

2016

FINANCIAL STATEMENTS

MARCH 31, 2015-2016

Contents

Financial Statements

Consolidated Balance Sheets.....	2
Consolidated Statements of Income	4
Consolidated Statements of Comprehensive Income.....	5
Consolidated Statements of Changes in Equity.....	6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8
Board of Directors, Statutory Auditors and Executive Officers.....	18

Consolidated Balance Sheets

As of March 31, 2015 and 2016

	Millions of yen	
	March 31,	
	2015	2016
ASSETS		
Current Assets:		
Cash in hand and in banks	¥ 11,199	¥ 9,184
Notes and accounts receivable	11,781	18,802
Real estate for sale	3,743	3,567
Cost of construction in progress	2,360	349
Cost of uncompleted development projects	41	41
Inventories.....	83	86
Deferred income taxes.....	818	479
Other current assets.....	1,157	947
Less: allowance for doubtful accounts	(74)	(247)
Total current assets	31,108	33,209
Non-current Assets:		
Tangible Fixed Assets:		
Buildings and structures	11,164	11,141
Machinery and equipment	2,780	2,875
Tools, furniture and fixtures	2,862	2,744
Golf course	771	771
Land.....	6,401	6,234
Construction in progress	77	31
Other non-current assets	38	47
Less: accumulated depreciation	(9,737)	(9,969)
Total tangible fixed assets	14,357	13,873
Intangible fixed assets	242	225
Investments:		
Investments in securities	6,096	5,122
Long-term loans	29	26
Deferred income taxes.....	430	412
Other investments	1,368	1,355
Less: allowance for doubtful accounts	(33)	(32)
Total investments	7,891	6,883
Total noncurrent assets	22,489	20,981
Total assets.....	¥ 53,598	¥ 54,190

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

As of March 31, 2015 and 2016

	Millions of yen	
	March 31,	
	2015	2016
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	¥ 10,941	¥ 14,160
Short-term loans payable.....	1,000	—
Income taxes payable	1,071	683
Advances received on construction in progress	5,435	4,397
Advances received on development business	6	—
Accrued bonuses to employees.....	247	311
Accrued bonuses to directors and statutory auditors	46	46
Accrued warranty	22	41
Allowance for losses on construction contracts.....	306	—
Other current liabilities.....	1,545	1,726
Total current liabilities.....	<u>20,619</u>	<u>21,365</u>
Non-current Liabilities:		
Net defined benefit liability.....	371	366
Membership deposit.....	2,643	2,508
Deferred income taxes.....	1,666	1,314
Other long-term debt.....	259	235
Total non-current liabilities.....	<u>4,939</u>	<u>4,423</u>
Total liabilities	<u>25,558</u>	<u>25,788</u>
NET ASSETS		
Shareholders' Equity		
Common stock.....	9,116	9,116
Authorized — 200,000,000 shares		
Issued — 68,368,532 shares as of March 31, 2015 and 2016		
Capital surplus.....	5,066	5,502
Retained earnings	11,563	12,986
Treasury shares.....	(1,276)	(1,262)
Total shareholders' equity	<u>24,470</u>	<u>26,342</u>
Accumulated Other Comprehensive Income		
Unrealized gain (loss) on other securities	1,725	1,085
Unrealized gain (loss) on hedging derivatives.....	19	1
Foreign currency translation adjustments	271	415
Remeasurements of defined benefit plans	(116)	(216)
Total accumulated other comprehensive income	<u>1,899</u>	<u>1,285</u>
Non-controlling interests.....	1,670	775
Total net assets	28,040	28,402
Debt net assets sum total.....	<u>¥ 53,598</u>	<u>¥ 54,190</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income
For the years ended March 31, 2015 and 2016

