$ 5,819
Increase due to acquisition of fixed assets	212	121	1,012
Adjustment due to passage of time	10	14	116
Balance at the end of the year	<u>¥ 699</u>	<u>¥ 835</u>	<u>\$ 6,949</u>

## 9. Net Assets

Under the Corporate Law of Japan (the "Corporate Law"), the entire amount paid for new shares is required to be designated as common stock, in principle. However, a company may designate an amount not exceeding 50% of the proceeds of the issuance of new shares as additional paid-in-capital, which is included in capital surplus.

The Corporate Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of capital reserve and legal reserve equals 25% of the stated common stock. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors, if certain conditions are met, but neither capital reserve nor legal reserve is available for distributions.

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2014:

<i>Types of shares</i>	<i>Number of shares at April 1, 2013</i>	<i>Increase</i>	<i>Decrease</i>	<i>Number of shares at March 31, 2014</i>
		<i>(Number of Shares)</i>		
Shares issued:				
Common stock	83,005,819	—	16,966,284	66,039,535
Treasury stock:				
Common stock	9,975,440	7,027,202	16,966,284	36,358

Details of the increase and decrease are as follows:

Increase due to purchase of shares	7,000,000
Increase due to purchase of shares of less than one standard unit	27,202
Decrease due to retirement of treasury stock	16,966,284

For the year ended March 31, 2015:

<i>Types of shares</i>	<i>Number of shares at April 1, 2014</i>	<i>Increase</i>	<i>Decrease</i>	<i>Number of shares at March 31, 2015</i>
		<i>(Number of Shares)</i>		
Shares issued:				
Common stock	66,039,535	—	—	66,039,535
Treasury stock:				
Common stock	36,358	25,072	—	61,430

Details of the increase are as follows:

Increase due to purchase of shares of less than one standard unit	25,072
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(a)

(b) Share subscription rights

For the year ended March 31, 2015

<i>Company</i>	<i>Description</i>	<i>Type of shares</i>	<i>Number of shares subject to share subscription rights</i>			<i>At March 31, 2015</i>
			<i>At April 1, 2014</i>	<i>Increase</i>	<i>Decrease</i>	
				<i>(Number of Shares)</i>		
Parent company	2nd unsecured convertible bond-type bonds with share subscription rights	Common stock	—	5,452,562	—	5,452,562

1. Number of shares subject to share subscription rights represents the number of shares to be issued upon exercise of the share subscription rights.
2. The increase during the year was due to the issuance of the 2nd unsecured convertible bond-type bonds with share subscription rights. The share subscription rights are included in the convertible bond-type bonds with share subscription rights in the consolidated balance sheet.
3. The exercise period for the 2nd unsecured convertible bond-type bonds with share subscription rights has not commenced as of March 31, 2015.

(c) Dividends

1) Dividends paid

For the year ended March 31, 2014:

	<i>Total dividends</i>	<i>Cut-off date</i>	<i>Effective date</i>
	<i>(Millions of yen)</i>		
Resolution: Meeting of the Board of Directors on April 26, 2013		March 31,	June 6,
Cash dividends (¥5 per share)	¥ 365	2013	2013
Resolution: Meeting of the Board of Directors on October 30, 2013		September	December
Cash dividends (¥5 per share)	¥ 365	30, 2013	2, 2013

For the year ended March 31, 2015:

	<i>Total dividends</i>	<i>Cut-off date</i>	<i>Effective date</i>
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Resolution: Meeting of the Board of Directors on April 28, 2014			
Cash dividends (¥8 (\$0.07) per share)	¥ 528	\$ 4,395	March 31, 2014
Resolution: Meeting of the Board of Directors on October 30, 2014			
Cash dividends (¥10 (\$0.08) per share)	¥ 660	\$ 5,492	September 30, 2014
			December 1, 2014

2) Dividends with the cut-off date in the year ended March 31, 2014 and the effective date in the year ended March 31, 2015:

	<i>Total dividends</i>	<i>Cut-off date</i>	<i>Effective date</i>
	<i>(Millions of yen)</i>		
Resolution: Meeting of the Board of Directors on April 28, 2014			
Cash dividends (¥8 per share)			
Source of dividends: Retained earnings	¥ 528	March 31, 2014	June 6, 2014

