Tobishima

Annual Report 2017

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.

Construction of Interchange at Babu Raja -Tutong [Brunei]

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.

Wacoal New Kyoto Building [Kyoto]

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 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.

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.

Financial Highlight
TOBISHIMA CORPORATION
Years ended March 31, 2017

		Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
For the Year:	Net sales	¥ 120,710	¥ 117,807	$ 1,050,069
	Income before income taxes	5,947	5,045	44,970
	Net income	6,115	4,384	39,076
At Year-end:	Total assets	¥ 91,456	¥ 98,125	$ 874,641
	Total net assets	21,992	25,894	230,808
Per Share of Common Stock:	(in yen and dollars):			
	Net income	¥ 36.59	¥ 22.77	$ 0.203
	Shareholders' equity	114.04	134.48	1.199

Note 1: U.S. dollar amounts here and elsewhere in this annual report are translated from yen at the rate of ¥112.19=US$1.00, the rate on March 31, 2017 for the reader's convinience only.
Note 2: The years included in the text are fiscal years, which run from April 1 through March 31 of the following year.

MESSAGE FROM THE PRESIDENT

To Our Shareholders and Investors

Tobishima is Evolving into a New Business Contractor Based on its Expertise in Damage Prevention Technology

We deeply appreciate the steadfast encouragement and support of our shareholders.

In the last fiscal year ended March 31, 2017, we were able to resume dividend payments, which had been a major management issue, and we have finally reached the point where we can clearly see the path we must now follow toward sustainable growth. We could not have arrived at this milestone without the support of our shareholders, to which we once again express our profound gratitude.

The current fiscal year ending March 31, 2018, marks the launch of Tobishima's new three-year medium-term management plan. Under the plan, we will become a company that harnesses its construction and disaster prevention technologies to promote and develop the industries of the future. Moreover, we will break from convention by moving beyond simply meeting customer needs in order to transform into a company that creates new services with its proprietary technologies. This aspiration is reflected in our management vision of evolving into a "New Business Contractor."

We advance into this new vision of the future with confidence, grateful as ever for the continued support of our shareholders.

June 2017

Masahiro Norikyo

Masahiro Norikyo
President

Consolidated Balance Sheet
TOBISHIMA CORPORATION
As of March 31, 2017

ASSETS		Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S.Dollars 2017
Current assets	Cash and cash equivalents	¥ 14,532	¥ 24,607	$ 219,333
	Notes receivable, accounts receivable from completed construction contracts, and other	46,325	44,278	394,667
	Accounts receivable-other	7,214	6,134	54,672
	Allowance for doubtful accounts	(57)	(42)	(374)
	Costs on uncompleted construction contracts and other(※1)	1,482	1,560	13,908
	Other(※2)	1,545	1,416	12,621
	Total current assets	71,041	77,953	694,827
Property, plant and equipment	Buildings and structures(※3)	13,751	14,334	127,768
	Machinery, equipment, furniture, and fixtures(※4)	3,257	3,112	27,743
	Land(※5)	6,904	6,471	57,679
	Lease assets	74	71	629
	Construction in progress	52	0	0
	Accumulated depreciation	(10,067)	(10,238)	(91,253)
	Total property, plant and equipment	13,971	13,750	122,566
Investments and other assets	Investment securities(※6)	4,531	4,312	38,433
	Intangible assets	291	382	3,409
	Stock issuance costs	8	6	49
	Other(※7)	2,013	2,103	18,742
	Allowance for doubtful accounts	(399)	(380)	(3,386)
	Total investments and other assets	6,444	6,423	57,247
Total		¥ 91,456	¥ 98,126	$ 874,640

LIABILITIES AND EQUITY				
Current liabilities	Notes payable, accounts payable for construction contracts and other	¥ 36,675	¥ 35,798	$ 319,090
	Advances received on uncompleted construction contracts	5,558	8,434	75,172
	Deposits received	11,318	12,891	114,908
	Liability for warranties for completed construction	202	176	1,566
	Liability for loss on construction contracts(※8)	398	257	2,288
	Other	2,019	2,121	18,901
	Total current liabilities	56,170	59,677	531,925
Long-term liabilities	Liability for retirement benefits	2,886	2,009	17,910
	Liability for environmental measures	32	3	27
	Long-term borrowings(※9)	10,000	10,000	89,135
	Other	406	543	4,835
	Total long-term liabilities	13,324	12,555	111,907
	Total liabilities	¥ 69,494	¥ 72,232	$ 643,832
Equity	Common stock-authorized, 400,000 thousand shares; Issued, 193,104 thousand shares	¥ 5,520	¥ 5,520	$ 49,202
	Capital surplus	6,248	6,248	55,692
	Retained earnings	9,969	13,968	124,504
	Treasury stock-at cost: 583,333 Shares	(444)	(448)	(3,994)
	Accumulated other comprehensive income			
	Unrealized gain on available-for-sale securities	975	818	7,295
	Foreign currency translation adjustment	7	5	49
	Defined retirement benefit plans	(317)	(221)	(1,975)
	Total	665	602	5,369
	Noncontrolling interest	4	4	35
	Total equity	21,962	25,894	230,808
Total		¥ 91,456	¥ 98,126	$ 874,640

See notes to consolidated financial statements

Consolidated Statement of Income
TOBISHIMA CORPORATION
Year ended March 31, 2017

		Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
Net sales	Net sales of completed construction contracts	¥ 119,695	¥ 116,513	$ 1,038,531
	Net sales of development business and other	1,015	1,294	11,537
	Total net sales	120,710	117,807	1,050,068
Cost of sales	Cost of sales of completed construction contracts(※1)	107,941	105,174	937,462
	Cost of sales on development business and other	912	1,097	9,783
	Total cost of sales	108,853	106,271	947,245
Gross profit	Gross profit on completed construction contracts	11,754	11,339	101,069
	Gross profit on development business and other	103	197	1,754
	Gross profit	11,857	11,536	102,823
Selling, general, and administrative expenses(※2)		5,195	6,059	54,003
Operating income		6,662	5,477	48,820
Other income (expenses)	Interest and dividends	33	34	300
	Foreign exchange gains or losses	(83)	(71)	(629)
	Gain on sales of property, plant and equipment(※3)	2	5	44
	Reversal of Provision for environmental measures	—	15	136
	Compensation income	—	13	114
	Interest expense	(266)	(200)	(1,783)
	Loss on sales of property, plant and equipment(※4)	(0)	—	—
	Loss on retirement of property, plant and equipment(※5)	(2)	(2)	(19)
	Loss on sale of membership	—	(7)	(59)
	Impairment loss(※6)	(112)	—	—
	Other net	(287)	(219)	(1,953)
	Other expenses-net	(715)	(432)	(3,849)
Income before income taxes		5,947	5,045	44,971
Income taxes	**Current**	741	756	6,740
	Deferred	(909)	(57)	(506)
	Total income taxes	(168)	699	6,234
Net income		6,115	4,346	38,737
Net income attributable to Noncontrolling interest		0	(38)	(339)
Net income attributable to owners of the parent		¥ 6,115	¥ 4,384	$ 39,076
Per share of common stock		Yen 2016	Yen 2017	U.S. Dollar 2017
	Basic net income	36.59	22.77	0.203
	Diluted net income per share	31,78	—	—
	Cash dividends applicable to the year	2.00	3.00	0.027

See notes to consolidated financial statements

Consolidated Statement of Comprehensive Income
TOBISHIMA CORPORATION
Year ended March 31, 2017

	Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
Net income	¥ 6,115	¥ 4,346	$ 38,737
Other comprehensive income			
Unrealized loss on available-for-sale securities	(84)	(156)	(1,394)
Foreign currency translation adjustments	(3)	(2)	(21)
Adjustment for retirement benefits	(573)	95	856
Total other comprehensive loss(※1)	(660)	(63)	(559)
Comprehensive income	5,455	4,283	38,178
Total comprehensive income			
Attributable to:			
Owners of the parent	¥ 5,455	¥ 4,321	$ 38,520
Non controlling interest	0	(38)	(342)

See notes to consolidated financial statements

Consolidated Statement of Changes in Equity
TOBISHIMA CORPORATION
Year ended March 31, 2017

	Thousands		Millions of									
	Outstanding number of Shares						Accumulated Other Comprehensive Income					
	Common Stock	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance, April 1, 2015	**142,862**	**44,848**	**¥ 5,520**	**¥ 6,248**	**¥ 3,854**	**¥ (443)**	**¥ 1,059**	**¥ 10**	**¥ 256**	**¥ 16,504**	**¥ 4**	**¥ 16,508**
Increase in stock	**50,242**											
Net income attributable to owners of the parent					**6,115**					**6,115**		**6,115**
Amortization of treasury stock		**(44,848)**										
Purchase of treasury stock						**(1)**				**(1)**		**(1)**
Net changes in the year							**(84)**	**(3)**	**(573)**	**(660)**	**(0)**	**(660)**
Balance, March 31, 2016 (April 1, 2016, as previously reported)	**193,104**		**5,520**	**6,248**	**9,969**	**(444)**	**975**	**7**	**(317)**	**21,958**	**4**	**21,962**
Cash dividends, ¥2 per share					**(385)**					**(385)**		**(385)**
Net income attributable to owners of the parent					**4,384**					**4,384**		**4,384**
Purchase of treasury stock						**(4)**				**(4)**		**(4)**
Net changes in the year							**(157)**	**(2)**	**96**	**(63)**	**(0)**	**(63)**
Balance, March 31, 2017	**193,104**		**¥ 5,520**	**¥ 6,248**	**¥ 13,968**	**(¥ 448)**	**¥ 818**	**¥5**	**(¥ 221)**	**¥ 25,890**	**¥ 4**	**¥ 25,894**

	Thousands of U.S. Dollars									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance, March 31, 2016	**$ 49,202**	**$ 55,692**	**$ 88,860**	**$ (3,956)**	**$ 8,689**	**$ 67**	**$ 2,830**	**$ 195,724**	**$ 37**	**$ 195,761**
Cash dividends, ¥2 per share			**(3,432)**					**3,432**		**(3,432)**
Net income attributable to owners of the parent			**39,076**					**39,076**		**39,076**
Purchase of treasury stock				**(38)**				**(38)**		**(38)**
Net changes in the year					**(1,394)**	**(18)**	**(855)**	**(557)**	**(2)**	**(559)**
Balance, March 31, 2017	**$ 49,202**	**$ 55,692**	**$ 124,504**	**($ 3,994)**	**$ 7,295**	**$ 49**	**($ 1,975)**	**$ 230,773**	**$ 35**	**$ 230,808**

See notes to consolidated financial statements

Consolidated Statement of Cash Flows
TOBISHIMA CORPORATION
Year ended March 31, 2017

Operating activities

	Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
Income before income taxes	¥ 5,947	¥ 5,045	$ 44,971
Adjustment for:			
Income taxes paid	(295)	(917)	(8,170)
Depreciation and amortization	513	606	5,401
Impairment loss	112	—	—
Amortization of goodwill	—	4	33
Decrease in allowance for doubtful accounts	74	9	83
Decrease in liability for loss on construction contracts	229	(141)	(1,260)
(Increase) in liability for retirement benefits	(1,263)	(780)	(6,956)
Foreign exchange losses	66	11	97
Compensation for pneumoconiosis damages	29	36	325
Gain on sales of property, plant and equipment	(2)	(5)	(44)
Changes in assets and liabilities, net of effects			
(Increase) decrease in notes and accounts receivable-trade	(2,420)	1,982	17,669
Decrease in real estate for sale	303	298	2,654
Decrease (increase) in costs on uncompleted construction contracts and other	852	(78)	(697)
Decrease in consumption taxes refund receivable	788	369	3,287
Decrease in accounts receivable-other	780	1,154	10,283
Decrease in interest and dividends receivable	31	32	286
Decrease in other assets	59	33	293
Decrease in notes and accounts payable-trade	(3,026)	(855)	(7,620)
Increase in advances received on uncompleted construction contracts	785	2,876	25,632
Increase in deposits received	697	1,573	14,022
Increase in accrued consumption taxes	18	136	1,215
Decrease in interest payable	(264)	(198)	(1,763)
Increase in other liabilities	142	61	545
Compensation for pneumoconiosis damages paid	(20)	(66)	(592)
Other, net	124	150	1,344
Total adjustments	(1,688)	6,290	56,067
Net cash provided by operating activities	¥ 4,259	¥ 11,335	$ 101,038

Investing activities

	Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
Purchase of short-term investment securities	¥ —	¥ (2)	$ (18)
Proceeds from sales of short-term investment securities	—	2	18
Purchase of property, plant and equipment	(752)	(264)	(2,350)
Proceeds from sales of property, plant and equipment	2	5	48
Purchase of intangible assets	(55)	(175)	(1,561)
Purchase of investment securities	(23)	(4)	(39)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(73)	(646)
Payments of loans receivable	(9)	(19)	(173)
Collection of loans receivable	44	59	524
Payments for lease and guarantee deposits	—	(607)	(5,411)
Proceeds from collection of lease and guarantee deposits	—	202	1,799
Other, net	0	84	750
Net cash used in investing activities	(¥ 793)	(¥ 792)	($ 7,059)

Financing activities

	Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
Net decrease in short-term borrowings	¥ (13,600)	¥ —	$ —
Proceed from long-term borrowings	10,000	—	—
Cash dividends paid	—	(385)	(3,432)
Other, net	(28)	(68)	(602)
Net cash used in financing activities	(3,628)	(453)	(4,034)
Foreign currency translation adjustments on cash and cash equivalents	(70)	(15)	(143)
Net (decrease) increase in cash and cash equivalents	(232)	10,075	89,802
Cash and cash equivalents, at beginning of year	14,764	14,532	129,531
Cash and cash equivalents, end of year	¥ 14,532	¥ 24,607	$ 219,333

See notes to consolidated financial statements

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 2016 consolidated financial statements to conform to the classifications used in 2017.

The consolidated 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 ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017, include the accounts of the Company and its three (two in 2016) 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 company 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 subsidiaries in 2016) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, 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 reflect properly 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 other are stated at cost based on the specific identification method.

Costs on uncompleted construction contracts and other (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 (exc. 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 deprecated 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 recorded in an amount based on the Company's past 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 a recorded in an amount deemed necessary at term end on the basis of estimated losses on construction contracts in the future.

m. **Liability for Environmental Measures**—To prepare for the disposal of PCB waste as stipulated in the "Law Concerning Special Measures Against PCB Waste," provisions were made in an estimated amount relevant to such disposal.

n. **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 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.

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

p. **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.

q. **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.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from application of this guidance for the year ended March 31, 2017.

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

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

t. **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.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

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.

u. **Changes in Accounting Policy**
Pursuant to an amendment to the Corporate Tax Act, the Company adopted ASBJ PITF No. 32 "Practical Solution of a Change in Depreciation Method Due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.
Effects of this change on operating income and income before income taxes were immaterial.

