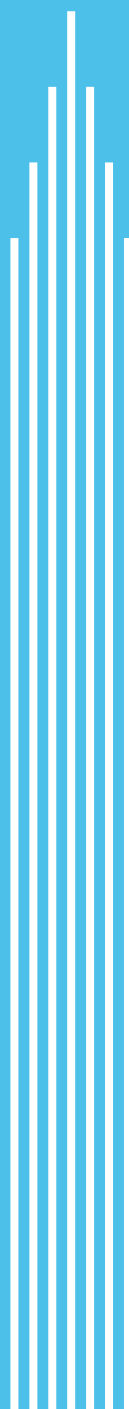


T o b i s h i m a
Annual Report
2019



PROFILE

Since its founding in 1883, Tobishima has steadfastly contributed to society through major construction projects, from the undersea expressway tunnel, Tokyo Aqua-Line, to the Surikamigawa Dam, one of Japan's largest core rock-filled dams. Our portfolio not only exemplifies the high quality of our projects; it also demonstrates Tobishima's advanced technologies, the fruit of our many years of experience.

Renowned for our products and services, as well as the knowledge of our employees, we are constantly developing and investing in new technologies and systems to support continuous improvement.

Moreover, we have expanded our business domains by responding to the demands of the times. We are now engaged in solutions businesses that meet the varied needs of our customers, in addition to construction work. We will



The Project for Construction of Upriver COMORO Bridge [Timor Leste]

strengthen our explorations into new areas where Tobishima can fully apply its expertise in engineering and disaster prevention.

Outside of Japan, Tobishima has long been involved in improving infrastructure through construction of roads, ports, subways, hospitals, factories and government buildings, particularly in Southeast and West Asia.



Hamacho Hotel & Apartments [Tokyo]

We are working just as hard today to establish a corporate culture commensurate to the challenges of building the structures that people around the world need in order to enjoy better lives.

Consolidated Financial Highlights

Years ended March 31, 2019

		Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
For the Year:	Net sales	¥ 128,866	¥ 131,121	\$ 1,161,061
	Income before income taxes	6,852	6,636	61,738
	Net income attributable to owners of parent	5,072	6,025	45,693
At Year-end:	Total assets	¥ 109,586	¥ 101,909	\$ 987,353
	Total net assets	36,410	31,771	328,051
Per Share of Common Stock:	(in yen and dollars):			
	Basic net income	¥ 263.47	¥ 312.95	\$ 2.374
	Net assets	1,891.96	1,649.80	17.046

Note 1: U.S. dollar amounts here and elsewhere in this annual report are translated from yen at the rate of ¥110.99=US\$1.00, the rate on March 31, 2019 for the reader's convenience only.

Note 2: The years included in the text are fiscal years, which run from April 1 through March 31 of the following year.

Note 3: The Company executed a ten-for-one reverse split of common shares as of October 1st, 2018. Basic net assets per share and Net income per share have been calculated assuming that the reverse split of shares was executed on the beginning of the prior fiscal year.

MESSAGE FROM THE PRESIDENT

To Our Stakeholders

Tobishima Corporation has contributed to the economic development of Japan by engaging in the social infrastructure maintenance business, since contracting the Fukui Castle demolition in the 16th year of Meiji (1883).

However, today, the social needs for companies are not only contributions to economic development, but also the solution of social issues that arise from economic development.

The "Medium-term Five-Year Plan," launched this fiscal year, expands the framework of the construction industry, reads the diverse needs and unresolved issues that are potential in society, and having the ability to solve them (smart solution service) by developing large number of businesses, we aim to create a platform called "New Business Contractor" for creating a new society with diverse people.

As the evaluation standard for corporate value changes, we will implement measures to improve "reform of working style" , "reinforcement of corporate governance" and "environmental emphasis" , and we aim to achieve to be a "credited company" , a company that is always selected from our stakeholders.

We look forward to the continued understanding and support of all our stakeholders.



June 2019

Masahiro Norikyo

Masahiro Norikyo

President and Representative Director

Consolidated Balance Sheet TOBISHIMA CORPORATION

As of March 31, 2019

ASSETS		Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S.Dollars 2019
Current assets	Cash and cash equivalents	¥ 23,013	¥ 20,786	\$ 207,346
	Marketable securities (*1)	1,613	1,500	14,535
	Notes receivable, accounts receivable from completed construction contracts, and other (*2)	52,089	49,221	469,310
	Allowance for doubtful accounts	(8)	(11)	(70)
	Costs on uncompleted construction contracts and other (*3)	2,375	2,020	21,397
	Accounts receivable-other	6,639	4,682	59,814
	Other	894	898	8,059
	Total current assets	86,615	79,096	780,391
Property, plant and equipment	Buildings and structures	14,507	14,642	130,707
	Machinery, equipment, furniture, and fixtures	4,109	3,950	37,021
	Land	7,353	7,297	66,254
	Lease assets	144	114	1,296
	Construction in progress	510	367	4,595
	Accumulated depreciation	(11,038)	(11,405)	(99,451)
	Total property, plant and equipment	15,585	14,965	140,422
Investments and other assets	Investment securities (*4)	4,997	4,493	45,019
	Intangible assets	611	633	5,501
	Stock issuance costs	—	2	—
	Other (※5)	1,979	2,921	17,828
	Allowance for doubtful accounts	(201)	(201)	(1,808)
	Total investments and other assets	7,386	7,848	66,540
Total		¥ 109,586	¥ 101,909	\$ 987,353

See notes to consolidated financial statements

LIABILITIES AND EQUITY

Current liabilities	Notes payable, accounts payable for construction contracts and other (*6)	¥ 35,890	¥ 35,947	\$ 323,366
	Advances received on uncompleted construction contracts	8,407	6,034	75,745
	Deposits received	13,742	11,813	123,810
	Liability for warranties for completed construction	307	202	2,766
	Liability for loss on construction contracts (*7)	446	414	4,015
	Other	3,056	3,810	27,537
	Total current liabilities	61,848	58,220	557,239
Long-term liabilities	Liability for retirement benefits	462	1,153	4,160
	Long-term borrowings (*8)	10,402	10,247	93,723
	Other	464	518	4,180
	Total long-term liabilities	11,328	11,918	102,063
	Total liabilities	¥ 73,176	¥ 70,138	\$ 659,302
Equity	Common stock—authorized, 40,000 thousand shares; Issued, 19,310 thousand shares (*9)	¥ 5,520	¥ 5,520	\$ 49,734
	Capital surplus	6,242	6,248	56,237
	Retained earnings	23,717	19,415	213,685
	Treasury stock—at cost: 66,006 Shares (*9)	(455)	(448)	(4,097)
	Accumulated other comprehensive income			
	Unrealized gain on available-for-sale securities	1,369	953	12,338
	Foreign currency translation adjustment	4	7	38
	Defined retirement benefit plans	12	67	110
	Total	1,385	1,027	12,486
	Noncontrolling interest	1	9	6
	Total equity	36,410	31,771	328,051
Total		¥ 109,586	¥ 101,909	\$ 987,353

See notes to consolidated financial statements

Consolidated Statement of Income

TOBISHIMA CORPORATION

Year ended March 31, 2019

		Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Net sales	Net sales of completed construction contracts	¥ 126,985	¥ 129,510	\$ 1,144,116
	Net sales of development business and other	1,881	1,611	16,945
	Total net sales	128,866	131,121	1,161,061
Cost of sales	Cost of sales of completed construction contracts (*10)	112,896	115,239	1,017,173
	Cost of sales on development business and other	1,486	1,304	13,385
	Total cost of sales	114,382	116,543	1,030,558
Gross profit	Gross profit on completed construction contracts	14,089	14,271	126,943
	Gross profit on development business and other	395	307	3,560
	Gross profit	14,484	14,578	130,503
Selling, general, and administrative expenses (*11)		7,264	6,325	65,444
Operating income		7,220	8,253	65,059
Other income (expenses)	Interest and dividends	36	35	319
	Gain on sales of property, plant and equipment (*12)	3	13	30
	Insurance income	295	20	2,661
	Surrender value of insurance	—	14	—
	Interest expense	(159)	(167)	(1,436)
	Commission for syndicate loan	(188)	(208)	(1,692)
	Payment compensation costs	(57)	—	(514)
	Loss on sales of property, plant and equipment (*13)	(0)	(12)	(1)
	Loss on retirement of property, plant and equipment (*14)	(170)	(46)	(1,532)
	Impairment loss (※15)	—	(1,079)	—
	Other net	(128)	(187)	(1,156)
	Other expenses—net	(368)	(1,617)	(3,321)
Income before income taxes		6,852	6,636	61,738
Income taxes	Current	1,225	1,109	11,038
	Deferred	563	(502)	5,073
	Total income taxes	1,788	607	16,111
Net income		5,064	6,029	45,627
Net income (loss) attributable to noncontrolling interest		(8)	4	(66)
Net income attributable to owners of the parent		¥ 5,072	¥ 6,025	\$ 45,693
Per share of common stock (*16)		Yen 2019	Yen 2018	U.S. Dollars 2019
	Basic net income	263.47	312.95	2.374
	Cash dividends applicable to the year	50.00	40.00	0.450

See notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

TOBISHIMA CORPORATION

Year ended March 31, 2019

		Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Net income		¥ 5,064	¥ 6,029	\$ 45,627
Other comprehensive income	Unrealized gain (loss) on available-for-sale securities	417	134	3,753
	Foreign currency translation adjustments	(4)	2	(33)
	Adjustment for retirement benefits	(55)	288	(492)
	Total other comprehensive income (*17)	358	424	3,228
Comprehensive income		5,422	6,453	48,855
Total comprehensive income	Attributable to:			
	Owners of the parent	¥ 5,430	¥ 6,449	\$ 48,928
	Non controlling interest	(8)	4	(73)

See notes to consolidated financial statements

Consolidated Statement of Changes in Equity

TOBISHIMA CORPORATION

Year ended March 31, 2019

	Thousands		Millions of Yen										
	Outstanding number of Shares (*18)		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncontrolling Interests	Total Equity	
	Common Stock	Preferred Stock					Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Defined Retirement Benefit Plans				
Balance, April 1, 2017	19,310		¥ 5,520	¥ 6,248	¥ 13,968	¥ (448)	¥ 818	¥ 5	¥ (221)		¥ 25,890	¥ 4	¥ 25,894
Cash dividends, ¥3 per share					(578)						(578)		(578)
Net income attributable to owners of the parent					6,025						6,025		6,025
Purchase of treasury stock						(0)					(0)		(0)
Net changes in the year							135	2	288		425	5	430
Balance, March 31, 2018 (April 1, 2018, as previously reported)	19,310		5,520	6,248	19,415	(448)	953	7	67		31,762	9	31,771
Cash dividends, ¥4 per share					(770)						(770)		(770)
Net income attributable to owners of the parent					5,072						5,072		5,072
Disposal of treasury stock				(6)		8					2		2
Purchase of treasury stock						(15)					(15)		(15)
Net changes in the year							416	(3)	(55)		358	(8)	350
Balance, March 31, 2019	19,310		¥ 5,520	¥ 6,242	¥ 23,717	¥ (455)	¥ 1,369	¥ 4	¥ 12		¥ 36,409	¥ 1	¥ 36,410

	Thousands of U.S. Dollars										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncontrolling Interests	Total Equity	
					Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Defined Retirement Benefit Plans				
Balance, March 31, 2018 (April 1, 2018, as previously reported)	\$ 49,734	\$ 56,294	\$ 174,929	\$ (4,041)	\$ 8,585	\$ 64	\$ 602	\$ 286,167	\$ 79	\$ 286,246	
Cash dividends, \$0.04 per share			(6,938)					(6,938)		(6,938)	
Net income attributable to owners of the parent			45,693					45,693		45,693	
Disposal of treasury stock		(57)		73				16		16	
Purchase of treasury stock				(129)				(129)		(129)	
Net changes in the year					3,753	(25)	(492)	3,236	(73)	3,163	
Balance, March 31, 2019	\$ 49,734	\$ 56,237	\$ 213,684	\$ (4,097)	\$ 12,338	\$ 39	\$ 110	\$ 328,045	\$ 6	\$ 328,051	

See notes to consolidated financial statements

Consolidated Statement of Cash Flows

TOBISHIMA CORPORATION

Year ended March 31, 2019

Operating activities	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Income before income taxes	¥ 6,852	¥ 6,636	\$ 61,738
Adjustment for:			
Income taxes paid	(1,386)	(834)	(12,485)
Depreciation and amortization	671	604	6,043
Impairment loss	—	1,079	—
Disposal of goodwill	46	9	413
Decrease in allowance for doubtful accounts	(3)	(32)	(32)
Increase in liability for loss on construction contracts	31	158	282
Decrease in liability for retirement benefits	(746)	(634)	(6,717)
Foreign exchange losses	(23)	21	(207)
Compensation for pneumoconiosis damages	51	(4)	463
Gain on sales of property, plant and equipment	(3)	(2)	(29)
Changes in assets and liabilities, net of effects			
(Increase) in notes and accounts receivable—trade	(2,902)	(4,494)	(26,146)
Decrease in real estate for sale	9	87	81
(Increase) decrease in costs on uncompleted construction contracts and other	(355)	11	(3,200)
(Increase) decrease in consumption taxes refund receivable	(45)	10	(404)
(Increase) decrease in accounts receivable—other	(1,957)	1,398	(17,633)
Decrease in other assets	72	129	646
Decrease in notes and accounts payable—trade	(22)	(396)	(197)
Increase (decrease) in advances received on uncompleted construction contracts	2,373	(2,803)	21,377
Increase (decrease) in deposits received	1,928	(1,094)	17,373
(Decrease) increase in accrued consumption taxes	(677)	967	(6,103)
Increase in other liabilities	13	62	119
Compensation for pneumoconiosis damages paid	(55)	(11)	(494)
Other, net	292	123	2,630
Total Adjustments	(2,688)	(5,646)	(24,220)
Net cash provided by operating activities	¥ 4,164	¥ 990	\$ 37,518
Investing activities			
Purchase of short-term investment securities	¥ (12,600)	¥ (4,900)	\$ (113,524)
Proceeds from sales of short-term investment securities	12,600	3,400	113,524
Purchase of property, plant and equipment	(1,163)	(1,983)	(10,482)
Proceeds from sales of property, plant and equipment	5	3	49
Purchase of intangible assets	(128)	(166)	(1,150)
Purchase of investment securities	(29)	(14)	(262)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(929)	—
Proceed from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	52	—
Payments of loans receivable	(14)	(26)	(122)
Collection of loans receivable	73	28	658
Other, net	22	61	196
Net cash used in investing activities	¥ (1,234)	¥ (4,474)	\$ (11,113)
Financing activities			
Net (decrease) increase in short-term borrowings	¥ (84)	¥ 60	\$ (755)
Proceed from long-term borrowings	287	10,300	2,584
Repayments of long-term borrowings	(105)	(10,045)	(948)
Cash dividends paid	(770)	(578)	(6,938)
Other, net	(50)	(56)	(447)
Net cash used in financing activities	(722)	(319)	(6,504)
Foreign currency translation adjustments on cash and cash equivalents	19	(18)	171
Net increase (decrease) in cash and cash equivalents	2,227	(3,821)	20,072
Cash and cash equivalents, at beginning of year	20,786	24,607	187,274
Cash and cash equivalents, end of year	¥ 23,013	¥ 20,786	\$ 207,346

See notes to consolidated financial statements

TOBISHIMA CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended March 31, 2019

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

The consolidated financial statements, except for the notes to them, are stated in Japanese yen, the currency of the country in which Tobishima Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to \$1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation** — The consolidated financial statements as of March 31, 2019, include the accounts of the Company and its seven (seven in 2018) significant subsidiaries (together, the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the one unconsolidated subsidiary (one unconsolidated subsidiary in 2018) are stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The fiscal years of the subsidiaries are not necessarily the same as the Company's. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions at March 31 of each year and the results of operations for the years then ended.

- b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** — Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

- c. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

d. Inventories

Costs on uncompleted construction contracts and others are stated at cost based on the specific identification method.

Costs on uncompleted construction contracts and others (materials and supplies) are stated at cost based on the moving-average method (or net selling value).

Current assets (real estate for sale) are stated at cost based on the specific identification method (or net selling value).

- e. Marketable and Investment Securities** — Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

- f. Property, Plant and Equipment (excluding leased items)** — Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016.

An overseas consolidated subsidiary has also adopted the straight-line method.

Useful lives and residual values of assets held by the Company and its domestic consolidated subsidiary are in accordance with the regulations stipulated in the "Corporation Tax Law."

- g. Intangible Assets (excluding leased items)** — Intangible assets (excluding leased items) are amortized using the straight-line method.

Useful lives of these assets are in accordance with regulations stipulated in the "Corporation Tax Law."

Software for internal use is amortized by the straight-line method based on an estimated useful life of five years.

- h. Lease Assets** — Assets resulting from financial lease transactions for which ownership does not transfer at the end of the lease are depreciated by the straight-line method with the leasing period as the useful life and residual value as zero.

- i. **Long-Lived Assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- j. **Allowance for Doubtful Accounts** — To prepare for losses from defaults on sales receivables, loans receivable, and other accounts receivable, the Company reports the estimated uncollectible amounts for general claims based on its past default rates and for specific accounts with acknowledged credit risks based on an evaluation of the possibility of collection on an individual basis.
- k. **Liability for Warranties for Completed Construction** — The liability is recorded in an amount based on the Company's experience, with an additional amount deemed necessary in the future for execution of warranty obligations regarding construction projects.
- l. **Liability for Loss on Construction Contracts** — The liability is recorded in an amount deemed necessary at term end on the basis of estimated losses on construction contracts in the future.
- m. **Retirement and Pension Plans** — The Company has a cash balance plan as a defined benefit corporate pension program. Under this program, a hypothetical individual employee account equivalent to the funded amount and the pension resources for annuities is set up for each plan participant. Seniority points based on length of service, merit points based on the level of competence, and interest credits based on market interest rates are accumulated in the hypothetical account.

In addition, the Company and one consolidated subsidiary had also participated in an employee welfare fund for construction workers, which was a multi-employer plan. This fund was dissolved in September 2016, and while it is currently in the process of liquidation, the dissolution is not expected to result in additional obligations for the Company. One consolidated subsidiary has joined the National Construction Association Pension Fund, a new multi-employer plan that was set up in October 2016. As reasonable estimates are not available for plan assets corresponding to the Company's contribution for the employee pension fund and corporate pension fund programs, the same accounting method as that used for defined contribution programs is applied.

Retirement benefit obligations are calculated using straight-line attribution to allocate projected retirement benefit payments to the end of the current fiscal year.