Dividends with the cut-off date in the year ended March 31, 2015 and the effective date in the year ending March 31, 2016:

	<u>Total dividends</u>		<u>Cut-off</u>	<u>Effective</u>
	<i>(Thousands</i>		<i>date</i>	<i>date</i>
	<i>(Millions of</i>	<i>of U.S.</i>		
	<i>yen)</i>	<i>dollars)</i>		
Resolution: Meeting of the Board of Directors on April 28, 2015				
Cash dividends (¥15 (\$0.12) per share)				
Source of dividends: Retained earnings	¥	\$	March 31, 2015	June 5, 2015
	989	8,237		

#### 10. Net Sales from Construction Contracts Recognized by Percentage-of-Completion Method

Net sales from construction contracts recognized by the percentage-of-completion method for the years ended March 31, 2014 and 2015 amounted to ¥100,264 million and ¥140,766 million (\$1,171,392 thousand), respectively.

#### 11. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2014 and 2015 were as follows:

	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Salaries and wages	¥ 7,866	¥ 8,283	\$ 68,929
Retirement benefit expenses	429	510	4,244
Provision for directors and corporate auditors' retirement benefits	52	55	461
Provision for bonuses to directors and corporate auditors	10	12	107
Depreciation and amortization	955	875	7,284

#### 12. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2014 and 2015 amounted to ¥313 million and ¥288 million (\$2,402 thousand), respectively.

### 13. Impairment Loss

Information regarding impairment loss for the years ended March 31, 2014 and 2015 is as follows:

For the year ended March 31, 2014:

<i>Classification</i>	<i>Type of asset</i>	<i>Location</i>	<i>Amount</i> <i>(Millions of yen)</i>
Idle assets	Buildings and structures	Chikushino city, Fukuoka	¥ 225

The net book value of the idle assets was reduced to the recoverable amount because the Company decided to dispose of part of the buildings after considering the future use of the idle land and buildings. The recoverable amount was determined based on the net sales value.

For the year ended March 31, 2015:

Not applicable.

### 14. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory rates of approximately 37.75% and 35.38% for the years ended March 31, 2014 and 2015, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates for the years ended March 31, 2014 and 2015 was as follows:

	<b>2014</b>	<b>2015</b>
Effective statutory tax rate	37.75%	35.38%
Effect of:		
Non-deductible expenses	5.76	1.97
Non-taxable dividend income and others	(1.94)	(0.37)
Capita levy on inhabitant tax	2.09	0.89
Valuation allowance	5.83	(1.49)
Effect of changes in the statutory tax rate	1.98	2.17
Other, net	0.99	(0.46)
Effective tax rate	<u>52.46%</u>	<u>38.09%</u>



The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2015 were as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Liability for retirement benefits	¥ 5,714	¥ 5,895	\$ 49,056
Accrued bonuses	1,992	1,986	16,528
Tax loss carryforwards	1,083	931	7,748
Unrealized profits on fixed assets	365	378	3,153
Other	3,420	3,119	25,956
Total gross deferred tax assets	12,575	12,310	102,442
Valuation allowance	(2,388)	(1,977)	(16,452)
Total deferred tax assets	10,187	10,333	85,990
Deferred tax liabilities:			
Unrealized holding gain on other securities	(832)	(1,840)	(15,317)
Reserve for advanced depreciation of fixed assets	(1,483)	(1,343)	(11,182)
Reserve for special depreciation	(978)	(1,244)	(10,356)
Other	(460)	(815)	(6,785)
Total deferred tax liabilities	(3,754)	(5,244)	(43,642)
Net deferred tax assets	¥ 6,433	¥ 5,088	\$ 42,347

Note: Net deferred tax assets as of March 31, 2014 and 2015 were reflected in the following accounts in the consolidated balance sheet:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Current assets - deferred tax assets	¥ 2,954	¥ 3,041	\$ 25,311
Investments and other assets - deferred tax assets	3,725	2,380	19,806
Current liabilities - other current liabilities	(1)	(0)	(0)
Non-current liabilities - other non-current liabilities	(246)	(332)	(2,769)

#### *Disclosure for the year ended March 31, 2015*

With the promulgation of the “Act for Partial Amendment of the Income Tax Act, etc.” and the “Act for Partial Amendment of the Local Tax Act, etc.” on March 31, 2015, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 35.38% to 32.83% for the temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2015 and to 32.06% for the temporary differences expected to be realized or settled on or after April 1, 2016.