	Millions of yen	
	March 31,	
	2015	2016
Net Sales:		
Construction contracts	¥ 55,373	¥ 67,640
Real estate development and other.....	15,679	4,689
	<u>71,052</u>	<u>72,329</u>
Cost of Sales:		
Construction contracts	50,549	60,792
Real estate development and other.....	11,378	3,108
	<u>61,927</u>	<u>63,901</u>
Gross profit.....	9,125	8,429
Selling, General and Administrative Expenses.....	4,328	4,739
Operating income	<u>4,797</u>	<u>3,690</u>
Non-Operating Income (Expenses):		
Interest and dividend income	112	167
Interest expenses.....	(67)	(27)
Foreign exchange gains	324	—
Foreign exchange losses.....	—	(215)
Other, net.....	82	91
	<u>5,247</u>	<u>3,704</u>
Special Items:		
Gain on sales of non-current assets	30	0
Gain on sales of investment securities	—	0
Gain on bargain purchases.....	48	—
Loss on disposal of non-current assets.....	(3)	(29)
Loss on sales of investment securities.....	(5)	—
Loss on valuation of shares of subsidiaries and associates	(4)	0
Impairment loss	(601)	(167)
Other, net.....	(55)	(1)
Income before income taxes and minority interests	<u>4,656</u>	<u>3,508</u>
Income Taxes		
Current.....	1,414	933
Deferred.....	298	389
Profit.....	<u>2,944</u>	<u>2,186</u>
Profit attributable to non-controlling interests.....	<u>92</u>	<u>18</u>
Profit attributable to owners of parent.....	<u>¥ 2,853</u>	<u>¥ 2,168</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2015 and 2016

	Millions of yen	
	March 31,	
	2015	2016
Profit.....	¥ 2,944	¥ 2,186
Other Comprehensive Income:		
Unrealized gain (loss) on other securities	897	(640)
Unrealized gain (loss) on hedging derivatives.....	16	(18)
Foreign currency translation adjustment.....	416	29
Remeasurements of defined benefit plans.....	180	(100)
Total other comprehensive income	1,509	(729)
Comprehensive Income	4,453	1,457
Comprehensive income attributable to:		
Owners of parent.....	4,210	1,554
Non-controlling interests.....	243	(96)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

For the years ended March 31, 2015 and 2016

	Millions of yen										
	Shareholder's equity					Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury shares	Foreign					
						Unrealized gain on other securities	Unrealized gain on hedging derivatives	currency translation adjustments	Remeasurements of defined benefits plans	Non-controlling interests	Total net assets
Balance at March 31, 2014.....	68,369	9,116	5,066	9,161	(1,269)	828	3	6	(296)	1,485	24,102
Cumulative effects of changes in accounting policies	—	—	—	108	—	—	—	—	—	—	108
Restated balance	—	9,116	5,066	9,269	(1,269)	828	3	6	(296)	1,485	24,210
Profit attributable to owners of parent	—	—	—	2,853	—	—	—	—	—	—	2,853
Dividends of surplus	—	—	—	(559)	—	—	—	—	—	—	(559)
Purchase of treasury shares.....	—	—	—	—	(7)	—	—	—	—	—	(7)
Disposal of treasury shares.....	—	—	0	—	0	—	—	—	—	—	0
Total changes of items during period	—	—	0	2,294	(7)	896	16	265	180	185	1,542
Balance at March 31, 2015	<u>68,369</u>	<u>9,116</u>	<u>5,066</u>	<u>11,563</u>	<u>(1,276)</u>	<u>1,725</u>	<u>19</u>	<u>271</u>	<u>(116)</u>	<u>1,670</u>	<u>28,040</u>
Balance at March 31, 2015.....	68,369	9,116	5,066	11,563	(1,276)	1,725	19	271	(116)	1,670	28,040
Dividends of surplus.....	—	—	—	(745)	—	—	—	—	—	—	(745)
Profit attributable to owners of parent	—	—	—	2,168	—	—	—	—	—	—	2,168
Purchase of treasury shares.....	—	—	—	—	(7)	—	—	—	—	—	(7)
Disposal of treasury shares.....	—	—	6	—	20	—	—	—	—	—	26
Change in treasury share of parent arising from transactions with non-controlling shareholders	—	—	430	—	—	—	—	—	—	—	430
Net changes of items other than shareholders' equity.....	—	—	—	—	—	(639)	(18)	143	(100)	(895)	(1,510)
Total changes of items during period	—	—	436	1,423	13	(639)	(18)	143	(100)	(895)	362
Balance at March 31, 2016	<u>68,369</u>	<u>9,116</u>	<u>5,502</u>	<u>12,986</u>	<u>(1,262)</u>	<u>1,085</u>	<u>1</u>	<u>414</u>	<u>(216)</u>	<u>775</u>	<u>28,402</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the year ended March 31, 2015 and 2016