Unrecognized actuarial loss is amortized over 10 years, within the remaining average service period of employees when recognized, using the straight-line method beginning with the year following recognition.

Unrecognized prior service cost is amortized over five years, within the remaining average service period of employees when recognized, using the straight-line method.

- n. **Research and Development Costs** — Research and development costs are charged to income as incurred.
- o. **Construction Contracts** — Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.
- p. **Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥1,162 million and deferred tax liabilities of ¥114 million which were previously classified current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets in the amount of ¥1,048 million in the accompanying consolidated balance sheet.

- q. **Accounting Method for Deferred Assets** — Stock issuance cost is amortized by the straight-line method over three years.
- r. **Accounting for Consumption Tax** — Consumption tax is excluded from sales, cost of sales, and expenses.
- s. **Per Share Information** — Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

On October 1, 2018, the Company enacted a ten-for-one reverse stock split based on the resolution of the Board of Directors meeting held on May 15, 2018. All prior year share and per share figures have been restated to reflect the impact of the reverse stock split, and to provide data on a basis comparable to the year ended March 31, 2019. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share and cash dividends per share.

- t. **New Accounting Pronouncements** — On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition". The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021 and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

[Notes to the Consolidated Balance Sheet]

1. *4: In this figure, the amounts pertaining to non-consolidated subsidiaries are as follows:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Investment securities (stock)	¥ 0 million	¥ 0 million

2. Assets pledged as collateral

The Company has pledged the following assets as collateral for guarantee money for operations:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
*1 Marketable securities	¥ 111 million	¥ — million
*4 Investment securities	109	223
*5 Investments and other assets "Other" (Long-term guarantee money)	64	64
Total	¥ 285 million	¥ 287 million

3. Contingent liabilities

The Company provides completion guarantees, as shown below, for construction contracts signed by the following company:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Matsui Construction Co., Ltd.	¥ 45 million	¥ — million
Nishimatsu Construction Co., Ltd.	¥ — million	¥ 8,076 million

4.*3 *7: With respect to construction contracts that are expected to result in losses, both the costs on uncompleted construction contracts and the provision for loss on construction contracts have been presented in full without being offset.

Costs on uncompleted construction contracts related to provisions for loss on construction contracts.

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
	¥ 8 million	¥ 43 million

5. *8: Syndicated term loan agreements

Current fiscal year (as of March 31, 2019) and Prior fiscal year (as of March 31, 2018):

The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:

- The Company must maintain the amount of net assets in the consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the consolidated balance sheet as of the last day of the previous fiscal year.
- The Company must maintain the amount of net assets in the non-consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the non-consolidated balance sheet as of the last day of the previous fiscal year.
- The Company must avoid reporting ordinary loss in the consolidated statement of income presented at the end of each fiscal year for two consecutive years;
- The Company must avoid reporting ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year for two consecutive years.

6. *9: On October 1, 2018, the Company effected a ten-for-one reverse stock split based on the resolution of the Board of Directors meeting held on May 15, 2018.

7. The Company has entered into commitment line agreements with five banks to make flexible and stable procurement of working capital. Contract maximum amounts and borrowing execution balances at the end of consolidated fiscal years are as follows.

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Contract maximum amount	¥ 10,000 million	¥ 10,000 million
Borrowing execution balance	—	—
Deducted amount	¥ 10,000 million	¥ 10,000 million

8. The Company settles accounting treatment of bills etc. matured at the end of the period, on the date or settlement date.

Since the end of the consolidated fiscal year was a holiday for financial institutions, the following notes matured at the end of the period are included in the balance at the end of the period.

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
*2 Notes receivable	¥ 6 million	¥ 4 million
*2 Electronically recorded receivables	0	7
*6 Notes payable	2	23
*6 Electronically recorded payables	¥ 10 million	¥ — million

[Notes to the Consolidated Statement of Income]

1. *10: Liabilities for loss on construction contracts included in "Cost of sales of completed construction contracts" are as follows:

Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
¥ 149 million	¥ 248 million

2. *11: Major expense items and amounts are as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Employee salaries	¥ 3,049 million	¥ 2,551 million
Retirement benefit costs	76	93
Allowance for doubtful accounts	¥ 5 million	¥ — million

3. *11: R&D expenses included in "Selling, general and administrative expenses" are as follows:

Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
¥ 521 million	¥ 483 million

4. *12: The breakdown of gain on sales of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Machinery and equipment	¥ 0 million	¥ — million
Vehicles	3	2
Land	—	10
Other	—	1
Total	¥ 3 million	¥ 13 million

5. *13: The breakdown of loss on sales of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Building	¥ — million	¥ 12 million
Vehicles	0	—
Total	¥ — million	¥ 12 million

6. *14: The breakdown of loss on retirement of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Building	¥ 169 million	¥ 45 million
Others	1	1
Total	¥ 170 million	¥ 46 million

7. *15: Impairment loss

Current fiscal year (from April 1, 2018 to March 31, 2019):

Not applicable

Prior fiscal year (from April 1, 2017 to March 31, 2018):

The Group recorded impairment losses for the following assets.

Location	Purpose	Type	Amount
Tokyo Prefecture	Idle asset	Land, buildings, and equipment	¥ 888 million
Yamanashi Prefecture	Business assets	Construct, machinery, and intangible assets ,etc	¥ 191 million

The Group conducts grouping of business assets for each unit that continually comprehends income and expenditure and idle assets for each individual property.

In the prior consolidated fiscal year, due to abolition of employee dormitories owned in Tokyo, the assets became idle assets. As a result, the carrying amount was reduced to the recoverable value, and impairment losses were recorded as an extraordinary loss (land: 715 million yen, building: 154 million yen, and buildings: 19 million yen).

With respect to the above-mentioned business assets, initial anticipated profitability is no longer expected, so we reduced the carrying amount to the recoverable value, and we recorded an impairment loss (construction in progress: 162 million, machinery: 3 million yen, goodwill: 26 million yen, and others: 0 million yen) in extraordinary losses.

The recoverable value of the asset group on which impairment losses were recorded is either the net selling price or the value in use, whichever is higher. The net selling price is calculated based on real estate appraisal value etc. by a real estate appraiser and the value in use is calculated by discounting the future cash flow.

8. *16: All prior year per share figures have been restated to reflect the impact of the reverse stock split, and to provide data on a basis comparable to the year ended March 31, 2019.

[Notes to the Consolidated Statement of Comprehensive Income]

*17: "Reclassification adjustment" and "Tax effect" related to other comprehensive income:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Unrealized gain (loss) on available-for-sale securities		
Amount arising during current fiscal year	¥ 601 million	¥ 193 million
Reclassification adjustment	—	—
Adjustment before tax effect	601	193
Tax effect	(184)	(59)
Unrealized gain (loss) on available-for-sale securities	417	134
Foreign currency translation adjustment		
Amount arising during current fiscal year	(4)	2
Remeasurements of defined benefit plans		
Amount arising during current fiscal year	(62)	219
Reclassification adjustment	7	69
Adjustment before tax effect	(55)	288
Tax effect	—	—
Remeasurements of defined benefit plans	(55)	288
Total other comprehensive income	¥ 358 million	¥ 424 million

[Notes to the Consolidated Statement of Changes in Equity]

*18: Prior year's outstanding number of shares have been restated to reflect the impact of the reverse stock split, and to provide data on a basis comparable to the year ended March 31, 2019.

Current fiscal year (from April 1, 2018 to March 31, 2019)

1. Type and amount of issued shares

Type of stock	Number of shares at the beginning of fiscal year (1,000 shares)	Increase in number of shares during the fiscal year (1,000 shares)	Decrease in number of shares during the fiscal year (1,000 shares)	Number of shares at fiscal year end (1,000 shares)
Common stock	193,104	—	173,793	19,310

Note: The decrease in common stock was due to the ten-for-one reverse stock split.

2. Type and amount of treasury stock

Type of stock	Number of shares at the beginning of fiscal year (1,000 shares)	Increase in number of shares during the fiscal year (1,000 shares)	Decrease in number of shares during the fiscal year (1,000 shares)	Number of shares at fiscal year end (1,000 shares)
Common stock	586	9	530	66

Note1: The increase in common stock was due to the purchase of odd lot shares (8 thousand shares) and the acquisition of odd shares relating to the reverse stock split (one thousand shares).

Note2: The decrease in common stock was due to the reverse stock split (529 thousand shares) and sales of the odd lot shares relating to the reverse stock split (one thousand shares).

3. Notes on equity warrants, etc. Not applicable

4. Notes on dividends (1) Amount of dividends paid

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 28, 2018	Common stock	¥ 770 million	Retained earnings	¥ 4.00	March 31, 2018	June 29, 2018

Note: The amount of dividends per share includes a bonus dividend of ¥1.00.

(2) Dividends with record dates in the current fiscal year, of which the effective date falls in the next fiscal year

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 27, 2019	Common stock	¥ 962 million	Retained earnings	¥ 50.00	March 31, 2019	June 28, 2019

Note : The amount of dividends per share includes a bonus dividend of ¥1.00.