As a result, deferred tax assets, after offsetting deferred tax liabilities, decreased by ¥72 million (\$603 thousand), deferred income tax expense increased by ¥407 million (\$3,393 thousand), unrealized holding gain on securities increased by ¥188 million (\$1,564 thousand), and retirement benefit liability adjustments increased by ¥147 million (\$1,224 thousand) as of and for the fiscal year ended March 31, 2015.

## 15. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 290	¥ 3,640	\$ 30,291
Reclassification adjustments for gains and losses included in net income	<u>9</u>	<u>(198)</u>	<u>(1,652)</u>
Amount before tax effect	299	3,441	28,638
Tax effect	<u>(90)</u>	<u>(1,001)</u>	<u>(8,335)</u>
Unrealized holding gain (loss) on securities	<u>209</u>	<u>2,439</u>	<u>20,303</u>
Translation adjustments:			
Amount arising during the year	<u>204</u>	<u>424</u>	<u>3,529</u>
Retirement benefit liability adjustments:			
Amount arising during the year	—	(2,940)	(24,466)
Reclassification adjustments for gains and losses included in net income	<u>—</u>	<u>561</u>	<u>4,674</u>
Amount before tax effect	—	(2,378)	(19,792)
Tax effect	<u>—</u>	<u>694</u>	<u>5,777</u>
Retirement benefits liability adjustments	<u>—</u>	<u>(1,684)</u>	<u>(14,014)</u>
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	<u>(2)</u>	<u>(84)</u>	<u>(704)</u>
Total other comprehensive income	<u>¥ 411</u>	<u>¥ 1,095</u>	<u>\$ 9,113</u>

## 16. Commitments and Contingencies

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2014 and 2015 as follows:

### Debt guarantees for non-consolidated companies

	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Mizuho Bank, Ltd. (Atsumi Greenpower Co.)	¥ 725	¥ 639	\$ 5,317
Development Bank of Japan Inc. (Nagashima Windhill Co.)	360	322	2,679
Total	<u>¥ 1,085</u>	<u>¥ 961</u>	<u>\$ 7,997</u>

### Endorsement for transfer of notes receivable

	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	¥ 7	¥ 0	\$ 3

The Company has entered into subordinated loan commitment contracts as a subordinated creditor in joint financing for companies involved in the PFI business. At March 31, 2014 and 2015, the Company had loan commitment agreements with 10 and 9 companies, respectively. The unused balances under the loan commitment contracts at March 31, 2014 and 2015 were as follows:

	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total loan commitments	¥ 194	¥ 146	\$ 1,217
Aggregated borrowings	—	—	—
Unused balances	<u>¥ 194</u>	<u>¥ 146</u>	<u>\$ 1,217</u>

## 17. Amounts Per Share

Per share information as of March 31, 2014 and 2015 and for the years then ended is as follows:

	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income:			
Basic	¥ 51.95	¥ 174.54	\$ 1.45
Diluted	—	173.44	1.44
Net assets	¥ 1,405.38	¥ 1,555.33	\$ 12.94

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the shareholders and weighted average number

of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of share subscription rights.

Net assets per share are computed based on the net assets excluding minority interests and the number of shares of common stock outstanding at the year end.

The bases for calculation are as follows:

(a) Basic and diluted net income per share

	<u>2014</u>	<u>2015</u>
	<i>(Thousands of shares)</i>	
Weighted average number of shares for basic net income	70,866	65,990
Increase in shares of common stock:		
Exercise of share subscription rights	-	419
Number of shares used for diluted net income per share	<u>-</u>	<u>66,409</u>

The entire amount of net income for the years ended March 31, 2014 and 2015 was attributed to common shareholders.