【Notes to the Consolidated Balance Sheet】

1. *6: Of this figure, the amounts pertaining to non-consolidated subsidiaries are as follows:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Investment securities (stock)	¥ 0 million	¥ 0 million

2. Assets pledged as collateral
(1) The Company has pledged the following assets as collateral:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*2 Current assets "Other"(Real estate for sale)	¥ 59 million	¥ 205 million
*3 Buildings and structures	6,103	5,996
*4 Machinery, equipment, furniture and fixtures	384	339
*5 Land	6,661	6,471
*6 Investment securities	400	400
*7 Investments and other assets"Other" (Membership etc.)	473	364
Total	¥ 14,080	¥ 13,775

Liabilities relevant to the above collateral are as follows:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*9 Long-term borrowings	¥ 10,000 million	¥ 10,000 million

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

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*6 Investment securities	¥ 225 million	¥ 220 million
*7 Investments and other assets "Other" (long-term guarantee money)	11	64
Total	¥ 236	¥ 284

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

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Nishimatsu Construction Co., Ltd.	¥ 769 million	¥ 7,401 million

4. *1, *8: 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

Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
¥ 9 million	¥ 20 million

5. *9: Syndicated term loan agreements
Prior fiscal year (as of March 31, 2016) and current fiscal year (as of March 31, 2017):
The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:
(a) The Company must avoid reporting for two consecutive years of ordinary loss in the consolidated statement of income presented at the end of each fiscal year;
(b) The Company must avoid reporting for two consecutive years of ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year;
(c) The Company must maintain its equity ratio for each fiscal year at 10% or above on a nonconsolidated basis.

6. *2: The following tangible fixed asset has been reclassified as "Other (real estate for sale" under "Current assets" due to a change in the purpose of ownership.

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*5 Land	¥ — million	¥ 433 million

【Notes to the Consolidated Statement of Income】

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

Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
¥ 354 million	¥ 57 million

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

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Employee salaries	¥ 2,185 million	¥ 2,428 million
Retirement benefit costs	2	102
Reversal of allowance for doubtful accounts	41	—

3. *2: R&D expenses included in "Selling, general and administrative expenses" are as follows:

Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
¥ 358 million	¥ 465 million

4. *3: The breakdown of gain on sales of property, plant and equipment is as follows:

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Vehicles	¥ 2 million	¥ 5 million
Other	0	—
Total	¥ 2	¥ 5

5. *4: The breakdown of loss on sales of property, plant and equipment is as follows:

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Vehicles	¥ 0 million	¥ — million
Total	¥ 0	¥ —

6. *5: The breakdown of loss on retirement of property, plant and equipment is as follows:

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Building	¥ 2 million	¥ 1 million
Machinery and equipment	0	1
Fixtures	0	0
Other	0	0
Total	¥ 2	¥ 2

7. *6: Impairment loss
Prior fiscal year (from April 1, 2015 to March 31, 2016):
The Group recorded impairment losses for the following assets.

Location	Purpose	Type	Amount
Kanagawa Prefecture, etc.	Idle asset	Intangible asset (telephone subscription rights)	¥ 112 million

The Group undertakes individual grouping of idle assets for which it has recognized impairment losses. In the current fiscal year, the Group reviewed its utilization policy for telecommunications equipment and decided to sell or transfer telephone subscription rights that were out of use. Accordingly, the carrying amounts of these assets were lowered to their recoverable value and the difference was recorded as an impairment loss (¥112 million) under "Other expenses." The recoverable value is based on net realizable value and has been reduced to fair value due to the small estimated sales value and uncertain estimated timing of sales.

Current fiscal year (from April 1, 2016 to March 31, 2017):
Not applicable

【Notes to the Consolidated Statement of Comprehensive Income】

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

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Unrealized gain (loss) on available-for-sale securities		
Amount arising during current fiscal year	¥ (159) million	¥ (225) million
Reclassification adjustment	—	—
Adjustment before tax effect	(159)	(225)
Tax effect	75	69
Unrealized gain (loss) on available-for-sale securities	(84)	(156)
Foreign currency translation adjustment		
Amount arising during current fiscal year	(3)	(2)
Remeasurements of defined benefit plans		
Amount arising during current fiscal year	(532)	21
Reclassification adjustment	(164)	74
Adjustment before tax effect	(696)	95
Tax effect	122	—
Remeasurements of defined benefit plans	(574)	95
Total other comprehensive income	¥ (660)	¥ (63)

【Notes to the Consolidated Statement of Changes in Equity】

Prior fiscal year (from April 1, 2015 to March 31, 2016)

1. Type and amount of issued shares

Type of stock	Number of shares at the beginning of current fiscal year (1,000 shares)	Increase in number of shares during the current fiscal year (1,000 shares)	Decrease in number of shares during the current fiscal year (1,000 shares)	Number of shares at current fiscal year end (1,000 shares)
Common stock	142,862	50,242	—	193,104
Class B preferred stock	3,300	—	3,300	—
Second issuance of Class C preferred stock	24,242	—	24,242	—
Third issuance of Class C preferred stock	17,306	—	17,306	—
Total	187,710	50,242	44,848	193,104

Note 1 : The increase in common stock was due to the exercise of purchasing rights of Class B preferred stock, the second issuance of Class C preferred stock and the third issuance of Class C preferred stock.

Note 2 : The decreases in Class B preferred stock, the second issuance of Class C preferred stock and the third issuance of Class C preferred stock were due to the retirement of treasury stock.

2. Type and amount of treasury stock

Type of stock	Number of shares at the beginning of current fiscal year (1,000 shares)	Increase in number of shares during the current fiscal year (1,000 shares)	Decrease in number of shares during the current fiscal year (1,000 shares)	Number of shares at current fiscal year end (1,000 shares)
Common stock	554	5	—	559
Class B preferred	—	3,300	3,300	—
Second issuance of Class C preferred	—	24,242	24,242	—
Third issuance of Class C preferred stock	—	17,306	17,306	—
Total	554	44,853	44,848	559

Note 1:The increase in common stock was due to the purchase of odd lot shares.

Note 2:The increases in Class B preferred stock, the second issuance of Class C preferred stock and third issuance of Class C preferred stock were due to the exercise of purchasing rights.

Note 3:The decreases in Class B preferred stock, the second issuance of Class C preferred stock and third issuance of Class C preferred stock were due to the retirement of treasury stock.

3. Notes on equity warrants, etc.
   Not applicable

4. Notes on dividends
   (1) Amount of dividends paid:
   Not applicable

   (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, 2016	Common stock	¥ 385 million	Retained earnings	¥ 2.00	March 31, 2016	June 30, 2016

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

Current fiscal year (from April 1, 2016 to March 31, 2017)

1. Type and amount of issued shares

Type of stock	Number of shares at the beginning of current fiscal year (1,000 shares)	Increase in number of shares during current fiscal year (1,000 shares)	Decrease in number of shares during current fiscal year (1,000 shares)	Number of shares at current 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 current fiscal year (1,000 shares)	Increase in number of shares during current fiscal year (1,000 shares)	Decrease in number of shares during current fiscal year (1,000 shares)	Number of shares at current fiscal year end (1,000 shares)
Common stock	**559**	**24**	**—**	**583**

Note 1:The increase in common stock was due to the purchase of 2,000 odd lot shares and 21,000 shares owned by shareholders whose whereabouts are unknown.

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, 2016	Common stock	¥ 385 million	Retained earnings	¥ 2.00	March 31, 2016	June 30, 2016

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, 2017	Common stock	¥ 557 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.