Prior fiscal year (from April 1, 2017 to March 31, 2018)

1. Type and amount of issued shares

Type of stock	Number of shares at the beginning of fiscal year (1,000 shares)	Increase in number of shares during fiscal year (1,000 shares)	Decrease in number of shares during fiscal year (1,000 shares)	Number of shares at fiscal year end (1,000 shares)
Common stock	193,104	—	—	193,104

2. Type and amount of treasury stock

Type of stock	Number of shares at the beginning of fiscal year (1,000 shares)	Increase in number of shares during fiscal year (1,000 shares)	Decrease in number of shares during fiscal year (1,000 shares)	Number of shares at fiscal year end (1,000 shares)
Common stock	583	3	—	586

Note: The increase in common stock was due to the purchase of odd lot shares.

3. Notes on equity warrants, etc.
Not applicable.

4. Notes on dividends

(1) Amount of dividends paid

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 29, 2017	Common stock	¥ 578 million	Retained earnings	¥ 3.00	March 31, 2017	June 30, 2017

Note: The amount of dividends per share includes a bonus dividend of ¥1.00.

(2) Dividends with record dates in the current fiscal year, of which the effective date falls in the next fiscal year

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 29, 2018	Common stock	¥ 770 million	Retained earnings	¥ 4.00	March 31, 2018	June 29, 2018

【Lease Transactions】

1. Finance lease transactions (as lessee)

Nontransfer ownership finance leases

(1) Content of lease assets

Tangible assets:

Vehicles, machinery, and equipment

(2) Method of depreciation of lease assets

Please see "h. Lease Assets " under Summary of Significant Accounting Policies.

2. Operating lease transactions (as lessee)

Payments related to unexpired portions of non-cancellable operating lease transactions.

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Due within one year	¥ 495 million	¥ 461 million
Due after one year	900	1,230
Total	¥ 1,395 million	¥ 1,692 million

【Financial Instruments and Related Disclosures】

1. Status of financial instruments

(1) Group Policy for financial instruments

The Company upholds its policy of limiting its fund management to the use of short-term deposits, etc., based on its funding plan, and undertakes fund procurement primarily through bank loans. The use of derivatives is limited to forward exchange contracts for hedging the risk of fluctuations in the foreign exchange market in foreign currency-denominated transactions and interest rate swaps, etc., for hedging the risk of fluctuations in interest rates on loans. The Company does not engage in derivatives for speculative purposes.

(2) Nature and extent of risk arising from financial instruments and risk management for financial instruments

While trade receivables such as notes receivable and accounts receivable from completed construction contracts are subject to the credit risk of customers, the Company operates under a system that alleviates such credit risk as much as possible through stringent credit management, from credit control of business associates at the order receiving stage to collection of accounts receivable from construction contracts.

Securities and investment securities consist primarily of equity in companies with which the Company maintains business relationships and government bonds pledged as collateral for guarantee money for operations, etc. While these securities are subject to the risk of fluctuations in market price, etc., the Company regularly monitors the fair value of the security and the financial condition of the issuer, and continuously reviews the state of its holdings.

Trade payables such as notes payable and accounts payable for construction contracts are mostly due within one year.

Short-term borrowings are primarily funds procured in relation to operational transactions.

While trade payable and loans payable are subject to liquidity risk related to fund procurement, the Company manages such risks through measures that include estimating the balance of funding requirements and formulating funding plans for effective and appropriate fund procurement.

With respect to the management and implementation of derivative transactions, risks inherent in the object of the hedge and hedging methods are clearly identified and trading authority, etc., determined under the Management Guidelines for Derivatives. The Company did not engage in any derivative transactions as of the end of the current fiscal year.

2. Fair value of financial instruments

The carrying amounts, fair values, and the unrealized gain (loss) between them are as follows: Financial instruments for which fair value cannot be reliably determined are excluded from the list below (see Note 3).

Current fiscal year (as of March 31, 2019)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Cash and cash equivalents	¥ 23,013	¥ 23,013	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts, and other	52,089		
Allowance for doubtful accounts (Note 1)	(8)		
Difference	52,081	52,081	—
(3) Account receivable -other	6,639	6,639	—
(4) Securities and investment securities			
Available-for-sale securities	4,777	4,777	—
Liabilities			
(5) Notes payable, accounts payable for construction contracts, and other	35,890	35,890	—
(6) Long-term borrowings	¥ 10,402	¥ 10,402	¥ —

Prior fiscal year (as of March 31, 2018)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Cash and cash equivalents	¥ 20,786	¥ 20,786	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts, and other	49,221		
Allowance for doubtful accounts (Note 1)	(11)		
Difference	49,210	49,210	—
(3) Account receivable -other	4,682	4,682	—
(4) Securities and investment securities			
Available-for-sale securities	4,167	4,167	—
Liabilities			
(5) Notes payable, accounts payable for construction contracts, and other	35,947	35,947	—
(6) Long-term borrowings	¥ 10,247	¥ 10,247	¥ —

Note 1: Specific allowances for doubtful accounts relevant to (2) Notes receivable, accounts receivable from completed construction contracts, and other, and (3) Account receivable have been deducted.

Note 2: Method for calculating the fair value of financial instruments and matters related to securities

(1) Cash and cash equivalents (2) Notes receivable, accounts receivable from completed construction contracts, and other, and (3) Account receivable:

The carrying amounts of these assets approximate fair value since they are settled within a short period of time.

(4) Securities and investment securities:

The fair value of a stock is determined by the price at which it is traded on an exchange, and the fair value of a bond is determined by the price at which it is traded on an exchange or the price quoted by financial institutions.

Since the joint operation designated money trusts etc. are settled within a short period of time, the fair value is approximately equal to the carrying amount, so it is based on the book value.

Securities are held as available-for-sale securities, and related notes have been presented under "Securities."

(5) Notes payable, accounts payable for construction contracts and other:

The carrying amounts approximate fair value since they are settled within a short period of time.

(6) Long-term borrowings:

Since long-term borrowings are based on variable interest rates that reflect short-term market rates, the relevant carrying amounts are considered to approximate fair value.

Note 3: Carrying amounts of financial instruments for which fair values cannot be reliably determined:

Classification	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Unlisted stocks	¥ 1,832 million	¥ 1,825 million

The above-listed securities, for which fair value is extremely difficult to determine since they do not have a market price, have been excluded from "(3) Securities and investment securities – Available-for-sale securities."

Note 4: Maturity analysis for financial assets and securities with contractual maturities:

Current fiscal year (as of March 31, 2019)

	Due in one year or less (Millions of yen)	Over one year within five years (Millions of yen)	Over five years within ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and cash equivalents	¥ 23,013	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts, and other	52,089	—	—	—
Account receivable -other	6,639	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity dates				
Government bonds	113	75	28	—
Joint operations monetary trusts	1,500	—	—	—
Total	¥ 83,354	¥ 75	¥ 28	¥ —

Prior fiscal year (as of March 31, 2018)

	Due in one year or less (Millions of yen)	Over one year within five years (Millions of yen)	Over five years within ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and cash equivalents	¥ 20,786	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts, and other	49,221	—	—	—
Account receivable -other	4,682	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity dates				
Government bonds	—	176	38	—
Joint operations monetary trusts	1,500	—	—	—
Total	¥ 76,189	¥ 176	¥ 38	¥ —

Note 5: Long-term borrowings

Long-term borrowings at March 31, 2019 and 2018, consisted of loans from banks. The annual interest rates applicable to the long-term borrowings ranged from 0.58 % to 1.56 % and from 1.11 % to 1.13 % at March 31, 2019 and 2018, respectively.

Amounts to be repaid for long-term borrowings payable (excluding the current portion) for five years subsequent to March 31, 2019, are as follows:

	Due after one year but in two years or less (Millions of yen)	Due after two years but in three years or less (Millions of yen)	Due after three years but in four years or less (Millions of yen)	Due after four years but in five years or less (Millions of yen)
Long-term borrowings payable	¥ 10,102	¥ 101	¥ 57	¥ 30

【Securities】

1. Marketable available-for-sale securities

Current fiscal year (as of March 31, 2019)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Securities and investment securities with carrying amounts that exceed their acquisition costs			
Stocks	¥ 3,041	¥ 1,062	¥ 1,979
Bonds			
Government bonds, etc.	220	216	4
Subtotal	3,261	1,278	1,983
(2) Securities and investment securities having acquisition costs that exceed their carrying amounts			
Stocks	16	25	(9)
Others			
Joint operations monetary trusts	1,500	1,500	—
Subtotal	1,516	1,525	(9)
Total	¥ 4,777	¥ 2,803	¥ 1,974

Prior fiscal year (as of March 31, 2018)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Securities and investment securities with carrying amounts that exceed their acquisition costs			
Stocks	¥ 2,440	¥ 1,068	¥ 1,372
Bonds			
Government bonds, etc.	218	212	6
Subtotal	2,658	1,280	1,378
(2) Securities and investment securities having acquisition costs that exceed their carrying amounts			
Stocks	9	15	(6)
Others			
Joint operations monetary trusts	1,500	1,500	—
Subtotal	1,509	1,515	(6)
Total	¥ 4,167	¥ 2,795	¥ 1,372

2. Available-for-sale securities sold

Current fiscal year (from April 1, 2018 to March 31, 2019)

	Total value sold	Total gain on sales	Total loss on sales
Stocks	¥ 14 million	¥ 0 million	¥ 0 million

Prior fiscal year (from April 1, 2017 to March 31, 2018)

Omitted due to immateriality.

3. Securities for which impairment was recognized

Current fiscal year (from April 1, 2018 to March 31, 2019)

Omitted due to immateriality.

Prior fiscal year (from April 1, 2017 to March 31, 2018)

For stock of other securities, impairment losses of 37 million yen are recorded.