(b) Net assets per share

	<u>2014</u>	<u>2015</u>	
	<i>(Thousands of shares)</i>		
Number of shares of common stock used for the calculation of net assets per share	66,003	65,978	

  

	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total net assets	¥ 94,438	¥ 104,658	\$ 870,918
Amounts deducted from total net assets:			
Share subscription rights	-	-	-
Minority interests	(1,679)	(2,040)	(16,980)
Net assets attributable to shares of common stock	<u>¥ 92,759</u>	<u>¥ 102,617</u>	<u>\$ 853,938</u>

As described in “Accounting Changes,” the Company and its domestic subsidiaries adopted “Accounting Standard for Retirement Benefits” and applied the transitional treatment provided in Section 37 of the accounting standard. As a result, net assets per share at March 31, 2015 decreased by ¥22.49 (\$0.19). The effect of this change on basic and diluted net income per share for the year ended March 31, 2015 was immaterial.

## 18. Financial Instruments

(a) Policy for financial instruments

The Company and its consolidated subsidiaries utilize short-term deposits for surplus funds. In addition, they raise funds through borrowings from financial institutions. Derivative transactions are only used to reduce risks, except for certain highly secure embedded derivatives in compound financial instruments used for surplus funds. The Company and its consolidated subsidiaries do not enter into derivatives for speculative or trading

purposes.

(b) Details of financial instruments, related risk and risk management system

Trade receivables, such as trade notes and accounts receivable, are exposed to credit risk in relation to customers. The Company and its consolidated subsidiaries monitor the due dates and manage credit risk under the credit management rules to mitigate the risk.

Investment securities mainly consist of equity securities and are exposed to market risk. The Company and its consolidated subsidiaries review the fair values of listed equity securities quarterly and the financial condition of the issuing entities.

Trade payables, such as trade notes and accounts payable, have payment due dates mainly within one year.

Short-term borrowings are taken out mainly to obtain funds for operating activities.

Long-term debt and convertible bond-type bonds with share subscription rights are used mainly for the purposes of making investments and repurchasing treasury stock.

The Company and its consolidated subsidiaries execute and manage derivative transactions within the limits of established internal rules and regulations, and reduce credit risk by limiting counterparties to highly creditworthy financial institutions.

Trade payables, short-term borrowings and long-term debt are exposed to liquidity risk. The Company and its consolidated subsidiaries manage the risk by preparing and updating its cash flow plans monthly. In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk, the Company uses interest rate swaps for certain loans borrowed from financial institutions and interest rate and currency swaps are used for all loans denominated in foreign currencies. The Company executes and manages hedge transactions within the limits of established internal rules and regulations.

(c) Supplemental explanation on estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, the fair value is reasonably estimated. As the estimation of the fair value relies on various assumptions and factors, different assumptions and factors could result in different fair value.

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2014 and 2015 and estimated fair value were as follows:

<b>March 31, 2014</b>						
	Carrying value	Estimated fair value	Difference			
	<i>(Millions of yen)</i>					
Cash on hand and in banks	¥ 21,679	¥ 21,679	¥ —			
Trade notes and accounts receivable <sup>(*)1</sup>	74,101	74,101	—			
Investment securities	12,935	12,935	—			
Total assets	108,715	108,715	—			
Trade notes and accounts payable	66,988	66,988	—			
Long-term debt <sup>(*)2</sup>	21,400	20,742	(657)			
Total liabilities	88,388	87,730	(657)			
Derivatives	¥ —	¥ —	¥ —			
<b>March 31, 2015</b>						
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Cash on hand and in banks	¥ 37,957	¥ 37,957	¥ —	\$ 315,865	\$ 315,865	\$ —
Trade notes and accounts receivable <sup>(*)1</sup>	79,852	79,852	—	664,499	664,499	—
Investment securities	16,993	16,993	—	141,415	141,415	—
Total assets	134,804	134,804	—	1,121,780	1,121,780	—
Trade notes and accounts payable	68,445	68,445	—	569,571	569,571	—
Convertible bond-type bonds with share subscription rights	10,000	10,180	180	83,215	84,713	1,497
Long-term debt <sup>(*)2</sup>	20,603	20,671	68	171,454	172,021	567
Total liabilities	99,049	99,297	248	824,240	826,306	2,065
Derivatives	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —

(\*)1 The allowance for doubtful accounts was deducted from the trade notes and accounts receivable.

(\*)2 The balances include the current portion of long-term debt.

