

2015

FINANCIAL STATEMENTS

MARCH 31, 2014-2015

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Consolidated Balance Sheets

As of March 31, 2014 and 2015

	Millions of yen	
	March 31,	
	2014	2015
ASSETS		
Current Assets:		
Cash in hand and in banks	¥ 7,815	¥ 11,199
Notes and accounts receivable	15,721	11,781
Real estate for sale	8,256	3,743
Cost of construction in progress	959	2,360
Cost of uncompleted development projects	2,496	41
Inventories - materials and supplies	81	83
Deferred income taxes.....	1,164	818
Other current assets.....	728	1,157
Less: allowance for doubtful accounts	(75)	(74)
Total current assets	<u>37,145</u>	<u>31,108</u>
Non-current Assets:		
Tangible Fixed Assets:		
Buildings and structures.....	10,858	11,164
Machinery and equipment	2,504	2,780
Tools, furniture and fixtures	2,670	2,862
Golf course	771	771
Land.....	6,786	6,401
Construction in progress	—	77
Other non-current assets	47	38
Less: accumulated depreciation	(9,144)	(9,737)
Total tangible fixed assets	<u>14,493</u>	<u>14,357</u>
Intangible fixed assets	239	242
Investments:		
Investments in securities.....	4,830	6,096
Long-term loans	26	29
Deferred income taxes.....	589	430
Other investments	1,390	1,368
Less: allowance for doubtful accounts	(33)	(33)
Total investments	<u>6,801</u>	<u>7,891</u>
Total noncurrent assets	<u>21,533</u>	<u>22,489</u>
Total assets.....	<u>¥ 58,679</u>	<u>¥ 53,598</u>

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

As of March 31, 2014 and 2015

	Millions of yen	
	March 31,	
	2014	2015
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	¥ 16,775	¥ 10,941
Short-term loans payable.....	1,000	1,000
Current portion of long-term loans payable.....	4,097	—
Income taxes payable	478	1,071
Advances received on construction in progress	4,952	5,435
Advances received on development business	60	6
Accrued bonuses to employees	391	247
Accrued bonuses to directors and statutory auditors	36	46
Accrued warranty	33	22
Allowance for losses on construction contracts	89	306
Other current liabilities.....	1,535	1,545
Total current liabilities.....	29,447	20,619
Non-current Liabilities:		
Long-term debt.....	51	—
Net defined benefit liability	878	371
Membership deposit.....	2,762	2,643
Deferred income taxes.....	1,239	1,666
Other long-term debt.....	200	259
Total non-current liabilities.....	5,130	4,939
Total liabilities	34,577	25,558
NET ASSETS		
Shareholders' Equity		
Common stock.....	9,116	9,116
Authorized — 200,000,000 shares		
Issued — 68,368,532 shares as of March 31, 2014 and 2015		
Capital surplus.....	5,066	5,066
Retained earnings	9,161	11,563
Treasury shares.....	(1,269)	(1,276)
Total shareholders' equity	22,075	24,470
Accumulated Other Comprehensive Income		
Unrealized gain (loss) on other securities	828	1,725
Unrealized gain (loss) on hedging derivatives.....	3	19
Foreign currency translation adjustments	6	271
Remeasurements of defined benefit plans	(296)	(116)
Total accumulated other comprehensive income	542	1,899
Minority interests.....	1,485	1,670
Total net assets	24,102	28,040
Debt net assets sum total.....	¥ 58,679	¥ 53,598

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income
For the years ended March 31, 2014 and 2015