【Derivative Transactions】

There are no applicable items since the Company does not engage in derivative transactions.

【Retirement Benefits】

1. Description of retirement benefit plan

The Company has a cash balance plan as a defined benefit corporate pension program and a defined contribution plan as a defined contribution corporate pension program. Under the defined benefit program, a hypothetical individual employee account equivalent to the funded amount and the pension resources for annuities is set up for each plan participant. Seniority points based on length of service, merit points based on level of competence, and interest credits based on market interest rates are accumulated in the hypothetical account.

Some of the consolidated subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid program, and one consolidated subsidiary has joined the comprehensive foundation corporate pension fund. These apply the same accounting method as that used for defined contribution programs.

In addition, in the lump-sum retirement benefit plan subsidized by some consolidated subsidiaries, liabilities related to retirement benefits and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit program

(1) Adjustments to balance of projected benefit obligation at beginning and end of fiscal year:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Balance of projected benefit obligation as of the beginning of the current fiscal year	¥ 7,655 million	¥ 8,075 million
Service cost	305	356
Interest cost	76	80
Recognized actuarial gain/loss	(5)	(76)
Retirement benefit payment	(767)	(844)
Increase due to new consolidation	—	64
Balance of projected benefit obligation as of the end of the current fiscal year	¥ 7,264 million	¥ 7,655 million

Note : For consolidated subsidiaries, the simplified method is adopted in calculating retirement benefit obligations.

(2) Adjustments to balance of plan assets at beginning and end of fiscal year:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Balance of assets as of the beginning of the current fiscal year	¥ 6,504 million	¥ 6,066 million
Expected return on plan assets	162	152
Recognized actuarial gain	(67)	143
Contribution by company	969	987
Retirement benefit payment	(765)	(844)
Balance of plan assets as of the end of the current fiscal year	¥ 6,803 million	¥ 6,504 million

(3) Adjustments between retirement benefit obligation and plan assets and liabilities and assets related to retirement benefits recorded in the consolidated statement of operations:

	Current fiscal year (As of March 31, 2019)	Prior fiscal year (As of March 31, 2018)
Retirement benefit liability of funded plan	¥ 7,193 million	¥ 7,591 million
Plan assets	(6,803)	(6,504)
Subtotal	390	1,087
Retirement benefit liability of unfunded plan	72	66
Net liability/asset recorded in consolidated statement of income	462	1,153
Retirement benefit liability	462	1,153
Retirement benefit asset	—	—
Net liability/asset recorded in consolidated statement of operations	¥ 462 million	¥ 1,153 million

(4) Breakdown of net periodic benefit costs by item:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Service cost	¥ 305 million	¥ 356 million
Interest cost	76	81
Expected return on plan assets	(162)	(152)
Recognized actuarial loss	7	69
Net periodic benefit costs for defined benefit program	¥ 226 million	¥ 354 million

Note : Retirement benefit expenses of consolidated subsidiaries that adopt the simplified method are included in "service cost."

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2019

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Actuarial gain/loss	¥ (54) million	¥ 288 million
Total	¥ (54) million	¥ 288 million

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2019

	Current fiscal year (As of March 31, 2019)	Prior fiscal year (As of March 31, 2018)
Unrecognized actuarial gain/loss	¥ (12) million	¥ (67) million
Total	¥ (12) million	¥ (67) million

(7) Plan assets

Principal components of plan assets

The ratio of major asset categories to total plan assets are as follows:

	Current fiscal year (As of March 31, 2019)	Prior fiscal year (As of March 31, 2018)
Bonds	57 %	59 %
Stock	38 %	37 %
Other	5 %	4 %
Total	100 %	100 %

Method of setting expected long-term rate of return

The Company sets the expected long-term rate of return on plan assets based on the current and expected allocation of plan assets and the current and expected long-term rate of return of the various assets that comprise the plan assets.

(8) Actuarial assumptions

Significant actuarial assumptions as of the end of the current fiscal year are as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Discount rate	1.0 %	1.0 %
Expected long term rate of return	2.5 %	2.5 %
Assumed salary increase rate	5.4 %	5.4 %

Note: The assumed salary increase rate was calculated based on a pension point system.

3. Defined contribution programs, and others

The Company and its consolidated subsidiaries' contributions to the defined contribution and other programs amounted to ¥ 76 million for the current fiscal year and ¥ 77 million for the prior fiscal year.

[EQUITY]

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

(b) Increases/Decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account that was charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On October 1, 2018, the Company effected a ten-for-one reverse stock split based on the resolution of the Board of Directors meeting held on May 15, 2018.

[Stock Options]

Not applicable

[Income Taxes]

1. The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.9% for the years ended March 31, 2019 and 2018. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, are as follows:

	Current fiscal year (As of March 31, 2019)	Prior fiscal year (As of March 31, 2018)
Deferred tax assets		
Tax loss carryforwards	¥ 437 million	¥ 1,359 million
Loss on valuation of real estate for sale	1,474	1,471
Impairment loss	1,074	1,129
Liability for retirement benefits	141	353
Other	1,069	1,055
Deferred tax assets subtotal	4,195	5,367
Less valuation allowance for tax loss carryforwards	(102)	—
Less valuation allowance for deductible temporary difference	(3,188)	—
Valuation allowance	(3,290)	(3,899)
Deferred tax assets total	905	1,468
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	(605)	(420)
Deferred tax liabilities total	(605)	(420)
Net deferred tax liabilities	¥ 300 million	¥ 1,048 million

Note 1: Valuation allowance has decreased by ¥608 million. Primary factor for the decrease is due to the decrease in valuation allowance relating to tax loss carryforwards of the Company and some subsidiaries.

Note 2: The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2019 is as follows:

Millions of Yen							
March 31, 2019	1 Year or Less	After 1 Year through 2 Years	After 2 Year through 3 Years	After 3 Year through 4 Years	After 4 Year through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	2	0	3	337	2	93	¥437
Less valuation allowances for tax loss carryforwards	(2)	(0)	(3)	(2)	(2)	(93)	(102)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	335	—	—	335

2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2019 and 2018, is as follows:

	Current fiscal year (As of March 31, 2019)	Prior fiscal year (As of March 31, 2018)
Statutory tax rate (Reconciliation)	30.6 %	30.9 %
Permanently non-deductible income	2.1 %	1.5 %
Permanently non-deductible expenses	(0.0) %	(0.0) %
Per capita inhabitant tax	1.7 %	1.5 %
Valuation allowance	(8.3) %	(24.8) %
Effective tax rate after application of tax effect accounting	26.1 %	9.1 %

[Business Combinations and Business Divestitures]

Not applicable.

[Asset Retirement Obligation]

Current fiscal year (as of March 31, 2019) and prior fiscal year (as of March 31, 2018)
Omitted due to immateriality.

[Investment property]

The Company holds office buildings and land, etc., for rent in Kanagawa Prefecture and other areas. A portion of the land and buildings in Japan where its offices, etc., are located are rented, and these are recognized as "Real estate including portions for rent and other purposes."

The consolidated balance sheet amount, increase/decrease during the current fiscal year, fair value as of the end of the current term for real estate for rent and other, and real estate including portions for rent and other purposes are as follows:

			Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Real estate for rent and other	Carrying amount	Balance as of the beginning of the current fiscal year (Millions of yen)	¥ 9,906	¥ 8,435
		Increase(decrease) during the current fiscal year (Millions of yen)	(1,020)	1,471
		Balance as of the end of the current fiscal year (Millions of yen)	8,886	9,906
		Fair value as of the end of the current fiscal year (Millions of yen)	9,289	10,501
	Real estate including portions for rent and other purposes	Carrying amount	Balance as of the beginning of the current fiscal year (Millions of yen)	357
		Increase(decrease) during the current fiscal year (Millions of yen)	(8)	(10)
		Balance as of the end of the current fiscal year (Millions of yen)	349	357
		Fair value as of the end of the current fiscal year (Millions of yen)	¥ 521	¥ 515

Note 1: The carrying amounts were calculated by subtracting the accumulated depreciation from the purchasing price.

Note 2: Primary factors for the increase/decrease during the current fiscal year include: increases of ¥515 million due to the acquisition of offices for rent through renovation and decreases of ¥1,240 million due to a reclassification of real estate for rent as assets used by the Company, ¥62 million due to disposal of idle assets and ¥233 million due to depreciation.

The main increase in the prior consolidated fiscal year is acquisition (¥1,336 million) by purchasing land for the rental business, renovation of an office building for rent, etc., and transfer from in-house use assets to idle assets (¥361 million). The main decrease is the partial disposal of facilities (¥25 million) and depreciation (¥211 million) due to the renovation of office building for rent.

Note 3: Fair values as of the end of the fiscal years are based on real estate appraisal reports submitted by external real estate appraisers. Some of the figures were adjusted based on appraisal values and indices in cases where no substantial changes have occurred in indices that are considered to be accurate reflections of appraisal value and market price since the most recent appraisal.

The following are the income/loss on real estate for rent and other purposes and real estate including portions for rent and other purposes for the current fiscal year.

			Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Real estate for rent and other purposes	Rent revenue (Millions of yen)		¥ 766	¥ 713
	Rent expenses (Millions of yen)		568	517
	Rent income/loss (Millions of yen)		197	196
	Other income/loss (Millions of yen)		(163)	(17)
Real estate including portions for rent and other purposes	Rent revenue (Millions of yen)		10	10
	Rent expenses (Millions of yen)		1	1
	Rent income/loss (Millions of yen)		9	9
	Other income/loss (Millions of yen)		¥ —	¥ —

Note: Rent revenue is accounted for under "Net sales of development business and other" and rent expenses are accounted for under "Cost of sales on development business and other."