Note 1:

Short-term investments (current assets) and short-term borrowings, excluding the current portion of long-term debt (current liabilities), were not included in the above table because the amounts were immaterial.

Note 2:

Valuation methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions are as follows:

Assets

Cash on hand and in banks

Since all these items are settled in a short period of time, the carrying value approximates fair value.

Trade notes and accounts receivable

Since these items are settled in a short period of time, the carrying value approximates fair value.

Investment securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. The fair value of investment trusts is based on publicly available information.

In cases where the fair value of an embedded derivative in a compound financial instrument cannot be separately measured, the entire compound financial instrument is measured at fair value.

For information on securities classified by holding purpose, please refer to Note 19, "Securities."

Liabilities

Trade notes and accounts payable

Since all these items are settled in a short period of time, the carrying value approximates fair value.

Convertible bond-type bonds with share subscription rights

The fair value of convertible bond-type bonds with share subscription rights is based on quoted market prices.

Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative transactions

Please refer to Note 21, "Derivative Transactions."

Note 3:

Unlisted equity securities of ¥10,720 million and ¥12,774 million (\$106,300 thousand) as of March 31, 2014 and 2015, respectively, were not included in the above table because it was extremely difficult to determine the fair value.

- (d) Redemption schedule for receivables and marketable securities with maturities at March 31, 2014 and March 31, 2015 were as follows:

<b>March 31, 2014</b>				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Millions of yen)</i>			
Cash in banks	¥ 21,612	¥ —	¥ —	¥ —
Trade notes and accounts receivable	74,104	—	—	—
Short-term investments and investment securities				
Other securities with maturities (debt securities)	100	604	—	1,192
Other securities with maturities (Other)	19	203	47	1,266
Total	<u>¥ 95,836</u>	<u>¥ 808</u>	<u>¥ 47</u>	<u>¥ 2,459</u>

  

<b>March 31, 2015</b>				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Millions of yen)</i>			
Cash in banks	¥ 37,870	¥ —	¥ —	¥ —
Trade notes and accounts receivable	79,857	—	—	—
Short-term investments and investment securities				
Other securities with maturities (debt securities)	30	269	—	592
Other securities with maturities (Other)	146	141	—	3,781
Total	<u>¥ 117,904</u>	<u>¥ 411</u>	<u>¥ —</u>	<u>¥ 4,373</u>



<b>March 31, 2015</b>				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of U.S. dollars)</i>			
Cash in banks	\$ 315,140	\$ —	\$ —	\$ —
Trade notes and accounts receivable	664,538	—	—	—
Short-term investments and investment securities				
Other securities with maturities (debt securities)	249	2,244	—	4,926
Other securities with maturities (Other)	1,221	1,179	—	31,469
Total	<u>\$ 981,149</u>	<u>\$ 3,423</u>	<u>\$ —</u>	<u>\$ 36,396</u>

(e) The redemption schedule for long-term debt is disclosed in Note 5.

## 19. Securities

(a) Information regarding marketable securities classified as other securities as of March 31, 2014 and 2015 is as follows:

<b>March 31, 2014</b>			
	Carrying value	Acquisition cost	Gross unrealized gain (loss)
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost			
Equity securities	¥ 9,127	¥ 6,539	¥ 2,588
Debt securities	781	638	143
Others	318	269	48
Subtotal	<u>10,227</u>	<u>7,446</u>	<u>2,780</u>
Securities whose carrying value does not exceed their acquisition cost			
Equity securities	1,805	2,111	(305)
Debt securities	971	1,029	(57)
Others	47	50	(2)
Subtotal	<u>2,824</u>	<u>3,190</u>	<u>(365)</u>
Total	<u>¥ 13,052</u>	<u>¥ 10,637</u>	<u>¥ 2,415</u>