	Millions of yen	
	2015	2016
Cash flows from operating activities:		
Income before income taxes	¥ 4,656	¥ 3,508
Adjustments for:		
Depreciation	593	777
Impairment loss.....	601	167
Interest and dividend income.....	(112)	(167)
Interest expenses	67	27
Increase (decrease) in net defined benefit liability	(53)	(146)
(Gain) loss on sales of non-current assets.....	(30)	(0)
Loss on disposal of non-current assets	3	29
Foreign exchange (gains) losses.....	(272)	21
(Gain) loss on sales of investment securities.....	5	(0)
Increase (decrease) in provision for directors' bonuses	10	(0)
Increase (Decrease) in accrued warranty	(11)	18
Increase (Decrease) in allowance for losses on construction contracts	217	(306)
Increase (Decrease) in accrued bonuses.....	(144)	64
Increase (Decrease) in allowance for doubtful accounts.....	(2)	173
Loss on valuation of shares of subsidiaries and associates	4	0
Gain on bargain purchases	(48)	—
(Increase) Decrease in notes and accounts receivable	3,951	(7,022)
(Increase) Decrease in cost of construction in progress and cost of uncompleted development projects	847	2,011
(Increase) Decrease in real estate for sale and inventories	4,922	171
Increase (Decrease) in other current assets	(401)	202
Increase (Decrease) in notes and accounts payable	(5,839)	3,219
Increase (Decrease) in advances received on construction in progress.....	483	(1,038)
Increase (Decrease) in other current and non-current assets	(139)	25
Other.....	24	36
Sub-total	9,332	1,769
Interest and dividend income received.....	111	166
Interest expenses paid	(67)	(27)
Income taxes paid.....	(831)	(1,337)
Net cash provided by (used in) operating activities.....	8,545	570
Cash flows from investing activities:		
Payment into time deposit.....	(920)	(911)
Proceeds from withdrawal of time deposit	521	920
Payments for purchase of non-current assets.....	(779)	(486)
Proceeds from sale of non-current assets	50	0
Payments for purchase of intangible assets	(13)	(12)
Payments for purchase of investments in securities.....	(24)	(5)
Proceeds from sales of investments in securities	10	6
Payments for loans	(38)	(22)
Proceeds from recovery of loans.....	35	5
Purchase of shares of subsidiaries and associates.....	(8)	—
Other.....	26	1
Net cash provided by (used in) investing activities.....	(1,139)	(503)
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	—	(1,000)
Payments of long-term loans payable	(4,148)	—
Purchase of treasury shares	(7)	(6)
Disposal of treasury shares	—	49
Cash dividends paid.....	(559)	(743)
Cash dividends paid to non-controlling shareholders	(2)	(2)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(399)
Other.....	(12)	(6)
Net cash provided by (used in) financing activities	(4,728)	(2,107)
Effect of exchange rate changes on cash and cash equivalents.....	307	34
Net increase (decrease) in cash and cash equivalents	2,986	(2,006)
Cash and cash equivalents of beginning of year.....	7,493	10,479
Cash and cash equivalents of end of year.....	¥ 10,479	¥ 8,472

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

(a) Accounting Principles

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Kitano Construction Corp. (the "Company") and its subsidiaries prepared in accordance with 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.

(b) Scope of Consolidation

The Company had 4 subsidiaries (majority-owned companies) as at March 31, 2016 (4 for 2015). The consolidated financial statements in fiscal years ended March 31, 2015 include the accounts of the Company and 4 (4 for 2015) of its subsidiaries "the Companies", which are listed below:

•Kawanakajima Tochi Kaihatsu Co., Ltd.	87.1% owned
•Solomon Kitano Mendana Hotel Limited.	100.0% owned
•Sakura Hanoi Plaza Investment Co., Ltd.	87.6% owned
•Asahi Agency Inc.	59.5% owned

The above consolidated subsidiaries, except for Solomon Kitano Mendana Hotel Limited and Sakura Hanoi Plaza Investment Co., Ltd., which have a fiscal year ending at December 31 of each year, have a fiscal year ending at March 31 of each year, which is the same as the fiscal year of the Company.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

All significant intercompany balances, intercompany transactions and unrealized profits among the Companies have been eliminated in consolidation and the portion thereof attributable to minority interests is charged to minority interests.

Goodwill is principally amortized over a five year period on a straight-line basis from the year of acquisition.

(b) Recognizing Revenues and Costs of Construction Contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total cost. The completed-contract method is applied to all other construction contracts.