[Segment Information]

Segment Information

1. Overview of reportable segments

The reportable segments of the Company are constituent units of the Company for which separate financial information can be obtained and regularly examined by the Board of Directors to determine the allocation of management resources and evaluate business performance.

The Company is engaged in operations consisting primarily of businesses related to construction work in general centered on civil engineering and architecture, and additional general businesses related to real estate owned by the Company.

The Company is therefore composed of segments related to these businesses, and reports on the following segments: Civil Engineering business, Architecture business and Development business.

The Civil Engineering business involves performing civil engineering work and other contingent businesses and the Architecture business involves performing construction work and other contingent businesses. The Development business involves real estate development, housing sales, real estate leasing, and other businesses that do not belong to either the Civil Engineering business or the Architecture business.

2. Methods of measurement for the amounts of sales, income/loss, assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in "Significant Issues Fundamental to the Preparation of Consolidated Financial Statements."

Income reported for the segments are figures based on operating income/loss.

Figures for intersegment sales and transactions are based on current market values.

Note: "Partial Amendments to Accounting Standards for Tax Effect Accounting" (the ASBJ Statement No.28, dated February 16, 2018) has been applied since the beginning of the current consolidated fiscal year. Segment assets for the previous consolidated fiscal year have been reclassified with reference to figures that have been applied retroactively to the revised accounting standard.

3. Information about sales, income/loss, assets, and other items by segment

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Sales to third parties	¥ 79,216	¥ 47,769	¥ 1,881	¥ 128,866	¥ —	¥ 128,866
Intersegment sales and transactions	—	—	125	125	(125)	—
Total	79,216	47,769	2,006	128,991	(125)	128,866
Segment income	6,222	2,757	240	9,220	(1,999)	7,220
Segment assets	70,092	26,759	12,491	109,342	244	109,586
Other items						
Depreciation	201	125	342	669	—	669
Increase in property, plant and equipment and intangible assets	¥ 337	¥ 237	¥ 824	¥ 1,399	¥ —	¥ 1,399

Note 1: Amounts have been adjusted as follows:

(1) Adjusted amount of (¥1,999) million under "Segment income/loss" includes (¥125) million in elimination of intersegment transactions and (¥1,874) million in total corporate operating expenses that are not allocated to the reportable segments. Total corporate operating expenses are selling, general and administrative expenses not attributable to the reportable segments.

(2) Adjusted amount of ¥244 million under "Segment assets" includes ¥253 million in total corporate assets that are not allocated to the reportable segments. Total corporate assets primarily comprise assets related to surplus operational funds (deposits) and assets related to the administrative departments of the Company.

Note 2: Adjustments have been made between "Segment income" and "Operating income" in the consolidated statement of income.

Prior fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Sales to third parties	¥ 73,641	¥ 55,869	¥ 1,611	¥ 131,121	¥ —	¥ 131,121
Intersegment sales and transactions	—	—	124	124	(124)	—
Total	73,641	55,869	1,735	131,245	(124)	131,121
Segment income	5,479	4,610	126	10,215	(1,962)	8,253
Segment assets	62,450	27,193	11,871	101,514	395	101,909
Other items						
Depreciation	149	110	341	600	—	600
Increase in property, plant and equipment and intangible assets	¥ 687	¥ 263	¥ 1,980	¥ 2,930	¥ —	¥ 2,930

Note 1: Amounts have been adjusted as follows:

(1) Adjusted amount of (¥1,962) million under "Segment income/loss" includes (¥124) million in elimination of intersegment transactions and (¥1,837) million in total corporate operating expenses that are not allocated to the reportable segments. Total corporate operating expenses are selling, general and administrative expenses not attributable to the reportable segments.

(2) Adjusted amount of ¥395 million under "Segment assets" includes ¥404 million in total corporate assets that are not allocated to the reportable segments. Total corporate assets primarily comprise assets related to surplus operational funds (deposits) and assets related to the administrative departments of the Company.

Note 2: Adjustments have been made between "Segment income" and "Operating income" in the consolidated statement of income.

【Related Information】

Current fiscal year (from April 1, 2018 to March 31, 2019)

1. Information by product and service

Omitted since similar information is presented in Segment Information.

2. Information by geographical representation

(1) Net sales

Omitted since net sales in Japan account for more than 90% of net sales presented in the consolidated statement of income.

(2) Property, plant and equipment

Omitted since the monetary value of property, plant and equipment located in Japan accounts for more than 90% of the monetary value of property, plant and equipment presented in the consolidated balance sheet.

3. Information by major client

(Millions of yen)

Name or full name of customer	Net sales	Related name of segment
Ministry of Land, Infrastructure and Transport	¥ 13,429	Civil Engineering business and Architecture business

Prior fiscal year (from April 1, 2017 to March 31, 2018)

1. Information by product and service

Omitted since similar information is presented in Segment Information.

2. Information by geographical representation

(1) Net sales

Omitted since net sales in Japan account for more than 90% of net sales presented in the consolidated statement of income.

(2) Property, plant and equipment

Omitted since the monetary value of property, plant and equipment located in Japan accounts for more than 90% of the monetary value of property, plant and equipment presented in the consolidated balance sheet.

3. Information by major client

(Millions of yen)

Name or full name of customer	Net sales	Related name of segment
Ministry of Land, Infrastructure and Transport	¥ 13,766	Civil Engineering business and Architecture business

【Information on Impairment Loss on Fixed Assets by Reportable Segment】

Current fiscal year (from April 1, 2018 to March 31, 2019)

Not applicable

Prior fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Impairment loss	¥ 528	¥ 356	¥ 193	¥ 1,079	¥ —	¥ 1,079

【Information on Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment】

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Amortization	¥ 45	¥ (0)	¥ 0	¥ 45	¥ —	¥ 45
Balance	¥ 181	¥ 1	¥ 0	¥ 182	¥ —	¥ 182

Prior fiscal year (from April 1, 2017 to March 31, 2018)

Omitted due to immateriality

[Information on Gain on Negative Goodwill by Reportable Segment]

Current fiscal year (from April 1, 2018 to March 31, 2019) and Prior fiscal year (from April 1, 2017 to March 31, 2018)

Not applicable

[Transactions with Related Parties]

Current fiscal year (from April 1, 2018 to March 31, 2019) and prior fiscal year (from April 1, 2017 to March 31, 2018)

Not applicable

[Per Share Information]

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Net assets per share	¥ 1,891.96	¥ 1,649.80
Net income per share	¥ 263.47	¥ 312.95

Note 1: Diluted net income/loss per share for the current fiscal year is not shown because there were no potentially dilutive shares outstanding.

Note 2: The Company executed a ten-for-one reverse split of common shares as of October 1st, 2018. Net assets per share and Net income per share have been calculated assuming that the reverse split of shares was executed on the beginning of the prior fiscal year.

Note 3: The basis for calculating net income/loss per share is as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Net income attributable to owners of the parent (millions of yen)	¥ 5,072	¥ 6,025
Amounts not applicable to common stockholders (millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (millions of yen)	¥ 5,072	¥ 6,025
Average number of common stock outstanding during term (1,000 shares)	19,248	19,251

Note 4: The basis of calculation for net assets per share is as follows:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Total net assets (millions of yen)	¥ 36,410	¥ 31,771
Deduction from net assets (millions of yen)	0	9
Minority interests (millions of yen)	0	9
Term end amount allocated to common stock (millions of yen)	¥ 36,409	¥ 31,762
Number of common stock used to calculate net assets per share (1,000 shares)	19,244	19,251

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tobishima Corporation:

We have audited the accompanying consolidated balance sheet of Tobishima Corporation and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tobishima Corporation and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC
June 27, 2019

Nonconsolidated Balance Sheet TOBISHIMA CORPORATION

As of March 31, 2019

ASSETS		Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Current assets				
	Cash and cash equivalents	¥ 21,716	¥ 20,015	\$ 195,661
	Marketable securities (*1)	1,613	1,500	14,535
	Notes receivable (*2)	26	3	230
	Accounts receivable from completed construction contracts	50,052	47,234	450,958
	Accounts receivable-other	6,729	4,742	60,629
	Allowance for doubtful accounts	(100)	(9)	(901)
	Costs on uncompleted construction contracts	1,862	1,479	16,781
	Real estate for sale	402	411	3,619
	Electronically recorded monetary claims - operating (*3)	6	7	57
	Other	338	172	3,041
	Total current assets	82,644	75,554	744,610
Property, plant and equipment				
	Buildings	13,333	13,596	120,126
	Accumulated depreciation	(7,173)	(7,660)	(64,625)
	Buildings, net	6,160	5,936	55,501
	Structures	391	396	3,522
	Accumulated depreciation	(322)	(321)	(2,898)
	Structures, net	69	75	624
	Machinery and equipment	1,747	1,686	15,740
	Accumulated depreciation	(1,372)	(1,315)	(12,367)
	Machinery and equipment, net	375	371	3,373
	Vehicles	95	85	859
	Accumulated depreciation	(77)	(71)	(696)
	Vehicles, net	18	14	163
	Tools, furniture, and fixtures	1,266	1,251	11,405
	Accumulated depreciation	(1,138)	(1,110)	(10,251)
	Tools, furniture and fixtures, net	128	141	1,154
	Land	7,000	6,997	63,072
	Lease assets	68	58	608
	Accumulated depreciation	(37)	(32)	(330)
	Lease assets, net	31	26	278
	Construction in progress	444	360	3,997
	Total property, plant and equipment	14,225	13,920	128,162
Investments and other assets				
	Investment securities(*4)	4,990	4,483	44,956
	Stocks of subsidiaries	1,530	1,530	13,785
	Investments in capital	223	227	2,006
	Long-term loans receivable	239	292	2,156
	Long-term loans receivable for employees	27	34	247
	Intangible assets	386	377	3,474
	Claims provable in bankruptcy, claims provable in rehabilitation	—	0	—
	Long-term prepaid expenses	59	54	532
	Stock issuance cost	—	2	—
	Deferred tax assets	295	1,048	2,659
	Other (*5)	1,092	1,192	9,842
	Allowance for doubtful accounts	(201)	(201)	(1,809)
	Total investments and other assets	8,640	9,038	77,848
Total		¥ 105,509	¥ 98,512	\$ 950,620

