

**Consolidated Financial Statements**

**Asanuma Corporation**

*Year ended March 31, 2018  
with Independent Auditor's Report*

Asanuma Corporation  
Consolidated Financial Statements

*Year ended March 31, 2018*

**Contents**

**Consolidated Financial Statements**

Independent Auditor's Report .....	1
Consolidated Balance Sheet .....	2
Consolidated Statement of Income.....	4
Consolidated Statement of Comprehensive Income.....	5
Consolidated Statement of Changes in Net Assets.....	6
Consolidated Statement of Cash Flows .....	8
Notes to Consolidated Financial Statements .....	10

## Independent Auditor's Report

The Board of Directors  
Asanuma Corporation

We have audited the accompanying consolidated financial statements of Asanuma Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asanuma Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 28, 2018  
Osaka, Japan

Asanuma Corporation  
Consolidated Balance Sheet

March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
<b>Assets</b>			
Current assets:			
Cash and cash deposits ( <i>Notes 5, 8 and 19</i> )	¥ 39,914	¥ 39,720	\$ 375,697
Receivables:			
Notes receivable ( <i>Note 19</i> )	2,500	1,993	23,532
Accounts receivable on completed construction contracts ( <i>Note 19</i> )	40,010	40,568	376,600
Other accounts receivable	3,481	2,260	32,765
Allowance for doubtful accounts	(39)	(59)	(367)
	<u>45,952</u>	<u>44,762</u>	<u>432,530</u>
Inventories:			
Cost of uncompleted construction contracts	924	2,609	8,697
Real estate held for sale	34	85	320
Raw materials and supplies	15	42	142
	<u>973</u>	<u>2,736</u>	<u>9,159</u>
Deferred income taxes ( <i>Note 9</i> )	897	1,748	8,443
Other current assets	411	446	3,868
Total current assets	<u>88,147</u>	<u>89,412</u>	<u>829,697</u>
Property and equipment, at cost:			
Land ( <i>Notes 6 and 8</i> )	1,831	1,831	17,235
Buildings and structures ( <i>Notes 6 and 8</i> )	6,131	5,879	57,709
Machinery, equipment and vehicles	387	361	3,643
Tools, furniture and fixtures	1,200	1,047	11,295
Lease assets	4	4	38
Less accumulated depreciation	(4,842)	(4,684)	(45,576)
Construction in progress	78	277	733
Property and equipment, net	<u>4,789</u>	<u>4,715</u>	<u>45,077</u>
Investments and other assets:			
Investments in securities ( <i>Notes 7, 8 and 19</i> )	9,040	8,519	85,090
Investments in an unconsolidated subsidiary and affiliates ( <i>Note 19</i> )	128	116	1,205
Long-term loans receivable ( <i>Note 8</i> )	121	129	1,139
Intangible assets	471	397	4,433
Deferred income taxes ( <i>Note 9</i> )	2	343	19
Other assets	1,399	1,435	13,169
Allowance for doubtful accounts	(681)	(670)	(6,410)
Total investments and other assets	<u>10,480</u>	<u>10,269</u>	<u>98,645</u>
Total assets	<u>¥ 103,416</u>	<u>¥ 104,396</u>	<u>\$ 973,419</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<b>2018</b>	2017	<b>2018</b>
<b>Liabilities</b>			
Current liabilities:			
Short-term bank loans ( <i>Notes 8 and 19</i> )	¥ 3,828	¥ 7,668	\$ 36,032
Current portion of long-term debt ( <i>Notes 8 and 19</i> )	1,624	1,049	15,286
Payables:			
Notes payable ( <i>Note 19</i> )	4,089	5,802	38,488
Accounts payable on construction contracts ( <i>Note 19</i> )	26,058	26,083	245,275
Other accounts payable ( <i>Note 19</i> )	3,015	8,805	28,379
	<b>33,162</b>	40,690	<b>312,142</b>
Advances received on uncompleted construction contracts	8,465	7,594	79,678
Deposits received	1,326	840	12,481
Income taxes payable ( <i>Note 9</i> )	902	521	8,490
Provision for compensation for completed construction	532	450	5,008
Provision for loss on construction contracts ( <i>Note 14</i> )	57	254	537
Other current liabilities	5,775	4,548	54,358
Total current liabilities	<b>55,671</b>	63,614	<b>524,012</b>
Long-term liabilities:			
Long-term debt ( <i>Notes 8 and 19</i> )	7,955	6,124	74,878
Liability for retirement benefits ( <i>Note 10</i> )	4,319	4,376	40,653
Deferred income taxes ( <i>Note 9</i> )	54	16	508
Other long-term liabilities	193	195	1,817
Total long-term liabilities	<b>12,521</b>	10,711	<b>117,856</b>
Total liabilities	<b>68,192</b>	74,325	<b>641,868</b>
Contingent liabilities ( <i>Note 12</i> )			
<b>Net assets</b>			
Shareholders' equity ( <i>Note 13</i> ):			
Common stock:			
Authorized – 293,565,000 shares			
Issued – 85,086,293 shares in 2018 and 2017	9,615	9,615	90,503
Capital surplus	2,167	2,166	20,397
Retained earnings	20,778	16,394	195,576
Less treasury stock, at cost	(146)	(142)	(1,374)
Total shareholders' equity	<b>32,414</b>	28,033	<b>305,102</b>
Accumulated other comprehensive income:			
Net unrealized holding gain on investments in securities	3,070	2,714	28,897
Retirement benefits liability adjustments ( <i>Note 10</i> )	(376)	(784)	(3,539)
Total accumulated other comprehensive income	<b>2,694</b>	1,930	<b>25,358</b>
Non-controlling interests	116	108	1,091
Total net assets ( <i>Note 21</i> )	<b>35,224</b>	30,071	<b>331,551</b>
Total liabilities and net assets	<b>¥103,416</b>	¥ 104,396	<b>\$ 973,419</b>