【Lease Transactions】

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.

(3) Total rental expenses
Total rental expenses including lease payments under finance leases for the years ended March 31, 2017 and 2016, were ¥185million and ¥80 million, respectively.

2. Operating lease transactions (as lessee)

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

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Due within one year	**¥ — million**	**¥ 346 million**
Due after one year	**—**	**1,692**
Total	**¥ —**	**¥ 2,038**

【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 review 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 cannot be reliably determined are as follows: Financial instruments for which fair value is extremely difficult to determine are excluded from the list below (see Note 3).

Prior fiscal year (as of March 31, 2016)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Cash and cash equivalents	**¥ 14,532**	**¥ 14,532**	**¥ —**
(2) Notes receivable, accounts receivable from completed construction contracts and other	**46,325**		
Allowance for doubtful accounts (Note 1)	**(57)**		
Difference	**46,268**	**46,268**	**—**
(3) Accounts receivable–other	**7,214**	**7,214**	
(4) Securities and investment securities			
Available-for-sale securities	**2,668**	**2,668**	**—**
Liabilities			
(5) Notes payable, accounts payable for construction contracts and other	**36,675**	**36,675**	**—**
(6) Long-term borrowings	**¥ 10,000**	**¥ 10,000**	**¥ —**

Current fiscal year (as of March 31, 2017)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Cash and cash equivalents	**¥ 24,607**	**¥ 24,607**	**¥ —**
(2) Notes receivable, accounts receivable from completed construction contracts and other	**44,278**		
Allowance for doubtful accounts (Note 1)	**(42)**		
Difference	**44,236**	**44,236**	**—**
(3) Accounts receivable	**6,134**	**6,134**	**—**
(4) Securities and investment securities			
Available-for-sale securities	**2,449**	**2,449**	**—**
Liabilities			
(5) Notes payable, accounts payable for construction contracts and other	**35,798**	**35,798**	**—**
(6) Long-term borrowings	**¥ 10,000**	**¥ 10,000**	**¥ —**

Note 1: Specific allowances for doubtful accounts relevant to (2) Notes receivable and accounts receivable from completed construction contracts and other 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) Accounts receivable – other:
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.
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 to fair value.

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

Classification	**Prior fiscal year (as of March 31, 2016)**	**Current fiscal year (as of March 31, 2017)**
Unlisted stocks	**¥ 1,863 million**	**¥ 1,863 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 "(4) Securities and investment securities–Available-for-sale securities".

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

Prior fiscal year (as of March 31, 2016)

	Due in one year or less (millions of yen)
Cash and cash equivalents	**¥ 14,532**
Notes receivable, accounts receivable from completed construction contracts and other	**46,325**
Accounts receivable–other	**7,214**
Securities and investment securities	
Available-for-sale securities with maturity dates (Government Bonds)	**—**
Total	**¥ 68,071**

Current fiscal year (as of March 31, 2017)

	Due in one year or less (millions of yen)
Cash and cash equivalents	**¥ 24,607**
Notes receivable, accounts receivable from completed construction contracts and other	**44,278**
Accounts receivable–other	**6,134**
Securities and investment securities	
Available-for-sale securities with maturity dates (Government Bonds)	**—**
Total	**¥ 75,019**

Long-term borrowings

Long-term borrowings at March 31, 2017 and 2016 consisted of loans from banks. The annual interest rates applicable to the long-term borrowings ranged from 1.61% to 1.66% and from 1.66 % to 2.00% at March 31, 2017 and 2016, respectively.

Amounts to be repaid for long-term borrowings payable (excluding the current portion) for five years subsequent to March 31, 2017 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 loans payable	**¥ 10,000**	**¥ —**	**¥ —**	**¥ —**

【Securities】

1. Marketable available-for-sale securities

Prior fiscal year (as of March 31, 2016)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Securities and investment securities having carrying amounts that exceed their acquisition cost			
Stocks	**¥ 2,448**	**¥ 1,056**	**¥ 1,392**
Bonds			
Government bonds, etc.	**220**	**208**	**12**
Subtotal	**2,668**	**1,264**	**1,404**
(2) Securities and investment securities having acquisition costs that exceed their carrying amounts			
Stocks	—	—	—
Bonds			
Government bonds, etc.	—	—	—
Subtotal	—	—	—
Total	**¥ 2,668**	**¥ 1,264**	**¥ 1,404**

Current fiscal year (as of March 31, 2017)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Securities and investment securities having carrying amounts that exceed their acquisition cost			
Stocks	**¥ 2,219**	**¥ 1,045**	**¥ 1,174**
Bonds			
Government bonds, etc.	**218**	**210**	**8**
Subtotal	**2,437**	**1,255**	**1,182**
(2) Securities and investment securities having acquisition costs that exceed their carrying amounts			
Bonds	**11**	**15**	**(4)**
Stocks			
Government bonds, etc.	**0**	**0**	**(0)**
Subtotal	**11**	**15**	**(4)**
Total	**¥ 2,448**	**¥ 1,264**	**¥ 1,178**

2. Available-for-sale securities sold

Prior fiscal year (from April 1, 2015 to March 31, 2016) and current fiscal year (from April 1, 2016 to March 31, 2017)
Not applicable.

3. Securities for which impairment was recognized

Prior fiscal year (from April 1, 2015 to March 31, 2016)
Not applicable.

Current fiscal year (from April 1, 2016 to March 31, 2017)
Omitted due to immateriality.

【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.

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.

In addition, one consolidated subsidiary participates in the Smaller Enterprise Retirement Allowance Mutual Aid program as a defined contribution program.

2. Defined Benefit Program

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

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	**Current fiscal year (from April 1, 2016 to March 31, 2017)**
Balance of projected benefit obligation as of the beginning of the current fiscal year	**¥ 9,041 million**	**¥ 8,456 million**
Service cost	**366**	**355**
Interest cost	**90**	**84**
Recognized actuarial gain/loss	**33**	**12**
Retirement benefit payment	**(1,074)**	**(833)**
Balance of projected benefit obligation as of the end of the current fiscal year	**¥ 8,456**	**¥ 8,074**

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

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	**Current fiscal year (from April 1, 2016 to March 31, 2017)**
Balance of assets as of the beginning of the current fiscal year	**¥ 5,589 million**	**¥ 5,570 million**
Expected return on plan assets	**391**	**139**
Recognized actuarial gain	**(498)**	**34**
Contribution by company	**1,163**	**1,155**
Retirement benefit payment	**(1,075)**	**(833)**
Balance of plan assets as of the end of the current fiscal year	**¥ 5,570**	**¥ 6,065**

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

	Prior fiscal year (As of March 31, 2016)	**Current fiscal year (As of March 31, 2017)**
Retirement benefit liability of funded plan	**¥ 8,456 million**	**¥ 8,074 million**
Plan asses	**(5,570)**	**(6,065)**
Subtotal	**2,886**	**2,009**
Retirement benefit liability of unfunded plan	**—**	**—**
Net liability/asset recorded in consolidated statement of income	**2,886**	**2,009**
Retirement benefit liability	**2,886**	**2,009**
Retirement benefit asset	**—**	**—**
Net liability/asset recorded in consolidated statement of income	**¥ 2,886**	**¥ 2,009**

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

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	**Current fiscal year (from April 1, 2016 to March 31, 2017)**
Service cost	**¥ 366 million**	**¥ 355 million**
Interest cost	**90**	**84**
Expected return on plan assets	**(391)**	**(139)**
Recognized actuarial loss	**5**	**74**
Amortization of prior service costs	**(169)**	**—**
Net periodic benefit costs for defined benefit program	**¥ (99)**	**¥ 374**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2017

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	**Current fiscal year (from April 1, 2016 to March 31, 2017)**
Actuarial gain/loss	**¥ (527) million**	**¥ 95 million**
Prior service cost	**(169)**	**—**
Total	**¥ (696)**	**¥ 95**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2017

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Unrecognized actuarial gain/loss	¥ 317 million	¥ 222 million
Total	¥ 317	¥ 222

(7) Plan assets
Principal components of plan assets
The ratio of major asset categories to total plan assets are as follows:

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Bonds	59 %	60 %
Stock	38	36
Other	3	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:

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Discount rate	1.0 %	1.0 %
Expected long term rate of return	7.0	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 ¥2 million for the prior fiscal year and ¥34 million for the current fiscal year.