See notes to nonconsolidated financial statements

Nonconsolidated Balance Sheet TOBISHIMA CORPORATION

As of March 31, 2019

LIABILITIES AND EQUITY		Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019	
Current Liabilities	Notes payable-trade	¥ 1,495	¥ 1,902	\$ 13,467	
	Accounts payable for construction contracts	20,981	20,723	189,038	
	Lease obligations	11	12	101	
	Income taxes payable	575	814	5,177	
	Advances received on uncompleted construction contracts	7,909	5,590	71,258	
	Deposits received	13,766	11,801	124,032	
	Liability for warranties for completed construction	308	202	2,776	
	Liability for loss on construction contracts	446	414	4,015	
	Electronically recorded obligations-operating	11,678	11,468	105,217	
	Other	1,928	2,475	17,372	
	Total current liabilities	59,097	55,401	532,453	
Long-term liabilities	Lease obligations	22	16	202	
	Liability for retirement benefits	402	1,154	3,625	
	Long-term borrowings (*6)	10,000	10,000	90,098	
	Asset Retirement Obligations	62	61	554	
	Other	284	356	2,558	
		Total long-term liabilities	10,770	11,587	97,037
	Total liabilities	69,867	66,988	629,490	
Equity	Common stock-authorized, 40,000 thousand shares; Issued, 19,310 thousand shares (*7)	5,520	5,520	49,734	
	Capital surplus				
	Legal capital surplus	2,980	2,980	26,850	
	Other capital surplus	3,262	3,268	29,388	
		Total capital surplus	6,242	6,248	56,238
	Retained earnings				
	Other retained earnings	22,963	19,252	206,895	
	Retained earnings brought forward	22,963	19,252	206,895	
		Total retained earnings	22,963	19,252	206,895
	Treasury stock-at cost: 66,006 Shares (*7)	(445)	(449)	(4,097)	
		Total shareholders' equity	34,270	30,571	308,770
	Accumulated other comprehensive income				
Unrealized gain on available-for-sale securities	1,372	953	12,360		
Foreign currency translation adjustment	1,372	953	12,360		
	Total equity	35,642	31,524	321,130	
Total	¥ 105,509	¥ 98,512	\$ 950,620		

See notes to nonconsolidated financial statements

Nonconsolidated Statement of Income TOBISHIMA CORPORATION

Year ended March 31, 2019

		Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Net sales	Net sales of completed construction contracts	¥ 122,158	¥ 127,078	\$ 1,100,623
	Net sales of development business and other	969	1,139	8,730
	Total net sales	123,127	128,217	1,109,353
Cost of sales	Cost of sales of completed construction contracts	109,667	113,461	988,085
	Cost of sales on development business and other	694	776	6,252
	Total cost of sales	110,361	114,237	994,337
Gross profit	Gross profit on completed construction contracts	12,491	13,617	112,538
	Gross profit on development business and other	275	364	2,478
	Gross profit	12,766	13,981	115,016
Selling, general, and administrative expenses		6,024	5,720	54,274
Operating income		6,742	8,261	60,742
Other income (expenses)	Interest and dividends	6	7	50
	Interest on securities	3	2	26
	Insurance income	—	20	—
	Gain on sales of property, plant and equipment (*8)	1	2	14
	Gain on sales of investment securities	0	—	4
	Gain on compensation received	8	23	74
	Dividend income	29	30	258
	Interest expense	(154)	(163)	(1,387)
	Commission for syndicate loan	(188)	(207)	(1,693)
	Loss on retirement of property, plant and equipment (*9)	(170)	(47)	(1,532)
	Impairment loss	—	(888)	—
	Provision for loss on doubtful accounts	(100)	—	(900)
	Other net	(183)	(200)	(1,648)
	Other expenses-net	(748)	(1,421)	(6,734)
Income before income taxes		5,994	6,840	54,008
Income taxes-current		945	1,044	8,511
Income taxes-deferred		568	(510)	5,120
Total income taxes		1,513	534	13,631
Net income		¥ 4,481	¥ 6,306	\$ 40,377

See notes to nonconsolidated financial statements

Nonconsolidated Cost of Sales TOBISHIMA CORPORATION

Year ended March 31, 2019

Cost of sales of completed construction contracts

	2019		2018		U.S. Dollars 2019	
	amount (Millions of Yen)	distribution ratio(%)	amount (Millions of Yen)	distribution ratio(%)	Thousands of U.S. Dollars	distribution ratio(%)
Cost of materials	¥ 19,843	18.1%	¥ 19,653	17.3%	\$ 178,779	18.1%
Cost of labour	2,598	2.4%	2,371	2.1%	23,412	2.4%
outside order expenses for labour	2,576	2.3%	2,360	2.1%	23,207	2.3%
Cost of work contracted out	64,023	58.4%	68,997	60.8%	576,832	58.4%
Cost	23,204	21.1%	22,440	19.8%	209,062	21.1%
employment cost	8,931	8.1%	8,770	7.7%	80,465	8.1%
Total	¥ 109,668	100.0%	¥ 113,461	100.0%	\$ 988,085	100.0%

* Using job order costing

Cost of sales on development business and other

segment	2019		2018		U.S. Dollars 2019	
	amount (Millions of Yen)	distribution ratio(%)	amount (Millions of Yen)	distribution ratio(%)	Thousands of U.S. Dollars	distribution ratio(%)
Purchase of real property	¥ 9	1.3%	¥ 93	11.9%	\$ 79	1.3%
Purchase of development of building lots	2	0.3%	2	0.3%	22	0.3%
Purchase of construction work	0	—	—	—	—	—
Cost	683	98.4%	681	87.8%	6,151	98.4%
employment cost	0	—	—	—	—	—
Total	¥ 694	100.0%	¥ 776	100.0%	\$ 6,252	100.0%

* Using job order costing

Nonconsolidated Statement of Changes in Equity

TOBISHIMA CORPORATION

Year ended March 31, 2019

	Thousands		Millions of Yen						
	Outstanding number of Shares (*10)		Capital Surplus			Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	
	Common Stock	Preferred Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus			Unrealized Gain (Loss) on Available-for-Sale Securities	Total Equity
Balance, April 1, 2017	19,310		¥ 5,520	¥ 2,980	¥ 3,268	¥ 13,524	¥ (448)	¥ 818	¥ 25,662
Dividend of surplus						(578)			(578)
Net income						6,306			6,306
Purchase of treasury stock							(1)		(1)
Net changes in the year								135	135
Balance, March 31, 2018 (April 1, 2018, as previously reported)	19,310		5,520	2,980	3,268	19,252	(449)	953	31,524
Dividend of surplus						(770)			(770)
Net income						4,481			4,481
Disposal of treasury stock					(6)		8		2
Purchase of treasury stock							(14)		(14)
Net changes in the year								419	419
Balance, March 31, 2019	19,310		¥ 5,520	¥ 2,980	¥ 3,262	¥ 22,963	¥ (455)	¥ 1,372	¥ 35,642

	Thousands of U.S. Dollars						
	Capital Surplus			Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	
	Common Stock	Additional Paid-in Capital	Other Capital Surplus			Unrealized Gain (Loss) on Available-for-Sale Securities	Total Equity
Balance, April 1, 2018	\$ 49,734	\$ 26,850	\$ 29,444	\$ 173,456	(\$ 4,041)	\$ 8,582	\$ 284,025
Dividend of surplus				(6,938)			(6,938)
Net income				40,377			40,377
Disposal of treasury stock			(56)		73		17
Purchase of treasury stock					(129)		(129)
Net changes in the year						3,778	3,778
Balance, March 31, 2019	\$ 49,734	\$ 26,850	\$ 29,388	\$ 206,895	(\$ 4,097)	\$ 12,360	\$ 321,130

See notes to nonconsolidated financial statements

TOBISHIMA CORPORATION

Notes to Nonconsolidated Financial Statements Year Ended March 31, 2019

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the nonconsolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 nonconsolidated financial statements to conform to the classifications used in 2019.

The nonconsolidated financial statements are stated in Japanese yen, the currency of the country in which Tobishima Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to \$1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds.

- b. Inventories**

Costs on uncompleted construction contracts and others are stated at cost based on the specific identification method.

Costs on uncompleted construction contracts and others (materials and supplies) are stated at cost based on the moving-average method (or net selling value).

Current assets (real estate for sale) are stated at cost based on the specific identification method (or net selling value).