	Millions of yen	
	March 31,	
	2014	2015
Net Sales:		
Construction contracts	¥ 66,103	¥ 55,373
Real estate development and other.....	4,582	15,679
	<u>70,685</u>	<u>71,052</u>
Cost of Sales:		
Construction contracts	61,323	50,549
Real estate development and other.....	3,252	11,378
	<u>64,575</u>	<u>61,927</u>
Gross profit.....	6,109	9,125
Selling, General and Administrative Expenses.....	3,808	4,328
Operating income	<u>2,301</u>	<u>4,797</u>
Non-Operating Income (Losses):		
Interest and dividend income	149	112
Interest expenses.....	(107)	(67)
Foreign exchange gains	78	324
Equity in gains of affiliates.....	16	—
Other, net.....	126	82
	<u>2,563</u>	<u>5,247</u>
Special Items:		
Gain on sales of fixed assets.....	3	30
Gain on step acquisitions.....	20	—
Gain on bargain purchases.....	1,171	48
Loss on disposal of fixed assets	(12)	(3)
Loss on sales of investment securities.....	—	(5)
Loss on valuation of investment securities.....	(8)	—
Loss on valuation of shares of subsidiaries and associates	(14)	(4)
Impairment loss	—	(601)
Other, net.....	—	(55)
Income before income taxes and minority interests	<u>3,722</u>	<u>4,656</u>
Income Taxes		
Current.....	690	1,414
Deferred.....	597	298
Income Before Minority Interests	<u>2,435</u>	<u>2,944</u>
Minority Interests in Earnings of Consolidated Subsidiaries	<u>32</u>	<u>92</u>
Net income	<u>¥ 2,403</u>	<u>¥ 2,853</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2014 and 2015

	Millions of yen	
	March 31,	
	2014	2015
Income Before Minority Interests	¥ 2,435	¥ 2,944
Other Comprehensive Income:		
Unrealized gain (loss) on other securities	45	897
Unrealized gain (loss) on hedging derivatives.....	(5)	16
Foreign currency translation adjustment.....	120	416
Remeasurements of defined benefit plans	—	180
Share of other comprehensive income of associates accounted for using the equity method	(97)	—
Total other comprehensive income	63	1,509
Comprehensive Income	2,498	4,453
Comprehensive income attributable to:		
Shareholders of the Corporation.....	2,443	4,210
Minority Interests	55	243

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2015

	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	Adjustments on foreign					Minority interests	Total net assets
						Unrealized gain on other securities	Unrealized gain on hedging derivatives	currency statements translation	Remeasurements of defined benefits plans			
Balance at March 31, 2013.....	62,240	9,116	5,066	7,255	(1,264)	784	8	6	—	424	21,396	
Net Gain for the year ended March 31, 2014...	—	—	—	2,403	—	—	—	—	—	—	2,403	
Cash dividends	—	—	—	(497)	—	—	—	—	—	—	(497)	
Purchase of treasury shares.....	(24)	—	—	—	(6)	—	—	—	—	—	(6)	
Disposal of treasury shares.....	(0)	—	(0)	—	0	—	—	—	—	—	0	
Adjustment for the year ...	—	—	(0)	1,906	(5)	45	(5)	1	(296)	1,061	2,706	
Balance at March 31, 2014.....	62,216	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	
Net Gain for the year ended March 31, 2014...	—	—	—	2,853	—	—	—	—	—	—	2,853	
Cash dividends	—	—	—	(559)	—	—	—	—	—	—	(559)	
Purchase of treasury shares.....	(21)	—	—	—	(7)	—	—	—	—	—	(7)	
Disposal of treasury shares.....	(0)	—	(0)	—	0	—	—	—	—	—	0	
Adjustment for the year ...	—	—	(0)	2,294	(7)	896	16	265	180	185	1,542	
Balance at March 31, 2015.....	62,195	9,116	5,066	11,563	(1,276)	1,725	19	271	(116)	1,670	28,040	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the year ended March 31, 2014 and 2015