(c) Inventory Valuation

The cost of construction in progress, real estate for sale and the cost of uncompleted development projects are stated at cost, as determined on a specific project basis.

Materials and supplies are stated at cost, as determined based on an average method.

The net book value of inventories in the balance sheet is written down if the net realizable value declines.

(d) Depreciation

Depreciation is computed by the straight-line method for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) and by the declining-balance method for other assets, at rates based on the estimated useful lives of the assets, as prescribed by Japanese income tax laws. Depreciation for real estate for leasing is computed by the straight-line method. The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 17 years for store fixtures and equipment.

(e) Allowance for Doubtful Accounts

The balance of allowance for doubtful accounts represents the amount deemed necessary to cover possible losses estimated on an individual doubtful account basis. The amount is calculated using a certain percentage based on past experience for other accounts.

(f) Accrued Warranty

Accrued warranty is provided for against the future costs of warranty from completed construction.

(g) Accrued Bonuses to Employees

Accrued bonuses are computed by estimating the payment required in order to provide for the payment of bonuses to employees.

(h) Accrued Bonuses to Directors and Statutory Auditors

Accrued bonuses are computed by estimating the payment required in order to provide for the payment of bonuses to directors and statutory auditors.

(i) Reserve for Retirement Benefits to Employees

The Company recognize accrued pension and severance costs to employees based on the actual valuation of projected benefit obligation and plan assets at fair value.

Actuarial gains and losses were recognized using mainly the straight-line method over a period of 10 years.

Prior service costs were amortized using mainly the straight-line method over a period of 10 years, the period within the estimated average remaining service life of the employees.

(j) Allowance for losses on construction contracts

The Company prepares reasonable estimated amount for future losses from construction works outstanding at fiscal year-end.

(k) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(1) Income Taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Company and its subsidiaries account for deferred taxes in accordance with the regulations for preparation of consolidated financial statements in Japan. Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(m) Securities Valuation

Held-to-maturity debt securities are carried at amortized cost.

Available-for-sale securities are classified into two categories where: (a) the fair value is available and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the fiscal year-end. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined by the moving-average method.

(b) Securities whose fair value is not available are valued at cost, determined by the moving-average method.

(n) Hedge Accounting

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally forward exchange contracts. The related hedged items are finance for the overseas construction business. The Company is able to fix future cash flows and mitigate the deterioration of income from the construction business due to yen depreciation. The Company obtains management approval before making forward exchange contracts, and subsequently the accounting department executes and controls the contract.

(o) Consumption Tax

Consumption Tax payable or receivable is excluded from each account in the consolidated statements of income.

(p) Reclassification of Accounts

Certain prior year amounts have been reclassified to conform with the current year's presentation.

Changes in accounting policies

(Application of Accounting Standard for Business Combinations)

The Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013) were among standards brought into effect as of the first quarter of the fiscal year. Revisions were made to methods of recording differences due to changes in equity in subsidiaries remaining under the control of the Company as capital surplus, and recording expenses relating to acquisitions as expenses for the consolidated accounting year in which they are incurred. For business combinations occurring after the start of the first quarter of the fiscal year, revisions were also made to methods of reflecting revised allocation of acquisition costs, based on the establishment of temporary accounting procedures, in quarterly consolidated financial statements for the quarter in which the business combination occurred. Changes were also made to listing quarterly net income and listing minority interests as non-controlling interests. To reflect the relevant changes to listings, quarterly consolidated financial statements and consolidated financial statements are being reconfigured for the previous cumulative third quarter and the previous fiscal year.

The application of the Accounting Standard for Business Combinations, and other relevant standards, is subject to transitional measures set out in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

Standards will therefore be applied in the future, starting from the beginning of the first quarter of the fiscal year.

As a result, income before income taxes for the fiscal year under review decreased by 430 million yen. Capital surplus for the fiscal year under review on the other hand increased by 430 million yen. In the consolidated statement of cash flow for the consolidated accounting year under review, cash flows relating to the acquisition or sale of shares in subsidiaries without change in the scope of consolidation are listed under "cash flows from financing activities".

Cash flows relating to expenses associated with the acquisition of shares in subsidiaries without any change to the scope of consolidation, and expenses incurred in relation to the acquisition or sale of subsidiaries without any change in the scope of consolidation, are listed under "cash flows from operating activities."

The end-of-year balance for capital surplus in the consolidated statement of changes in equity for the fiscal year under review showed an increase of 430 million yen.