**March 31, 2015**

	Carrying value	Acquisition cost	Gross unrealized gain (loss)	Carrying value	Acquisition cost	Gross unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost						
Equity securities	¥ 14,845	¥ 9,073	¥ 5,772	\$ 123,540	\$ 75,504	\$ 48,036
Debt securities	633	531	102	5,273	4,423	850
Others	588	453	135	4,898	3,773	1,125
Subtotal	<u>16,068</u>	<u>10,058</u>	<u>6,009</u>	<u>133,712</u>	<u>83,700</u>	<u>50,012</u>
Securities whose carrying value does not exceed their acquisition cost						
Equity securities	841	956	(114)	7,002	7,956	(953)
Debt securities	211	241	(29)	1,761	2,008	(246)
Others	48	50	(1)	399	416	(16)
Subtotal	<u>1,101</u>	<u>1,247</u>	<u>(146)</u>	<u>9,164</u>	<u>10,380</u>	<u>(1,216)</u>
Total	<u>¥ 17,169</u>	<u>¥ 11,305</u>	<u>¥ 5,863</u>	<u>\$ 142,877</u>	<u>\$ 94,081</u>	<u>\$ 48,795</u>

- (b) Information regarding sales of securities classified as other securities for the years ended March 31, 2014 and 2015 is as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales	¥ 1,074	¥ 2,127	\$ 17,706
Gains on sales	363	328	2,732
Losses on sales	—	—	—

- (c) Impairment loss on securities classified as other securities of ¥47 million and ¥9 million (\$77 thousand) was recognized for the years ended March 31, 2014 and 2015, respectively.

## 20. Supplemental Information on Consolidated Statement of Cash Flows

Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2014 and 2015 are reconciled to cash on hand and in banks in the consolidated balance sheet as follows:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash on hand and in banks	¥ 21,679	¥ 37,957	\$ 315,865
Time deposits with maturities of more than three months	(11)	(2,026)	(16,859)
Cash and cash equivalents	<u>¥ 21,668</u>	<u>¥ 35,931</u>	<u>\$ 299,006</u>

The following is a summary of assets acquired and liabilities assumed through the acquisition of shares of Asia Projects Engineering Pte. Ltd. during the year ended March 31, 2014, related acquisition cost and net disbursement:

	<i>(Millions of yen)</i>
Current assets	¥ 3,258
Non-current assets	372
Goodwill	2,629
Current liabilities	(1,247)
Non-current liabilities	(217)
Minority interests	(387)
Acquisition cost	4,408
Cash and cash equivalents	(2,260)
Net disbursement	¥ 2,147

The following is a summary of assets acquired and liabilities assumed through the acquisition of shares of Koderu Dengyo Co. and Kakusokukeisou Co. during the year ended March 31, 2015, related acquisition cost and net disbursement:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Current assets	¥ 2,365	\$ 19,683
Non-current assets	1,462	12,174
Goodwill	(171)	(1,428)
Current liabilities	(955)	(7,952)
Non-current liabilities	(380)	(3,167)
Minority interests	(214)	(1,788)
Acquisition cost	2,105	17,519
Cash and cash equivalents	(1,578)	(13,135)
Net disbursement	¥ 526	\$ 4,384

Leased assets and lease obligations related to new finance lease transactions recorded for the years ended March 31, 2014 and 2015 amounted to ¥710 million and ¥632 million (\$5,263 thousand), respectively. Asset retirement obligations recorded for the years ended March 31, 2014 and 2015 amounted to ¥212 million and ¥121 million (\$1,012 thousand), respectively.

## 21. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2014 and 2015, for which hedged accounting has been applied.

## a. Interest-related transactions

				March 31, 2014		
Method of hedge accounting	Hedging instruments		Hedged items	Notional amounts	Due after one year	Fair value
(Millions of yen)						
Short-cut method	Interest rate swap	Receive: floating Pay: fixed	Long-term debt	¥ 5,000	¥ 5,000	¥ -
Short-cut method	Interest rate and currency swap	Receive: floating Pay: fixed Receive: US dollars Pay: JP yen	Long-term debt	2,510	2,259	-
				March 31, 2015		
Method of hedge accounting	Hedging instruments		Hedged items	Notional amounts	Due after one year	Fair value
(Millions of yen)						
Short-cut method	Interest rate swap	Receive: floating Pay: fixed	Long-term debt	¥ 5,000	¥ 5,000	¥ -
Principle method	Interest rate swap	Receive: floating Pay: fixed	Long-term debt	284	284	(82)
Short-cut method	Interest rate and currency swap	Receive: floating Pay: fixed Receive: USD Pay: JPY	Long-term debt	2,510	2,008	-
				March 31, 2015		
Method of hedge accounting	Hedging instruments		Hedged items	Notional amounts	Due after one year	Fair value
(Thousands of U.S. dollars)						
Short-cut method	Interest rate swap	Receive: floating Pay: fixed	Long-term debt	\$ 41,607	\$ 41,607	¥
Principle method	Interest rate swap	Receive: floating Pay: fixed	Long-term debt	2,366	2,366	(690)
Short-cut method	Interest rate and currency swap	Receive: floating Pay: fixed Receive: USD Pay: JPY	Long-term debt	20,887	16,709	-