	Millions of yen	
	2014	2015
Cash flows from operating activities:		
Income before income taxes	¥ 3,722	¥ 4,656
Adjustments for:		
Depreciation	280	593
Impairment loss.....	—	601
Amortization of negative goodwill.....	(2)	—
Equity in (gains) losses of affiliates.....	(16)	—
Interest and dividend income.....	(149)	(112)
Interest expenses	107	67
Increase (decrease) in net defined benefit liability	(80)	(53)
(Gain) loss on sales of non-current assets.....	(3)	(30)
Loss on disposal of non-current assets.....	12	3
Foreign exchange (gains) losses.....	18	(272)
(Gain) loss on sales of investment securities.....	—	5
(Gain) Loss on evaluation of investment securities.....	8	—
Increase (decrease) in provision for directors' bonuses	7	10
Increase (Decrease) in accrued warranty	(13)	(11)
Increase (Decrease) in allowance for losses on construction contracts	(166)	217
Increase (Decrease) in accrued bonuses.....	151	(144)
Increase (Decrease) in allowance for doubtful accounts.....	(3)	(2)
Loss on valuation of shares of subsidiaries and associates	14	4
Gain on step acquisitions.....	(20)	—
Gain on bargain purchases.....	(1,171)	(48)
(Increase) Decrease in notes and accounts receivable	(2,034)	3,951
(Increase) Decrease in cost of construction in progress and cost of uncompleted development projects	1,483	847
(Increase) Decrease in real estate for sale and inventories	(2,130)	4,922
Increase (Decrease) in notes and accounts payable.....	(2,858)	(5,839)
Increase (Decrease) in advances received on construction in progress.....	1,933	483
Other.....	250	(516)
Sub-total	(662)	9,332
Interest and dividend income received.....	139	111
Interest expenses paid	(107)	(67)
Income taxes paid.....	(697)	(831)
Net cash provided by (used in) operating activities.....	(1,326)	8,545
Cash flows from investing activities:		
Payment into time deposit.....	(522)	(920)
Proceeds from withdrawal of time deposit.....	420	521
Payments for purchase of fixed assets	(915)	(791)
Proceeds from sale of fixed assets	1,320	50
Payments for purchase of investments in securities.....	(15)	(24)
Proceeds from sales of investments in securities	—	10
Payments for loans	(33)	(38)
Proceeds from recovery of loans.....	38	35
Purchase of shares of subsidiaries and associates.....	—	(8)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,712	—
Other.....	(74)	26
Net cash provided by (used in) investing activities.....	1,933	(1,139)
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	(5)	(7)
Cash dividends paid.....	(500)	(561)
Other.....	(11)	(12)
Net cash provided by (used in) financing activities	484	(4,728)
Effect of exchange rate changes on cash and cash equivalents.....	(1)	307
Net increase (decrease) in cash and cash equivalents	1,089	2,986
Cash and cash equivalents of beginning of year.....	6,404	7,493
Cash and cash equivalents of end of year.....	¥ 7,493	¥ 10,479

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, 2015 (4 for 2014). The consolidated financial statements in fiscal years ended March 31, 2015 include the accounts of the Company and 4 (4 for 2014) of its subsidiaries "the Companies", which are listed below:

•Kawanakajima Tochi Kaihatsu Co., Ltd.	69.2% owned
•Solomon Kitano Mendana Hotel Limited.	100.0% owned
•Sakura Hanoi Plaza Investment Co., Ltd.	59.0% 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.

Kitano Lanka (Private) Limited is not consolidated, as it is not significant in terms of total assets, net sales, net income or retained earnings.

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) Investment in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The equity method of accounting for such investments is applied to Sakura Hanoi Plaza Investment Company Limited, which is affiliates of the Company, since the application of this method has significant effect on the net income and retained earnings of the Companies.

Kitano Lanka (Private) Limited is excluded from the scope of the equity method of accounting because it has little influence and little importance.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) Accrued Warranty

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

(h) Accrued Bonuses to Employees

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

(i) 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.

(j) 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.

(k) Allowance for losses on construction contracts

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

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Consumption Tax

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

(q) Reclassification of Accounts

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

Changes in accounting policies

(Application of the accounting standard, etc. for retirement benefits)

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter referred to as the "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, hereinafter referred to as the "Retirement Benefits Guidance"), in respect of the provisions in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Retirement Benefits Guidance, whereby the method of calculating retirement benefit obligations and service costs has been reviewed. Based on this review, the method of attributing expected retirement benefits to periods has been changed from a straight-line basis to a benefit formula basis, while the method of determining discount rates has been changed from the method based on the number of years approximate to the average remaining service period of employees to the method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefits payment, as well as the amount of retirement benefits payment for each such period.

In adopting the Retirement Benefits Accounting Standard etc., the amount of impact associated with the changes in the methods of calculating retirement benefit obligations and service costs has been reflected in retained earnings at the beginning of the current fiscal year, in accordance with the tentative treatment provided in Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, as of the beginning of the current fiscal year, a net defined benefit liability decreased by 168 million yen and retained earnings increased by 108 million yen. The effect of this change on profit and loss is immaterial.

The effects on net assets per share and net income per share are immaterial.