Net assets per share increased by 6.91 yen and earnings per share decreased by 6.90 yen.

(Unapplied accounting standards, etc.)

Guidance on the Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued on March 28, 2016)

(1) Summary

Guidance on the Recoverability of Deferred Tax Assets sets out guidelines for the application of the Accounting Standard for Tax Effect Accounting (Financial Services Agency) in relation to the recoverability of deferred tax assets. As part of the transfer of practical and auditing guidelines on tax effect accounting from the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ), the ASBJ has divided companies into five categories in relation to guidelines on the recoverability of deferred tax assets, particularly those set out in JICPA Auditing Committee Report No. 66

(Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets), and essentially overturned the framework for handling estimates when posting deferred tax assets in each of the relevant categories. As a result, essential revisions have been made to guidance in selected areas, including classification requirements and handling posted figures for deferred tax assets.

(Revisions to classification requirements and handling posted figures for deferred tax assets)

- Handling companies that do not meet any classification requirements from Category 1 through Category 5
- Classification requirements for Category 2 and Category 3
- Handling temporary differences on unscheduled deductibles for companies corresponding to Category 2
- Handling reasonable estimable periods for taxable income before additions or subtractions (temporary differences on deductibles, etc.) for companies corresponding to Category 3
- Handling cases in which companies meeting requirements for Category 4 also correspond to Category 2 or Category 3

(2) Planned application date

Guidance will be applicable from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of application of the above accounting standard and guidance

The impact that the application of Guidance on the Recoverability of Deferred Tax Assets will have on consolidated financial statements are currently under evaluation.

3. Notes to the Consolidated Balance Sheets

	Millions of yen	
	March 31,	
	2015	2016
(1) Inventories		
Materials and supplies	¥ 73	¥ 76
Merchandise	10	10
(2) Assets pledged as collateral		
Buildings	282	—
Land	1,161	—
(3) The guarantee of housing construction flaw security		
Investment in securities	180	184

4. Notes to Consolidated Statements of Operations

	Millions of yen	
	for the year ended March 31,	
	2015	2016
(1) Allowance for loss on construction contract included in cost of sales of construction contracts.....	¥ 217	¥ —
(2) Write-down of inventories included in cost of sales on real estate development and other	200	43
(3) The major components of “Selling, general and administrative expenses”		
Payroll	1,469	1,462
Retirement benefit expenses	73	69
Allowance for accrued bonuses	130	155
Provision of allowance for doubtful accounts	—	177
Depreciation	340	389

5. Notes to Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income were as follows:

	Millions of yen	
	for the year ended March 31,	
	2015	2016
Net unrealized gain (loss) on other securities, net of taxes		
Gains (losses) arising during the year	¥ 1,260	¥ (974)
Reclassification adjustments	—	(0)
Total before tax effect	1,260	(974)
Tax effect	(363)	335
Net unrealized gain (loss) on other securities, net of taxes ..	897	(640)
Deferred gain (loss) on hedging, net of taxes		
Gains (losses) arising during the year	¥ 24	¥ (27)
Tax effect	(8)	9
Deferred gain (loss) on hedging, net of taxes.....	16	(18)
Foreign currency translation adjustments		
Gains (losses) arising during the year	¥ 416	¥ 29
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	¥ 240	¥ (177)
Reclassification adjustments	47	37
Amount before income tax effect	287	(140)
Income tax effect	(107)	40
Remeasurements of defined benefit plans, net of tax.....	180	(100)
Total other comprehensive income	¥ 1,509	¥ (729)

6. Notes to the Consolidated Statement of Changes in Equity

(a) Type and number of outstanding shares

Type of shares	March 31, 2015			
	Balance at Beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Number of shares				
Issued stock				
Common stock	68,368,532	—	—	68,368,532
Total	68,368,532	—	—	68,368,532
Treasury shares				
Common stock	6,152,666	20,890	97	6,173,459
Total	6,152,666	20,890	97	6,173,459

The summary of the main change reason

Increase by the repurchase of shares less than one unit	20,890 shares
Decrease by the sale of shares less than one unit.....	97 shares

Type of shares	March 31, 2016			
	Balance at Beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Number of shares				
Issued stock				
Common stock	68,368,532	—	—	68,368,532
Total	68,368,532	—	—	68,368,532
Treasury shares				
Common stock	6,173,459	20,506	86,664	6,107,301
Total	6,173,459	20,506	86,664	6,107,301