4. Multiemployer plan

The Company's contribution to the employees' pension fund and corporate pension fund, etc., to the trusted pension fund, which is accounted for by applying the same method as that used for defined contribution plans, amounted to \110 million for the previous prior fiscal year and \57 million for the current fiscal year.

With respect to projected benefit obligations for multi-employer plans that are accounted for under retirement benefit costs, items related to the employee welfare fund for construction workers that was dissolved in September 2016 are as follows. One consolidated subsidiary has joined the National Construction Association Pension Fund set up in October 2016. However, as the fund will report on its performance for its first fiscal year as of March 31, 2018, the latest funded status and other related information have been omitted from this report.

(1) Latest funded status of the entire program:

	Prior fiscal year (as of March 31, 2015)	Current fiscal year (as of March 31, 2016)
Fair value of plan assets	¥ 270,328 million	¥ 252,968 million
Total amount of actuarial liability based on pension finance calculations and minimum actuarial reserve	260,102	242,429
Difference	¥ 10,226	¥ 10,539

(2) The Company's share as a percentage of total projected benefit obligations held by the trusted pension fund:

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Fair value of plan assets	3.4 %	3.4 %

(3) Supplemental information

The difference shown in (1) above was calculated by deducting unamortized prior service costs attributable to the Company (¥10,364 million as of March 31, 2015 and ¥9,481million as of March 31, 2016) from the surplus (¥20,590 million as of March 31, 2015 and ¥20,020 million as of March 31, 2016).

The ratio shown in (2) above does not correspond to the Company's actual share of funding.

【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.

【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 a normal effective statutory tax rates of approximately 30.9% and 32.9% for the years ended March 31, 2017 and 2016, respectively. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2017, are as follows:

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Deferred tax assets		
Tax loss carryforwards	**¥ 3,328 million**	**¥ 2,405 million**
Loss on valuation of real estate for sale	**650**	**1,621**
Impairment loss	**1,758**	**809**
Liability for retirement benefits	**890**	**619**
Other	**879**	**850**
Deferred tax assets subtotal	**7,505**	**6,304**
Valuation allowance	**(6,596)**	**(5,338)**
Deferred tax assets total	**909**	**966**
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	**(430)**	**(360)**
Deferred tax liabilities total	**(627)**	**(360)**
Net deferred tax liabilities	**¥ 479**	**¥ 606**

Note: Net deferred tax assets for the prior fiscal year and current fiscal year are included under the following items in the consolidated balance sheet.

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Current assets – Other (deferred tax assets)	**¥ 529 million**	**¥ 605 million**
Fixed Assets – "Other" under Investments and other assets (deferred tax assets)	**—**	**1**
Fixed liabilities – Other (deferred tax liabilities)	**¥ (50)**	**¥ —**

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, 2016 and 2017, is as follows:

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Statutory tax rate	32.9 %	30.9 %
(Reconciliation)		
Permanently non-deductible income	2.5	5.8
Permanently non-deductible expenses	(0.0)	(0.0)
Per capita inhabitant tax	1.8	2.2
Downward revision of deferred tax assets at the end of the fiscal year due to changes to the tax rate	6.3	—
Valuation allowance	(46.3)	(25.0)
Effective tax rate after application of tax effect accounting	(2.8)	13.9

3. At March 31, 2017,the Company have tax loss carryforwards aggregating approximately ¥6,834 million which are available to be offset against taxable income in future years.
These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen
2020	¥672
2021	¥2,584
2022	¥971
2023	¥2,607
Total	¥6,834

【Business Combinations and Business Separations】

Prior fiscal year (as of March 31, 2016)
Not applicable.

Current fiscal year (as of March 31, 2017)
Omitted due to immateriality.

【Asset Retirement Obligation】

Prior fiscal year (as of March 31, 2016) and current fiscal year (as of March 31, 2017)
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 are as follows:

			Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Real estate for rent and other	Carrying amount	Balance as of the beginning of the current fiscal year (Millions of yen)	¥ 1,003	¥ 995
		Increase/decrease during the current fiscal year (Millions of yen)	(8)	7,440
		Balance as of the end of the current fiscal year (Millions of yen)	995	8,435
	Fair value as of the end of the current fiscal year (Millions of yen)		946	8,476
Real estate including portions for rent and other	Carrying amount	Balance as of the beginning of the current fiscal year (Millions of yen)	9,332	9,170
		Increase(decrease) during the current fiscal year (Millions of yen)	(152)	(8,803)
		Balance as of the end of the current fiscal year (Millions of yen)	9,170	367
	Fair value as of the end of the current fiscal year (Millions of yen)		¥ 8,435	¥ 505

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 prior fiscal year include: an increase of ¥59 million due to the acquisition of offices for rent through renovation and a decrease of ¥219 million due to depreciation.
Primary factors for the increase/decrease during the prior fiscal year include: increases of ¥170 million due to the acquisition of offices for rent through renovation and ¥143 million due to the reclassification of assets used by the Company as assets for rent, decreases of ¥432 million due to a change in the purpose of ownership and subsequent reclassification to real estate for sale, ¥1,307 million due to real estate whose rental period had expired, which is a component of real estate including portions for rent and other purposes, and ¥205 million due to depreciation. With regard to real estate including portions for rent and other purposes, real estate equivalent to ¥7,759 million has been reclassified as real estate for rent and other purposes.

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 and real estate including portions for rent and other for the current fiscal year.

		Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Real estate for rent and other	Rent revenue (Millions of yen)	¥ 55	¥ 816
	Rent expenses (Millions of yen)	26	565
	Rent income/loss (Millions of yen)	29	251
	Other income/loss (Millions of yen)	—	—
Real estate including portions for rent and other	Rent revenue (Millions of yen)	807	10
	Rent expenses (Millions of yen)	544	2
	Rent income/loss (Millions of yen)	263	8
	Other income/loss (Millions of yen)	¥ (2)	¥ (0)

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.

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.

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

Prior fiscal year (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Civil Engineering business	Architecture business	Development business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Sales to third parties	**¥ 67,591**	**¥ 52,104**	**¥ 1,015**	**¥ 120,710**	**¥ —**	**¥ 120,710**
Intersegment sales and transactions	**—**	**—**	**106**	**106**	**(106)**	**—**
Total	**67,591**	**52,104**	**1,121**	**120,816**	**(106)**	**120,710**
Segment income	**4,422**	**3,592**	**84**	**8,098**	**(1,436)**	**6,662**
Segment assets	**56,633**	**25,128**	**8,989**	**90,750**	**706**	**91,456**
Other items						
Depreciation	**177**	**107**	**225**	**509**	**—**	**509**
Increase in property, plant and equipment and intangible assets	**¥ 210**	**¥ 103**	**¥ 711**	**¥ 1,024**	**¥ —**	**¥ 1,024**

Note 1: Amounts have been adjusted as follows:
(1) Adjusted amount of (¥1,436) million under "Segment income/loss" includes (¥106) million in elimination of intersegment transactions and (¥1,330) 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 ¥706 million under "Segment assets" includes ¥714 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.