(Unapplied accounting standards, etc.)

-Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)

-Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)

-Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)

-Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)

-Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)

-Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Outline

The revisions mainly consist of: (1) difference arising from a change in the Company's ownership interest in a subsidiary over which the Company continues to have control, (2) treatment of purchase related costs, (3) presentation method of net income and minority interests to non-controlling interest, and transitional provision for accounting treatment were revised.

(2) Effective date

The revised accounting standards and guidances shall be applied effective from the beginning of the fiscal year ending March 31, 2016.

Regarding tentative treatments, it will be applied for business combinations conducted after the beginning of the fiscal year ending March 31, 2016.

(3) Impact of the application of the revised accounting standards and guidances

Amounts of the effects of these applications are under evaluation at the time of preparing this report

3. Notes to the Consolidated Balance Sheets

	Millions of yen	
	March 31,	
	2014	2015
(1) Investments in unconsolidated subsidiaries and affiliates.....	¥ 4	¥ 0
(2) Assets pledged as collateral		
Buildings	300	282
Land	1,161	1,161
Real estate for sale.....	4,380	—
(3) The guarantee of housing construction flaw security		
Investment in securities	154	180

4. Notes to Consolidated Statements of Operations

	Millions of yen	
	for the year ended March 31,	
	2014	2015
(1) Allowance for loss on construction contract included in cost of sales of construction contracts.....	¥ 89	¥ 217
(2) Write-down of inventories included in cost of sales on real estate development and other	102	200
(3) The major components of “Selling, general and administrative expenses”		
Depreciation	238	340
Payroll	1,267	1,469
Retirement benefit expenses.....	64	73
Allowance for accrued bonuses.....	173	130

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,	
	2014	2015
Net unrealized gain (loss) on other securities, net of taxes		
Gains (losses) arising during the year	¥ 29	¥ 1,260
Reclassification adjustments.....	8	—
Total before tax effect.....	37	1,260
Tax effect	8	(363)
Net unrealized gain (loss) on other securities, net of taxes..	45	897
Deferred gain (loss) on hedging, net of taxes		
Gains (losses) arising during the year	¥ (9)	24
Tax effect	3	(8)
Deferred gain (loss) on hedging, net of taxes.....	(5)	16
Foreign currency translation adjustments		
Gains (losses) arising during the year	¥ 120	¥ 416
Share of other comprehensive income of associates accounted for using equity method		
Gains (losses) arising during the year	¥ (97)	¥ —
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	¥ —	¥ 240
Reclassification adjustments	—	47
Amount before income tax effect	—	287
Income tax effect	—	(107)
Remeasurements of defined benefit plans, net of tax	—	180
Total other comprehensive income	¥ 63	¥ 1,509

6. Notes to the Consolidated Statement of Changes in Net Assets

(a) Type and number of outstanding shares

March 31, 2014				
Number of shares				
Type of shares	Balance at Beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock				
Common stock	68,368,532	—	—	68,368,532
Total	68,368,532	—	—	68,368,532
Treasury shares				
Common stock	6,128,879	24,561	774	6,152,666
Total	6,128,879	24,561	774	6,152,666
The summary of the main change reason				
Increase by the repurchase of shares less than one unit				24,561 shares
Decrease by the sale of shares less than one unit.....				774 shares

March 31, 2015				
Number of shares				
Type of shares	Balance at Beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
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

(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 20, 2014	Annual general meeting of shareholders	Common stock	561,309	Retained earnings	9	March 31, 2014	June 23, 2014

(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 19, 2015	Annual general meeting of shareholders	Common stock	748,162	Retained earnings	12	March 31, 2015	June 22, 2015

7. Notes to the Consolidated Statements of Cash Flows

	Millions of yen	
	March 31,	
	2014	2015
Cash in hand and in banks	¥ 7,815	¥ 11,199
Time deposits with a deposit term of over 3 months.....	(322)	(720)
Cash and cash equivalents	¥ 7,493	¥ 10,479

8. Fair Value of Financial Instruments

(a) The fair value and book value of financial instruments as of March 31, 2014 and March 31, 2015, other than items of which fair value are not practically available, are as follows:

Millions of yen			
March 31, 2014			
	Book value	Fair value	Difference
Cash and deposits	¥ 7,815	¥ 7,815	¥ —
Notes and accounts receivable	15,721	15,721	—
Investments in securities	3,784	3,784	—
Total	¥ 27,320	¥ 27,320	¥ —
Notes and accounts payable	¥ 16,775	¥ 16,775	¥ —
Short-term loans	¥ 1,000	¥ 1,000	¥ —
Long-term loans	4,148	4,148	—
Total	¥ 21,923	¥ 21,923	¥ —
Derivative transactions	¥ 4	¥ 4	¥ —

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	¥ —

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

Millions of yen		
	March 31, 2014	March 31, 2015
	Book value	Book value
Non-listed shares *	¥ 1,046	¥ 1,027
Membership deposit *	2,762	2,643

* 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, 2014				
	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	¥ 7,770	¥ 2	¥ —	¥ —
Notes and accounts receivable	15,721	—	—	—
Investments in securities				
Government bonds	—	35	123	—
Corporate bonds	—	—	100	—

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	—

9. Repayment schedule for long-term debt after the closing date of accounting period.

		Millions of yen					
		March 31, 2014					
		Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	
Long-term debt	¥	4,097	¥ 51	¥ —	¥ —	¥ —	—

		Millions of yen					
		March 31, 2015					
		Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	
Long-term debt	¥	—	¥ —	¥ —	¥ —	¥ —	—

10. Investments in Securities

(a) The following tables summarize the acquisition cost and book value of available-for-sale securities with market value as of March 31, 2014 and 2015:

		Millions of yen		
		March 31, 2014		
		Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:				
Equity securities	¥	3,501	¥ 2,257	¥ 1,245
Government bonds		154	148	6
Corporate bonds		101	100	1
Sub-total	¥	3,757	¥ 2,505	¥ 1,252
Securities with book value not exceeding acquisition cost:				
Equity securities	¥	27	¥ 29	¥ (2)
Sub-total	¥	27	¥ 29	¥ (2)
Total	¥	3,784	¥ 2,533	¥ 1,251

		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

(b) Impairment loss of ¥8 million was recorded to write down book value of investments in securities for the year ended March 31, 2014.

11. Derivative transactions

(a) Derivative transactions for which hedge accounting is not applied
Not applicable.

(b) Derivative transactions for which hedge accounting is applied.
Currency-related transaction

				Millions of yen		
				March 31, 2015		
Hedging method	Transaction type	Main hedged item	Contract amount	Contract over 1 year	Fair value	
Deferred hedge method	Foreign exchange forward contract Buy U.S. dollar	Forecasted foreign currency transactions	¥ 611	¥ —	¥ 28	

12. 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, 2014.....	¥ 3,331
Cumulative effects of changes in accounting policies.....	(168)
Restated balance.....	3,164
Service cost.....	145
Interest cost.....	16
Actuarial loss (gain).....	(88)
Benefits paid.....	(436)
Balance at March 31, 2015.....	<u>¥ 2,801</u>
(b) Movements in plan assets (except (c) below)	
Balance at April 1, 2014.....	¥ 2,498
Expected return on plan assets.....	50
Actuarial loss (gain).....	152
Contributions paid by the employer.....	213
Benefits paid.....	(436)
Balance at March 31, 2015.....	<u>¥ 2,478</u>
(c) Movements in net liability for retirement benefits based on the simplified method	
Balance at April 1, 2014.....	¥ 45
Retirement benefit costs.....	6
Benefits paid.....	(3)
Balance at March 31, 2015.....	<u>¥ 48</u>
(d) Reconciliation from retirement benefit obligations and plan assets to liability for retirement benefits	
Funded retirement benefit obligations.....	¥ 2,846
Plan assets.....	<u>(2,508)</u>
	338
Unfunded retirement benefit obligations.....	<u>32</u>
Total net liability (asset) for retirement benefits at March 31, 2015.....	<u>371</u>
Asset for retirement benefits.....	371
Total net liability (asset) for retirement benefits at March 31, 2015.....	<u>¥ 371</u>
(e) Retirement benefit costs	
Service cost.....	¥ 145
Interest cost.....	16
Expected return on plan assets.....	(50)
Net actuarial loss amortizations.....	55
Past service cost amortization.....	(8)
Retirement benefit costs calculated by simplified method.....	6
Total retirement benefit costs for the year ended March 31, 2014.....	<u>¥ 164</u>
(f) Remeasurements of defined benefit plans, before tax	
Past service cost.....	¥ (8)
Actuarial gains / losses.....	295
(g) Breakdown of items recognized in accumulated other comprehensive income	
Unrealized past service cost.....	¥ 208
Unrecognized actuarial differences.....	<u>(38)</u>
Total.....	<u>¥ 170</u>
(h) Plan assets	
Securities.....	23%
Bonds.....	22%
General accounts.....	45%
Other.....	10%
Total.....	<u>100%</u>