The summary of the main change reason

Increase by the repurchase of shares less than one unit	20,506 shares
Decrease by the sale of shares less than one unit.....	360 shares
Decrease by the sales of treasury shares (the Company's shares) by a consolidates subsidiary	86,304 shares

(b) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution Approved by	Type of shares	Amount (Thousands of Yen)	Paid from	Amount Per share (Yen)	Shareholder's cut-off date	Effective date
June 19, 2015	Annual general meeting of shareholders	Common stock	748,162	Retained earnings	12	March 31, 2015	June 22, 2015

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Date of approval	Resolution Approved by	Type of shares	Amount (Thousands of Yen)	Paid from	Amount Per share (Yen)	Shareholder's cut-off date	Effective date
June 24, 2016	Annual general meeting of shareholders	Common stock	623,267	Retained earnings	10	March 31, 2016	June 27, 2016

7. Notes to the Consolidated Statements of Cash Flows

	Millions of yen	
	March 31,	
	2015	2016
Cash in hand and in banks	¥ 11,199	¥ 9,184
Time deposits with a deposit term of over 3 months	(720)	(712)
Cash and cash equivalents	¥ 10,479	¥ 8,472

8. Fair Value of Financial Instruments

(a) The fair value and book value of financial instruments as of March 31, 2015 and March 31, 2016, other than items of which fair value are not practically available, are as follows:

	Millions of yen		
	March 31, 2015		
	Book value	Fair value	Difference
Cash and deposits	¥ 11,199	¥ 11,199	¥ —
Notes and accounts receivable	11,781	11,781	—
Investments in securities	5,069	5,069	—
Total	28,049	28,049	¥ —
Notes and accounts payable	¥ 10,941	¥ 10,941	¥ —
Short-term loans	1,000	1,000	—
Total	¥ 11,941	¥ 11,941	¥ —
Derivative transactions	¥ 28	¥ 28	¥ —

	Millions of yen		
	March 31, 2016		
	Book value	Fair value	Difference
Cash and deposits	¥ 9,184	¥ 9,184	¥ —
Notes and accounts receivable	18,802	18,802	—
Investments in securities	4,092	4,092	—
Total	¥ 32,078	¥ 32,078	¥ —
Notes and accounts payable	¥ 14,160	¥ 14,160	¥ —
Total	¥ 14,160	¥ 14,160	¥ —
Derivative transactions	¥ 1	¥ 1	¥ —

(1) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen	
	March 31, 2015	March 31, 2016
	Book value	Book value
Non-listed shares *	¥ 1,027	¥ 1,031
Membership deposit *	2,643	2,508

* It is extremely difficult to determine the fair values thereof because neither market quoted prices are available nor future Cash Flows can be estimated.

(2) Redemption schedule for money claims and securities with maturities

Millions of yen							
March 31, 2015							
		Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥	11,189	¥	1	¥	—	¥ —
Notes and accounts receivable		11,781		—		—	—
Investments in securities							
Government bonds		—		35		123	—
Corporate bonds		—		—		100	—

Millions of yen							
March 31, 2016							
		Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥	9,174	¥	—	¥	—	¥ —
Notes and accounts receivable		18,802		—		—	—
Investments in securities							
Government bonds		—		109		73	—
Corporate bonds		—		—		100	—

9. Investments in Securities

The following tables summarize the acquisition cost and book value of available-for-sale securities with market value as of March 31, 2015 and 2016:

Millions of yen			
March 31, 2015			
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 4,760	¥ 2,257	¥ 2,503
Government bonds	180	172	7
Corporate bonds	101	100	1
Sub-total	¥ 5,041	¥ 2,530	¥ 2,511
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 28	¥ 29	¥ (1)
Sub-total	¥ 28	¥ 29	¥ (1)
Total	¥ 5,069	¥ 2,558	¥ 2,511

Millions of yen			
March 31, 2016			
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 3,777	¥ 2,246	¥ 1,531
Government bonds	184	174	10
Corporate bonds	101	100	1
Sub-total	¥ 4,062	¥ 2,520	¥ 1,542
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 30	¥ 35	¥ (5)
Sub-total	¥ 30	¥ 35	¥ (5)
Total	¥ 4,092	¥ 2,555	¥ 1,536

10. Derivative transactions

Derivative transactions for which hedge accounting is applied.