Current fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Civil Engineering business	Architecture business	Development business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Sales to third parties	**¥ 66,958**	**¥ 49,555**	**¥ 1,294**	**¥ 117,807**	**¥ —**	**¥ 117,807**
Intersegment sales and transactions	**—**	**—**	**109**	**109**	**(109)**	**—**
Total	**66,958**	**49,555**	**1,403**	**117,916**	**(109)**	**117,807**
Segment income	**4,000**	**3,330**	**108**	**7,438**	**(1,961)**	**5,477**
Segment assets	**62,608**	**25,841**	**9,158**	**97,607**	**519**	**98,126**
Other items						
Depreciation	**194**	**121**	**287**	**602**	**—**	**602**
Increase in property, plant and equipment and intangible assets	**¥ 289**	**¥ 188**	**¥ 222**	**¥ 699**	**¥ —**	**¥ 699**

Note 1: Amounts have been adjusted as follows:
(1) Adjusted amount of (¥1,961) million under "Segment income/loss" includes (¥109) million in elimination of intersegment transactions and (¥1,851) 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 ¥519 million under "Segment assets" includes ¥526 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】

Prior fiscal year (from April 1, 2015 to March 31, 2016)

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
   Omitted since there were no external clients accounting for 10% or more of net sales presented in the consolidated balance sheet.

Current fiscal year (from April 1, 2016 to March 31, 2017)

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
   Omitted since there were no external clients accounting for 10% or more of net sales presented in the consolidated balance sheet.

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

Prior fiscal year (from April 1, 2015 to March 31, 2016) (Millions of yen)

	Civil Engineering business	Architecture business	Development business	Total	Eliminations	Total
Impairment loss	**¥ 68**	**¥ 44**	**¥ 0**	**¥ 112**	**¥ —**	**¥ 112**

Current fiscal year (from April 1, 2016 to March 31, 2017)
Not applicable

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

Prior fiscal year (from April 1, 2015 to March 31, 2016)
Not applicable

Current fiscal year (from April 1, 2016 to March 31, 2017)
Omitted due to immateriality

【Information on Gain on Negative Goodwill by Reportable Segment】

Prior fiscal year (from April 1, 2015 to March 31, 2016)

Not applicable

Current fiscal year (from April 1, 2016 to March 31, 2017)

Not applicable

【Transactions with Related Parties】

Prior fiscal year (from April 1, 2015 to March 31, 2016) and current fiscal year (from April 1, 2016 to March 31, 2017)

Not applicable

【Per Share Information】

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Net assets per share	¥ 114.04	¥ 134.48
Net income per share	¥ 36.59	¥ 22.77
Diluted net income per share	¥ 31.78	¥ —

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 basis for calculating net income/loss per share and diluted net income per share is as follows:

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to owners of the parent (Millions of yen)	¥ 6,115	¥ 4,384
Amounts not applicable to common stockholders (Millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (Millions of yen)	6,115	4,384
Average number of common stock outstanding during the term (1,000 shares)	167,143	192,542
Diluted net income per share		
Adjustments to net income attributable to owners of the parent (Millions of yen)	¥ —	¥ —
Increase in common stock (1,000 shares)	25,302	—
Class B preferred stock (1,000 shares)	1,285	—
Second issuance of Class C preferred stock (1,000 shares)	18,337	—
Third issuance of Class C preferred stock (1,000 shares)	5,680	—

Diluted stock was excluded from calculation of diluted adjusted net income per share because it had no dilutive effect

Note 3: The basis of calculation for net assets per share is as follows:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Total net assets (millions of yen)	¥ 21,962	¥ 25,894
Deduction from net assets (millions of yen)	4	4
Minority interests (millions of yen)	4	4
Term end amount allocated to common stock (millions of yen)	¥ 21,958	¥ 25,890
Number of common stock used to calculate net assets per share (1,000 shares)	192,545	192,521

【Significant Subsequent Events】

Not applicable

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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, 2017, 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, 2017, 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 29, 2017

Nonconsolidated Balance Sheet
TOBISHIMA CORPORATION
As of March 31, 2017

ASSETS		Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
Current assets	Cash and cash equivalents	¥ 14,302	¥ 24,606	$ 219,331
	Notes receivable	107	181	1,613
	Accounts receivable from completed construction contracts	45,634	43,674	389,282
	Accounts receivable-other	7,259	5,788	51,591
	Allowance for doubtful accounts	(56)	(42)	(374)
	Costs on uncompleted construction contracts	1,362	1,434	12,786
	Real estate for sale (※1)	362	497	4,432
	Electronically recorded monetaru claims-operating	6	0	0
	Deferred tax assets	529	597	5,317
	Other	542	383	3,411
	Total current assets	70,047	77,118	687,389
Property, plant and equipment	Buildings (※2)	13,354	13,662	121,775
	Accumulated depreciation	(7,122)	(7,375)	(65,734)
	Buildings, net	6,232	6,287	56,041
	Structures (※3)	393	396	3,531
	Accumulated depreciation	(306)	(314)	(2,798)
	Structures, net	87	82	733
	Machinery and equipment (※4)	1,893	1,757	15,655
	Accumulated depreciation	(1,398)	(1,327)	(11,826)
	Machinery and equipment, net	495	430	3,829
	Vehicles	107	84	747
	Accumulated depreciation	(97)	(76)	(674)
	Vehicles, net	10	8	73
	Tools, furniture, and fixtures	1,247	1,256	11,193
	Accumulated depreciation	(1,099)	(1,088)	(9,697)
	Tools, furniture and fixtures, net	148	168	1,496
	Land (※5)	6,904	6,471	57,679
	Lease assets	74	71	629
	Accumulated depreciation	(33)	(37)	(329)
	Lease assets, net	41	34	300
	Construction in progress	52	—	0
	Total property, plant and equipment	13,969	13,480	120,151
Investments and other assets	Investment securities (※6)	4,531	4,312	38,433
	Stocks of subsidiaries	0	0	0
	Investments in capital	238	235	2,094
	Long-term loans receivable	347	306	2,723
	Long-term loans receivable for employees	21	24	213
	Intangible assets			
	Leasehold right	40	39	352
	Other	246	305	2,718
	Claims provable in bankruptcy, claims provable in rehabilitaion	179	179	1,597
	Long-term prepaid expenses	41	59	526
	Stock issuance cost	8	5	49
	Deferred tax assets	—	1	7
	Other (※7)	1,185	1,298	11,571
	Allowance for doubtful accounts	(399)	(380)	(3,386)
	Total investments and other assets	6,437	6,383	56,897
Total		¥ 90,453	¥ 96,981	$ 864,437