(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 ¥49 million.

13. 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,	
	2014	2015
Deferred tax assets:		
Write-down of fixed assets	¥ 1,001	¥ 737
Allowance for doubtful accounts	820	740
Write-down of marketable securities.....	190	166
Intercompany profits.....	268	255
Loss on valuation of real estate for sale	837	553
Operating loss carry forwards	143	111
Net defined benefit liability	311	64
Other	586	703
Total gross deferred tax assets	4,156	3,330
Valuation allowance.....	(2,233)	(1,989)
	1,922	1,341
Deferred tax liabilities:		
Reserve for special depreciation	(195)	(152)
Reserve for advanced depreciation.....	(63)	(57)
Unrealized gain on other securities.....	(422)	(785)
Difference from fair value of subsidiaries.....	(727)	(756)
Deferred gains or losses on hedges.....	(1)	(9)
Total gross deferred tax liabilities	(1,408)	(1,759)
Net deferred tax assets.....	¥ 514	¥ (418)

(b) The reconciliation between the statutory tax rate and the effective tax rate as at March 31, 2014 and 2015 is presented below:

	As of March 31,	
	2014	2015
Statutory tax rate.....	37.8%	—
Permanent differences on expenses not deductible	0.9	—
Permanent differences on income not taxable	(0.4)	—
Accrued bonuses to directors and statutory auditors not deductible	0.3	—
Inhabitant taxes per capita.....	0.6	—
Valuation allowance	6.0	—
Influence by effective tariff change	1.8	—
Revision due to amortization of negative goodwill	(11.9)	—
Other.....	(0.5)	—
Effective tax rate.....	34.6%	—

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.

14. Segment Information

(1) The segment information of the Company and its subsidiaries for the year ended March 31, 2014 and 2015 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, 2014 and 2015 is presented below:

Millions of Yen								
March 31, 2014								
	Construction	Golf courses	Hotels	Advertising agent	Total	Reconciliations	Consolidated	
I . Net sales and Operating income								
Net sales								
Customers	¥ 68,295	¥ 243	¥ 674	¥ 1,473	¥ 70,685	¥ —	¥ 70,685	
Intersegment or transfer	196	3	3	88	290	(290)	—	
Total	68,491	246	677	1,561	70,974	(290)	70,685	
Operating income	¥ 2,191	¥ 9	¥ 67	¥ 52	¥ 2,319	¥ (17)	¥ 2,301	
II . Other								
Depreciation and amortization	190	22	62	7	281	(1)	280	

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	

15. Per Share Data

Net assets per share and net income per share as of and for the year ended March 31, 2014 and 2015 are as follows:

	Yen	
	2014	2015
Net assets per share	¥ 363.52	¥ 423.98
Net income per share – primary	38.62	45.86

1. Basis of net income per share of common stock

	Millions of yen	
	2014	2015
Net income	¥ 2,403	¥ 2,853
Net income pertaining to common stock	¥ 2,403	¥ 2,853
Average outstanding shares of common stock	62,229 thousand shares	62,205 thousand shares

2. Basis of net assets per share of common stock

	Millions of Yen	
	2014	2015
Net assets.....	¥ 24,102	¥ 28,040
Amounts deducted from net assets.....	1,485	1,670
Minority interests.....	1,485	1,670
Net assets applicable to common stock	22,617	26,369
Number of shares of common stock at end of year	62,216 thousand shares	62,195 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

Kimio Shiozawa

Outside Director

Yoshinori Uda

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

Kenichi Oguma

Hironori Terashima

*** : Member of Board of Directors**

KITANO
CONSTRUCTION CORP.