Currency-related transaction

Hedging method	Transaction type	Main hedged item	Millions of yen		
			Contract amount	Contract over 1 year	Fair value
Deferred hedge method	Foreign exchange forward contract Buy U.S. dollar	Forecasted foreign currency transactions	¥ 42	¥ —	¥ 1

11. Reserve for Retirement Benefits to Employees

Employees of the Company is covered by a defined-benefit corporate pension plan and defined-contribution allowance plan. Employees of its domestic subsidiaries are covered by termination allowance plan or defined-contribution pension plan.

Defined benefit plans

(a) Movements in retirement benefit obligations (except (c) below)

Balance at April 1, 2015.....	¥	2,801
Service cost.....		145
Interest cost.....		14
Actuarial loss (gain)		89
Benefits paid.....		(351)
Balance at March 31, 2016	¥	2,697

(b) Movements in plan assets (except (c) below)

Balance at April 1, 2015.....	¥	2,478
Expected return on plan assets.....		50
Actuarial loss (gain)		(88)
Contributions paid by the employer.....		293
Benefits paid.....		(351)
Balance at March 31, 2016	¥	2,382

(c) Movements in net liability for retirement benefits based on the simplified method

Balance at April 1, 2015.....	¥	48
Retirement benefit costs.....		5
Benefits paid.....		(3)
Balance at March 31, 2016	¥	50

(d) Reconciliation from retirement benefit obligations and plan assets to liability for retirement benefits

Funded retirement benefit obligations	¥	2,745
Plan assets		(2,414)
		331
Unfunded retirement benefit obligations		35
Total net liability (asset) for retirement benefits at March 31, 2016.....		366
Asset for retirement benefits.....		366
Total net liability (asset) for retirement benefits at March 31, 2016.....	¥	366

(e) Retirement benefit costs		
Service cost.....	¥	145
Interest cost.....		14
Expected return on plan assets.....		(50)
Net actuarial loss amortizations.....		44
Past service cost amortization.....		(8)
Retirement benefit costs calculated by simplified method.....		5
Total retirement benefit costs for the year ended March 31, 2016.....	¥	151
(f) Remeasurements of defined benefit plans, before tax		
Past service cost.....	¥	(8)
Actuarial gains / losses.....		(133)
Total.....	¥	(140)
(g) Breakdown of items recognized in accumulated other comprehensive income		
Unrealized past service cost.....	¥	341
Unrecognized actuarial differences.....		(30)
Total.....	¥	311
(h) Plan assets		
Securities.....		22%
Bonds.....		21%
General accounts.....		47%
Other.....		10%
Total.....		100%
(i) Long-term expected rate of return		
Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return		
(j) Actuarial assumptions		
Discount rate.....		0.5%
Rate of expected return on plan assets.....		2.0%
(k) Defined contribution plans		
Amount of contributions to defined contribution plans by the Company and its subsidiaries was ¥51 million.		

12. Income Taxes

(a) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets are presented below:

	Millions of yen	
	March 31,	
	2015	2016
Deferred tax assets:		
Write-down of fixed assets.....	¥ 737	¥ 746
Allowance for doubtful accounts.....	34	87
Write-down of marketable securities.....	166	155
Intercompany profits.....	255	242
Loss on valuation of real estate for sale.....	553	304
Operating loss carry forwards.....	111	63
Net defined benefit liability.....	119	111
Other.....	649	481
Total gross deferred tax assets.....	2,624	2,190
Valuation allowance.....	(1,283)	(1,263)
	1,341	927
Deferred tax liabilities:		
Reserve for special depreciation.....	(152)	(120)
Reserve for advanced depreciation.....	(57)	(54)
Unrealized gain on other securities.....	(785)	(450)
Difference from fair value of subsidiaries.....	(756)	(724)
Deferred gains or losses on hedges.....	(9)	(0)
Total gross deferred tax liabilities.....	(1,759)	(1,350)
Net deferred tax assets.....	¥ (418)	¥ (423)

(b) The reconciliation between the statutory tax rate and the effective tax rate as at March 31, 2015 and 2016 is presented below:

	As of March 31,	
	2015	2016
Statutory tax rate.....	—	32.8%
Permanent differences on expenses not deductible	—	1.5
Permanent differences on income not taxable	—	(0.2)
Accrued bonuses to directors and statutory auditors not deductible	—	0.4
Inhabitant taxes per capita.....	—	0.6
Valuation allowance	—	1.8
Influence by effective tariff change.....	—	0.8
Other.....	—	0.0
Effective tax rate.....	<u>—</u>	<u>37.7%</u>

In fiscal year 2015, since the difference between statutory effective tax rate and actual effective tax rate after applying tax effect accounting is less than 5% of statutory effective tax rate, note is omitted.