See notes to nonconsolidated financial statements

Nonconsolidated Balance Sheet
TOBISHIMA CORPORATION
As of March 31, 2017

LIABILITIES AND EQUITY		Millions of Yen 2015	Millions of Yen 2016	Thousands of U.S. Dollars 2016
Current Liabilities	Notes payable-trade	¥ 3,030	¥ 2,192	$ 19,540
	Accounts payable for construction contracts	22,750	21,337	190,191
	Lease obligations	15	14	125
	Income taxes payable	656	589	5,247
	Advances received on uncompleted construction contracts	5,558	8,434	75,176
	Deposits received	11,316	12,892	114,910
	Liability for warranties for completed construction	202	184	1,642
	Liability for loss on construction contracts	398	257	2,288
	Electronically recorded obligations-operating	10,484	11,708	104,357
	Other	1,206	1,448	12,910
	Total current liabilities	55,615	59,055	526,386
	Lease obligations	30	23	203
Long-term liabilities	Deferred tax liabilities	50	—	—
	Liability for retirement benefits	2,568	1,788	15,935
	Liability for environmental measures	32	3	27
	Long-term borrowings (※8)	10,000	10,000	89,135
	Asset Retirement Obligations	—	60	537
	Other	326	390	3,473
	Total long-term liabilities	13,006	12,264	109,310
	Total liabilities	68,621	71,319	635,696
Equity	Common Stock-Authorized, 400,000 Thousand Shares; Issued, 193,104 Thousand Shares	5,520	5,520	49,202
	Capital surplus			
	Legal capital surplus	2,980	2,980	26,563
	Other capital surplus	3,268	3,268	29,129
	Total capital surplus	6,248	6,248	55,692
	Retained earnings			
	Other retained earnings	9,533	13,524	120,545
	Retained earnings brought forward	9,533	13,524	120,545
	Total retained earnings	9,533	13,524	120,545
	Treasury stock-at cost: 588,333 Shares	(444)	(448)	(3,993)
	Total shareholders' equity	20,857	24,844	221,446
	Accumulated other comprehensive income			
	Unrealized gain on available-for-sale securities	975	818	7,295
	Foreign currency translation adjustment	975	818	7,295
	Total equity	21,832	25,662	228,741
Total		¥ 90,453	¥ 96,981	$ 864,437

See notes to nonconsolidated financial statements

Nonconsolidated Statement of Income
TOBISHIMA CORPORATION
Year ended March 31, 2017

		Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017
Net sales	Net sales of completed construction contracts	¥ 117,450	¥ 114,626	$ 1,021,712
	Net sales of development business and other	1,018	1,216	10,836
	Total net sales	118,468	115,842	1,032,548
Cost of sales	Cost of sales of completed construction contracts	106,702	103,866	925,806
	Cost of sales on development business and other	927	978	8,719
	Total cost of sales	107,629	104,844	934,525
Gross profit	Gross profit on completed construction contracts	10,748	10,760	95,906
	Gross profit on development business and other	93	238	2,117
	Gross profit	10,841	10,998	98,023
Selling, general, and administrative expenses		4,751	5,566	49,616
Operating income		6,090	5,432	48,407
Other income (expenses)	Interest and dividends	9	5	43
	Interest on securities	4	3	27
	Gain on sales of property, plant and equipment(※1)	2	5	44
	Dividend income	25	28	251
	Reversal of provision for environmental measures	—	15	136
	Compensation income	—	13	114
	Gain on adjustment of account payable	33	0	0
	Interest expense	(266)	(200)	(1,783)
	Commission for syndicate loan	(200)	—	0
	Loss on retirement of property, plant and equipment(※3)	(2)	(2)	(19)
	Loss on sale of membership	—	(7)	(59)
	Loss on sales of property, plant and equipment(※2)	(0)	—	0
	Foreign exchange losses	(83)	(71)	(629)
	Impairment loss	(112)	—	0
	Other net	(115)	(173)	(1,541)
	Other expenses-net	(705)	(384)	(3,416)
Income before income taxes		5,385	5,048	44,991
Income taxes-current		640	720	6,418
Income taxes-deferred		(909)	(49)	(436)
Total income taxes		(269)	671	5,981
Net income		¥ 5,654	¥ 4,377	$ 39,010

See notes to nonconsolidated financial statements

Nonconsolidated Cost of Sales
TOBISHIMA CORPORATION
Year ended March 31, 2017

Cost of sales of completed construction contracts

	2016		2017		U.S. Dollars 2017	
	amount (Millions of Yen)	distribution ratio(%)	amount (Millions of Yen)	distribution ratio(%)	Thousands of U.S. Dollars	distribution ratio(%)
Cost of materials	¥ 18,957	17.7%	¥ 18,596	17.8%	$ 165,753	17.8%
Cost of labour	2,937	2.8%	3,674	3.5%	32,752	3.5%
outside order expenses for labour	2,909	2.7%	3,665	3.5%	32,667	3.5%
Cost of work contracted out	65,641	61.5%	62,529	60.2%	557,344	60.2%
Cost	19,167	18.0%	19,067	18.4%	169,957	18.4%
employment cost	8,064	7.6%	8,230	7.9%	73,360	7.9%
Total	¥ 106,702	100.0%	¥ 103,866	100.0%	$ 925,806	100.0%

* Using job order costing

Cost of sales on development business and other

	2016		2017		U.S. Dollars 2017	
segment	amount (Millions of Yen)	distribution ratio(%)	amount (Millions of Yen)	distribution ratio(%)	Thousands of U.S. Dollars	distribution ratio(%)
Purchase of real property	¥ 286	30.9%	¥ 286	29.2%	$ 2,547	29.2%
Purchase of development of building lots	0	0.0%	3	0.3%	29	0.3%
Purchase of construction work	0	0.0%	0	0.0%	0	0.0%
Cost	641	69.1%	689	70.5%	6,142	70.5%
employment cost	0	0.0%	0	0.0%	0	0.0%
Total	¥ 927	100.0%	¥ 978	100.0%	$ 8,719	100.0%

* Using job order costing

Nonconsolidated Statement of Changes in Equity
TOBISHIMA CORPORATION
Year ended March 31, 2017

	Thousands		Millions of Yen						
	Outstanding number of Shares			Capital Surplus				Accumulated Other Comprehensive Income	
	Common Stock	Preferred Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Total Equity
Balance, April 1, 2015	**142,862**	**44,848**	**¥ 5,520**	**¥ 2,980**	**¥ 3,268**	**¥ 3,878**	**¥ (443)**	**¥ 1,060**	**¥ 16,263**
Increase in stock	**50,242**								
Transfer from other capital surplus									**5,654**
Net income						**5,654**			
Amortization of treasury stock		**(44,848)**							
Purchase of treasury stock					**(0)**		**(1)**		**(1)**
Net changes in the year								**(85)**	**(85)**
Balance, March 31, 2016 (April 1, 2015, as previously reported)	**193,104**		**5,520**	**2,980**	**3,268**	**9,533**	**(444)**	**975**	**21,832**
Dividend of surplus						**(365)**			**(365)**
Net income						**4,377**			**4,377**
Purchase of treasury stock							**(4)**		**(4)**
Net changes in the year								**(157)**	**(157)**
Balance, March 31, 2017	**193,104**		**¥ 5,520**	**¥ 2,980**	**¥ 3,268**	**¥ 13,524**	**¥ (448)**	**¥ 818**	**¥ 25,662**

	Thousands of U.S. Dollars						
		Capital Surplus				Accumulated Other Comprehensive Income	
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Total Equity
Balance, April 1, 2016	**$ 49,202**	**$ 26,563**	**$ 29,129**	**$ 84,967**	**($ 3,955)**	**$ 8,689**	**$ 194,595**
Dividend of surplus				**(3,432)**			**(3,432)**
Net income				**39,010**			**39,010**
Purchase of treasury stock					**(38)**		**(38)**
Net changes in the year						**(1,394)**	**(1,394)**
Balance, March 31, 2017	**$ 49,202**	**$ 26,563**	**$ 29,129**	**$ 120,545**	**$ (3,993)**	**$ 7,295**	**$ 228,741**

See notes to nonconsolidated financial statements

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated 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 nonconsolidated 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 2016 nonconsolidated financial statements to conform to the classifications used in 2017.