The fair value of the interest rate and currency swaps was included in that of the hedged long-term debt as they are accounted for together with underlying hedged long-term debt under the short-cut method.

The principle method was applied to the interest rate swaps used to hedge long-term debt of affiliates accounted for by the equity method, and the notional amount and the fair value were based on the Company's proportionate share. The fair value was calculated based on prices provided by the counterparty financial institutions

## 22. Segment Information

### (a) Outline of reportable segments

The reportable segments of the Company and its consolidated subsidiaries (the "Group") are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions on resource

allocation and to assess performance.

The Group is primarily engaged in the integrated utilities engineering service business, based on mid- to long-term business plans developed in the head office of the Company. The Company's regional offices mainly offer services in cooperation with each company of the Group.

Also, some consolidated subsidiaries are involved in other industries such as the sales business of construction-related materials and equipment, the real-estate sales business and the renewable energy generation business, each company operating as an independent management unit.

Thus, the Group consists of the segments based on business activities, with several businesses that have essentially identical financial characteristics and contents of services combined into "Utilities engineering service" as a reportable segment for the purpose of disclosing appropriate information.

The "Utilities engineering service" segment primarily offers services for the design and construction of electrical works, such as power distribution line, indoor wiring, and communication, and of heating ventilation and air conditioning mechanical installation works, such as ventilation, heating and cooling, plumbing, water treatment and sanitation equipment installation.

(b) Method used to calculate net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting policies of the reportable segments are substantially the same as those described in "Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss. Intersegment sales and transfers are recorded at the same prices used in transactions with third parties.

(c) Net sales, profit or loss and other items by reportable segment for the years ended March 31, 2014 and 2015 are summarized as follows:

	Year ended March 31, 2014				
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Millions of yen)</i>				
Net sales					
Sales to third parties	¥ 267,757	¥ 11,552	¥ 279,310	¥ —	¥ 279,310
Intersegment sales and transfers	9,642	19,538	29,181	(29,181)	—
Total	<u>¥ 277,400</u>	<u>¥ 31,091</u>	<u>¥ 308,491</u>	<u>¥ (29,181)</u>	<u>¥ 279,310</u>
Segment profit or loss	<u>¥ 7,908</u>	<u>¥ 209</u>	<u>¥ 8,117</u>	<u>¥ (981)</u>	<u>¥ 7,136</u>
Other items					
Depreciation and amortization	¥ 3,004	¥ 1,371	¥ 4,376	¥ (70)	¥ 4,305
Amortization of goodwill	¥ 246	¥ 7	¥ 254	¥ —	¥ 254

<b>Year ended March 31, 2015</b>					
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Millions of yen)</i>				
Net sales					
Sales to third parties	¥ 301,916	¥ 14,033	¥ 315,949	¥ —	¥ 315,949
Intersegment sales and transfers	2,529	23,236	25,766	(25,766)	—
Total	¥ 304,446	¥ 37,270	¥ 341,716	¥ (25,766)	¥ 315,949
Segment profit or loss	¥ 16,032	¥ 665	¥ 16,698	¥ 58	¥ 16,757
Other items					
Depreciation and amortization	¥ 3,038	¥ 2,390	¥ 5,429	¥ (167)	¥ 5,262
Amortization of goodwill	¥ 1,207	¥ 2	¥ 1,210	¥ —	¥ 1,210

<b>Year ended March 31, 2015</b>					
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>				
Net sales					
Sales to third parties	\$ 2,512,408	\$ 116,779	\$2,629,187	\$ —	\$2,629,187
Intersegment sales and transfers	21,052	193,366	214,418	(214,418)	—
Total	\$ 2,533,461	\$ 310,145	\$ 2,843,606	\$ (214,418)	\$2,629,187
Segment profit or loss	\$ 133,418	\$ 5,541	\$ 138,959	\$ 490	\$ 139,449
Other items					
Depreciation and amortization	\$ 25,285	\$ 19,896	\$ 45,182	\$ (1,393)	\$ 43,788
Amortization of goodwill	\$ 10,051	\$ 22	\$ 10,074	\$ —	\$ 10,074

The disclosure of geographical segment information has been omitted as net sales and total assets of the foreign operations constituted less than 10% of the consolidated totals for the years ended March 31, 2014 and 2015.