13. Segment Information

(1) The segment information of the Company and its subsidiaries for the year ended March 31, 2015 and 2016 is presented below:

The Company and its subsidiaries operate principally in the following four industrial segments:

Construction..... Construction, engineering works, development and sale of real estate.

Golf courses..... Management of golf courses

Hotels..... Management of hotels

Advertising agent Management of advertising agent.

(2) The segment information of the Company and its subsidiaries for the year ended March 31, 2015 and 2016 is presented below:

Millions of Yen								
March 31, 2015								
	Construction	Golf courses	Hotels	Advertising agent	Total	Reconciliations	Consolidated	
I . Net sales and Operating income								
Net sales								
Customers	¥ 67,572	¥ 248	¥ 1,781	¥ 1,451	¥ 71,052	¥ —	¥ 71,052	
Intersegment or transfer	7	4	7	94	111	(111)	—	
Total	67,578	252	1,789	1,545	71,164	(111)	71,052	
Operating income (loss)	¥ 4,645	¥ 1	¥ 81	¥ 41	¥ 4,768	¥ 29	¥ 4,797	
II . Other								
Depreciation and amortization	259	38	319	6	622	(29)	593	

Millions of Yen								
March 31, 2016								
	Construction	Golf courses	Hotels	Advertising agent	Total	Reconciliations	Consolidated	
I . Net sales and Operating income								
Net sales								
Customers	¥ 68,421	¥ 248	¥ 2,038	¥ 1,623	¥ 72,329	¥ —	¥ 72,329	
Intersegment or transfer	33	4	5	114	155	(155)	—	
Total	68,454	251	2,042	1,737	72,485	(155)	72,329	
Operating income	¥ 3,454	¥ (4)	¥ 156	¥ 62	¥ 3,668	¥ 22	¥ 3,690	
II . Other								
Depreciation and amortization	293	44	460	8	805	(28)	777	

14. Per Share Data

Net assets per share and earnings per share as of and for the year ended March 31, 2015 and 2016 are as follows:

	Yen	
	2015	2016
Net assets per share	¥ 423.98	¥ 443.73
Earnings per share – primary.....	45.86	34.84

1. Basis of net income per share of common stock

	Millions of yen	
	2015	2016
Profit attributable to owners of parent.....	¥ 2,853	¥ 2,168
Profit pertaining to common stock	¥ 2,853	¥ 2,168
Average outstanding shares of common stock.....	62,205 thousand shares	62,218 thousand shares

2. Basis of net assets per share of common stock

	Millions of Yen	
	2015	2016
Net assets.....	¥ 28,040	¥ 28,402
Amounts deducted from net assets.....	1,670	775
Non-controlling interests.....	1,670	775
Net assets applicable to common stock	26,369	27,627
Number of shares of common stock at end of year	62,195 thousand shares	62,261 thousand shares

BOARD OF DIRECTORS, STATUTORY AUDITORS AND EXECUTIVE OFFICERS

Board of Directors

Chairman and President, Representative Director

Takahiro Kitano

Directors

Yoshikatsu Yamazaki

Zentaro Ozawa

Outside Director

Yoshinori Uda

Fumiko Yazaki

Statutory Auditors

Permanent Auditor

Noboru Takizawa

Outside Auditors

Yoshichika Owa

Toshiyuki Nishimura

Nobuyoshi Sakai

Executive Officers

President and Executive Officer

Takahiro Kitano *

Senior Executive Officer

Yoshikatsu Yamazaki *

Managing Executive Officers

Itsuo Takeuchi

Zentaro Ozawa *

Kiyoto Kitagawa

Executive Officers

Shuichi Moriyasu

Yoshito Iwasaki

Atsushi Gomyo

Tsuneaki Yamada

Masakatsu Kobayashi

Sadao Sugimura

Hironori Terashima

Kenichi Oguma

Satoshi Kubo

*** : Member of Board of Directors**

KITANO
CONSTRUCTION CORP.