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 ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. 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, all of which mature or become due within three months of the date of acquisition.

b. **Inventories**
Costs on uncompleted construction contracts and other are stated at cost based on the specific identification method.

Costs on uncompleted construction contracts and other (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.

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.”

e. **Intangible Assets (excluding leased items)**—Intangible Assets (exc. 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 deprecated by the straight-line method with the leasing period as the useful life and residual value as zero.

g. **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.

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 recorded in an amount based on the Company’s past 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 a recorded in an amount deemed necessary at term end on the basis of estimated losses on construction contracts in the future.

k. **Liability for Environmental Measures**—To prepare for the disposal of PCB waste as stipulated in the “Law Concerning Special Measures Against PCB Waste,” provisions were made in an estimated amount relevant to such disposal.

l. **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 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 employees’ 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.

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

n. **Construction Contracts**—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, construction revenue and construction costs should be 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 construction contracts.

o. **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.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from application of this guidance for the year ended March 31, 2017.

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

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

r. **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.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

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.

s. **Changes in Accounting Policy**
Pursuant to an amendment to the Corporate Tax Act, the Company adopted ASBJ PITF No. 32 "Practical Solution of a Change in Depreciation Method Due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.
Effects of this change on operating income and income before income taxes were immaterial.

#【Notes to the Nonconsolidated Balance Sheet】

1. Assets pledged as collateral
(1) The Company has pledged the following assets as collateral:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*1 Current assets "Other" (Real estate for sale)	¥ 59 million	¥ 205 million
*2 Buildings	6,093	5,986
*3 structures	10	10
*4 Machinery, equipment, furniture and fixtures	384	339
*5 Land	6,661	6,471
*6 Investment securities	400	400
*7 Investments and other assets "Other" (Membership, etc.)	473	364
Total	¥14,080	¥13,775

Liabilities relevant to the above collateral are as follows:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*8 Long-term borrowings	¥ 10,000 million	¥ 10,000 million

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

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*6 Investment securities	¥ 225 million	¥ 220 million
*7 Investments and other assets "Other" (Long-term guarantee money)	11	64
Total	¥ 236	¥ 284

2. Contingent liabilities
(1)The Company has provided the following amounts for guarantees for liabilities of refund of housing sales deposits with the following companies:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
E & CS Co., Ltd.(payable trade,Notes receivable-trade)	¥ 517 million	¥ 251 million
Tobishima Brunei sdn. Bhd.(contract bond)	134	—
Total	¥ 651	¥ 251

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

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Nishimatsu Construction Co.,Ltd.	¥ 769 million	¥ 7,401 million

3. *8 : Syndicated term loan agreements
Prior fiscal year (as of March 31, 2016) and current fiscal year (as of March 31, 2017):

The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:
(a) The Company must avoid reporting for two consecutive years of ordinary loss in the consolidated statement of income presented at the end of each fiscal year;
(b) The Company must avoid reporting for two consecutive years of ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year;
(c) The Company must maintain its equity ratio for each fiscal year at 10% or above on a nonconsolidated basis.

4. *1 The following tangible fixed asset has been reclassified as "Other (real estate for sale" under "Current assets" due to a change in the purpose of ownership.

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
*5 Land	¥ — million	¥ 433 million

【Notes to the Nonconsolidated Statement of Income】

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

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Vehicles	¥ 2 million	¥ 5 million
Other	0	—
Total	¥ 2	¥ 5

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

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Vehicles	¥ 0 million	¥ — million
Total	¥ 0	¥ —

3. *3 The breakdown of loss on retirement of property, plant and equipment is as follows:

	Prior fiscal year (from April 1, 2015 to March 31, 2016)	Current fiscal year (from April 1, 2016 to March 31, 2017)
Buildings	¥ 2 million	¥ 1 million
Machinery and equipment	0	1
Fixtures	0	0
Other	0	0
Total	¥ 2	¥ 2

【Income Taxes】

1. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2017, are as follows:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Deferred tax assets		
Tax loss carryforwards	¥ 3,328 million	¥ 2,405 million
Impairment loss	650	1,621
Liability for retirement benefits	1,758	809
Loss on valuation of real estate for sale	792	551
Other	898	860
Deferred tax assets subtotal	7,426	6,246
Valuation allowance	(6,517)	(5,228)
Deferred tax assets total	909	958
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	(430)	(360)
Deferred tax liabilities total	(430)	(360)
Net deferred tax liabilities	¥ 479	¥ 598

Note: Net deferred tax assets for the prior fiscal year and current fiscal year are included under the following items in the nonconsolidated balance sheet.

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Current assets – Other (deferred tax assets)	¥ 529 million	¥ 605 million
Fixed Assets – “Other” under Investments and other assets (deferred tax assets)		1
Fixed liabilities – Other (deferred tax liabilities)	¥ (50)	¥ —

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, 2016 and 2017, is as follows:

	Prior fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Statutory tax rate	32.9 %	30.9 %
(Reconciliation)		
Permanently non-deductible income	2.8	5.8
Permanently non-deductible expenses	(0.0)	(0.0)
Per capita inhabitant tax	2.0	2.2
Downward revision of deferred tax assets at the end of the fiscal year due to changes to the tax rate	6.9	—
Valuation allowance	(49.6)	(25.6)
Effective tax rate after application of tax effect accounting	(5.0)	13.3

【Business Combinations and Business Separations】

Omitted due to immateriality.

【Significant Subsequent Events】

Not applicable

Board of Directors

Chairman and Representative Director
Kanji Ito

President and Representative Director
Masahiro Norikyo

Representative Director
Hiroyasu Nakade

Directors
Masafumi Oku
Atsushi Ito
Yasuo Terashima
Toshifumi Shinaji
Hiroko Shibayama

Corporate Auditors
・Standing Auditors
Hiroshi Matsushima
Takashi Hagisako
・Auditors
Fumiko Kosao
Izuru Goto

Executive Officers
Chief Excutive Officer
Masahiro Norikyo

Executive Vice-Presidents
Hiroyasu Nakade
Masafumi Oku
Yasuo Ando

Senior Managing Executive Officers
Atsushi Ito

Managing Excutive Officers
Yasuo Terashima
Motoshi Kasakawa
Jiro Taki
Takuji Arao
Shinichiro Sato

Executive Officers
Hiroshi Endo
Shigeru Miwa
Shinya Sogabe
Yuichiro Uchikawa
Masakazu Oya
Mitsuhiko Takahashi
Kazuhiko Inoue
Katsuhiro Togashi
Toshimori Soma
Toshiyuki Matsubara
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Overseas Subsidiaries
Tobishima (Brunei) Sdn. Bhd.

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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, 2017)

Administrative Officers	178
Civil Engineers	481
Builiding Engineers	367
Mechanical Engineers	15
Electrical Engineers	10
Other Equipment Engineers	42
Total	1,093

Year of Establishment:

March 1947
(Predecessor founded in 1883)

Stock Information

(As of March 31, 2017)

Paid-In Capital:	￥5,519,942,968
Number of Shares Authorized :	
Comon Stock	400,000,000 shares
Number of Shares Issued :	
Comon Stock	193,104,360 shares

The total number of shares issued includes 583,333 treasury stocks.

Number of Shareholders: 44,096

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