Impairment loss on fixed assets by reportable segment for the year ended March 31, 2014 is summarized as follows:

<b>Year ended March 31, 2014</b>					
	Utilities engineering service	Others	Adjustments and eliminations	Consolidated	
	<i>(Millions of yen)</i>				
Impairment loss	¥ 225	¥ —	¥ —	¥ 225	

There was no impairment loss on fixed assets recognized for the year ended March 31, 2015.

The following table presents the amortization and balance of goodwill and negative goodwill as of and for the years ended March 31, 2014 and 2015 by reportable segment:

<b>Year ended March 31, 2014</b>							
	Utilities engineering service		Others		Adjustments and eliminations		Consolidated
	<i>(Millions of yen)</i>						
Goodwill:							
Amortization	¥	246	¥	7	¥	—	¥ 254
Balance as of March 31	¥	2,381	¥	8	¥	—	¥ 2,389
Negative goodwill:							
Amortization	¥	1	¥	2	¥	—	¥ 4
Balance as of March 31	¥	0	¥	0	¥	—	¥ 0

  

<b>Year ended March 31, 2015</b>							
	Utilities engineering service		Others		Adjustments and eliminations		Consolidated
	<i>(Millions of yen)</i>						
Goodwill:							
Amortization	¥	1,207	¥	2	¥	—	¥ 1,210
Balance as of March 31	¥	1,403	¥	5	¥	—	¥ 1,408
Negative goodwill:							
Amortization	¥	0	¥	0	¥	—	¥ 0
Balance as of March 31	¥	—	¥	—	¥	—	¥ —

  

<b>Year ended March 31, 2015</b>							
	Utilities engineering service		Others		Adjustments and eliminations		Consolidated
	<i>(Thousands of U.S. dollars)</i>						
Good will							
Amortization	\$	10,051	\$	22	\$	—	\$ 10,074
Balance as of March 31	\$	11,678	\$	45	\$	—	\$ 11,723
Negative good will							
Amortization	\$	0	\$	0	\$	—	\$ 0
Balance as of March 31	\$	—	\$	—	\$	—	\$ —

The following table presents major customer information for the years ended March 31, 2014 and 2015:

	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Name of customers:			
Kyushu Electric Power Co., Inc.			
Reportable segment:			
Utilities engineering service and Others			
Net sales	¥ 45,452	¥ 48,639	\$ 404,757

### **23. Related Party Transactions**

Consolidated net sales from construction contracts included those involving Kyushu Electric Power Co., Inc., which has an approximately 25% ownership interest in the Company, in the amounts of ¥43,846 million and ¥45,809 million (\$381,205 thousand) for the years ended March 31, 2014 and 2015, respectively. The related receivables at March 31, 2014 and 2015 amounted to ¥6,720 million and ¥7,409 million (\$61,658 thousand), respectively. The related advances received at March 31, 2014 and 2015 amounted to ¥1 million and ¥19 million (\$160 thousand), respectively.

The terms of the transactions referred to above were negotiated and determined on an arm's-length basis similar to third party transactions.

The Company purchased 6,314,000 treasury shares of its common stock from Kyushu Electric Power Co., Inc. for ¥3,700 million on November 28, 2013 through the off-hours own share repurchasing trading system of the Tokyo Stock Exchange (ToSTNeT-3).



## Independent Auditor's Report

The Board of Directors  
KYUDENKO CORPORATION

We have audited the accompanying consolidated financial statements of KYUDENKO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KYUDENKO CORPORATION and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

*Ernst & Young ShinNihon LLC*

June 24, 2015  
Fukuoka, Japan