- c. Marketable and Investment Securities** — Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

- d. Property, Plant and Equipment (excluding leased items)** — Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016.

Useful lives and residual values of assets held by the Company are in accordance with the regulations stipulated in the "Corporation Tax Law."

- e. Intangible Assets (excluding leased items)** — Intangible assets (excluding leased items) are amortized using the straight-line method.

Useful lives of these assets are in accordance with regulations stipulated in the "Corporation Tax Law."

Software for internal use is amortized by the straight-line method based on an estimated useful life of five years.

- f. Lease Assets** — Assets resulting from financial lease transactions for which ownership does not transfer at the end of the lease are depreciated by the straight-line method with the leasing period as the useful life and residual value as zero.

- g. Long-Lived Assets** — The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- h. Allowance for Doubtful Accounts** — To prepare for losses from defaults on sales receivables, loans receivable, and other accounts receivable, the Company reports the estimated uncollectible amounts for general claims based on its past default rates and for specific accounts with acknowledged credit risks based on an evaluation of the possibility of collection on an individual basis.

- i. Liability for Warranties for Completed Construction** — The liability is recorded in an amount based on the Company's experience, with an additional amount deemed necessary in the future for execution of warranty obligations regarding construction projects.

- j. Liability for Loss on Construction Contracts** — The liability is recorded in an amount deemed necessary at term end on the basis of estimated losses on construction contracts in the future.

- k. Retirement and Pension Plans** — The Company has a cash balance plan as a defined benefit corporate pension program. Under this program, a hypothetical individual employee account equivalent to the funded amount and the pension resources for annuities is set up for each plan participant. Seniority points based on length of service, merit points based on the level of competence, and interest credits based on market interest rates are accumulated in the hypothetical account.

In addition, the Company had also participated in an employee welfare fund for construction workers, which was a multi-employer plan. This fund was dissolved in September 2016, and while it is currently in the process of liquidation, the dissolution is not expected to result in additional obligations for the Company. As reasonable estimates are not available for plan assets corresponding to the Company's contribution for the employee pension fund and corporate pension fund programs, the same accounting method as that used for defined contribution programs is applied.

Retirement benefit obligations are calculated using straight-line attribution to allocate projected retirement benefit payments to the end of the current fiscal year.

Unrecognized actuarial loss is amortized over 10 years, within the remaining average service period of employees when recognized, using the straight-line method beginning with the year following recognition.

Unrecognized prior service cost is amortized over five years, within the remaining average service period of employees when recognized, using the straight-line method.

- l. Research and Development Costs** — Research and development costs are charged to income as incurred.

- m. Construction Contracts** — Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

- n. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the nonconsolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥1,162 million and deferred tax liabilities of ¥114 million which were previously classified current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets in the amount of ¥1,048 million in the accompanying consolidated balance sheet.

- o. Accounting Method for Deferred Assets** — Stock issuance cost is amortized by the straight-line method over three years.

- p. Accounting for Consumption Tax** — Consumption tax is excluded from sales, cost of sales, and expenses.

【Notes to the Nonconsolidated Balance Sheet】

1. Assets pledged as collateral

The Company has pledged the following assets as collateral for guarantee money for operations:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
*1 Marketable securities	¥ 111 million	¥ — million
*4 Investment securities	110	223
*5 Investments and other assets "Other" (Long-term guarantee money)	64	64
Total	¥ 285 million	¥ 287 million

2. Contingent liabilities

(1) The Company provides guarantees for liability for the following companies as shown below:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
E & CS Co., Ltd. (payable trade, Notes receivable-trade)	¥ 8 million	¥ 49 million
Tobishima Brunei Sdn. Bhd. (performance bond)	25	25
Total	¥ 33 million	¥ 74 million

(2) The Company provides completion guarantees, as shown below, for construction contracts signed by the following company:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Matsui Construction Co., Ltd.	¥ 45 million	¥ — million
Nishimatsu Construction Co., Ltd.	¥ — million	¥ 8,076 million

3. *6: Syndicated term loan agreements

Current fiscal year (as of March 31, 2019) and Prior fiscal year (as of March 31, 2018):

The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:

- The Company must maintain the amount of net assets in the consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the consolidated balance sheet as of the end of the previous fiscal year;
- The Company must maintain the amount of net assets in the non-consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the non-consolidated balance sheet as of the end of the previous fiscal year;
- The Company must avoid reporting ordinary loss in the consolidated statement of income presented at the end of each fiscal year for two consecutive years;
- The Company must avoid reporting ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year for two consecutive years.

4. *7: On October 1, 2018, the Company effected a ten-for-one reverse stock split based on the resolution of the Board of Directors meeting held on May 15, 2018.

5. The Company has entered into commitment line agreements with five banks to make flexible and stable procurement of working capital. Contract maximum amounts and borrowing execution balances at the end of nonconsolidated fiscal years are as follows.

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Contract maximum amount	¥ 10,000 million	¥ 10,000 million
Borrowing execution balance	—	—
Deducted amount	¥ 10,000 million	¥ 10,000 million

6. The Company settles accounting treatment of bills etc. matured at the end of the period, on the date or settlement date.

Since the end of the nonconsolidated fiscal year was a holiday for financial institutions, the following notes matured at the end of the period are included in the balance at the end of the period.

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
*2 Notes receivable	¥ 5 million	¥ — million
*3 Electronically recorded receivables	¥ — million	¥ 7 million

[Notes to the Consolidated Statement of Income]

1. *8: The breakdown of gain on sales of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Vehicles	¥ 1 million	¥ 2 million
Other	—	0
Total	¥ 1 million	¥ 2 million

2. *9: The breakdown of loss on retirement of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2018 to March 31, 2019)	Prior fiscal year (from April 1, 2017 to March 31, 2018)
Building	¥ 169 million	¥ 46 million
Other	1	1
Total	¥ 170 million	¥ 47 million

[Notes to the Nonconsolidated Statement of Changes in Equity]

1. *10: On October 1, 2018, the Company enacted a ten-for-one reverse stock split based on the resolution of the Board of Directors meeting held on May 15, 2018. The outstanding number of shares of the prior year has been restated to reflect the impact of the reverse stock split, and to provide data on a basis comparable to the year ended March 31, 2019.

[Income Taxes]

1. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, are as follows:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Deferred tax assets		
Tax loss carryforwards	¥ 335 million	¥ 1,162 million
Loss on valuation of real estate for sale	1,474	1,471
Impairment loss	1,024	1,078
Liability for retirement benefits	123	352
Other	1,046	1,002
Deferred tax assets subtotal	4,002	5,065
Less valuation allowance for tax loss carryforwards	—	—
Less valuation allowance for deductible temporary difference	(3,103)	—
Valuation allowance	(3,103)	(3,598)
Deferred tax assets total	899	1,467
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	(604)	(419)
Deferred tax liabilities total	(604)	(419)
Net deferred tax liabilities	¥ 295 million	¥ 1,048 million

2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying nonconsolidated statement of income for the years ended March 31, 2019 and 2018, is as follows:

	Current fiscal year (as of March 31, 2019)	Prior fiscal year (as of March 31, 2018)
Statutory tax rate	30.6 %	30.9 %
(Reconciliation)		
Permanently non-deductible income	2.4 %	1.4 %
Permanently non-deductible expenses	(0.0) %	(0.0) %
Per capita inhabitant tax	1.8 %	1.5 %
Valuation allowance	(9.6) %	(26.0) %
Effective tax rate after application of tax effect accounting	25.2 %	7.8 %

[Business Combinations and Business Divestitures]

Not applicable

Board of Directors

President and Representative Director

Masahiro Norikyo

Representative Director

Hiroyasu Nakade

Directors

Atsushi Ito
Yasuo Terashima
Takuji Arao
Shinichiro Sato
Takashi Aihara
Michiko Matsuda

Corporate Auditors

· Standing Auditors

Hiroshi Matsushima
Takashi Hagisako

· Auditors

Fumiko Kosao
Izuru Goto

Executive Officers

Chief Executive Officer

Masahiro Norikyo

Executive Vice-Presidents

Hiroyasu Nakade
Atsushi Ito
Masafumi Oku

Senior Managing Executive Officers

Yasuo Terashima
Jiro Taki

Managing Executive Officers

Takuji Arao
Shinichiro Sato
Mitsuhiko Takahashi
Masakazu Oya
Toshimori Soma

Executive Officers

Shigeru Miwa
Shinya Sogabe
Kazuhiko Inoue
Katsuhiko Togashi
Toshiyuki Matsubara
Akiyoshi Ban
Yasunori Inaba
Kazuhiro Tashiro
Shiro Takeki
Kazuya Taniguchi
Kunji Nakagawa
Katsuo Shimada

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Tobishima PNG Limited

Po Box 1905, Waterfront, Konedobu-125, NCD, Port Moresby, Papua New Guinea

Employees by Occupation

(As of March 31, 2019)

Administrative Officers	192
Civil Engineers	533
Building Engineers	376
Mechanical Engineers	16
Electrical Engineers	11
Other Equipment Engineers	47
Employees of the subsidiaries	176
Total	1,351

Year of Establishment:

March 1947
(Predecessor founded in 1883)

Stock Information

(As of March 31, 2019)

Paid-In Capital: ¥5,519,942,968

Number of Shares Authorized :
Common Stock 40,000,000 shares

Number of Shares Issued :
Common Stock 19,310,436 shares

The total number of shares issued includes 66,006 treasury stocks.

Number of Shareholders: 35,390



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