See accompanying notes to consolidated financial statements.

Asanuma Corporation  
Consolidated Statement of Income

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<b>2018</b>	2017	<b>2018</b>
Net sales ( <i>Note 22</i> ):			
Construction contracts	¥ 142,182	¥ 131,619	\$ 1,338,309
Other	1,253	1,081	11,795
	<b>143,435</b>	132,700	<b>1,350,104</b>
Cost of sales ( <i>Notes 14 and 15</i> ):			
Construction contracts	127,334	118,504	1,198,550
Other	942	848	8,868
	<b>128,276</b>	119,352	<b>1,207,418</b>
Gross profit:			
Construction contracts	14,848	13,115	139,759
Other	311	233	2,927
	<b>15,159</b>	13,348	<b>142,686</b>
Selling, general and administrative expenses ( <i>Note 16</i> )	<b>7,206</b>	6,683	<b>67,827</b>
Operating income ( <i>Note 22</i> )	<b>7,953</b>	6,665	<b>74,859</b>
Other income (expenses):			
Interest and dividends income	231	228	2,174
Foreign exchange loss, net	(58)	(46)	(546)
Interest expenses	(235)	(338)	(2,212)
Guarantee fees	(39)	(44)	(367)
(Loss) gain on sales of property and equipment, net	(0)	31	(0)
Loss on impairment of property and equipment ( <i>Note 6</i> )	(23)	(8)	(216)
Other, net	(243)	(80)	(2,288)
Profit before income taxes	<b>7,586</b>	6,408	<b>71,404</b>
Income taxes ( <i>Note 9</i> ):			
Current	1,462	880	13,761
Deferred	895	(1,778)	8,424
	<b>2,357</b>	(898)	<b>22,185</b>
Profit	<b>5,229</b>	7,306	<b>49,219</b>
Profit attributable to:			
Non-controlling interests	7	11	66
Owners of parent ( <i>Note 21</i> )	¥ 5,222	¥ 7,295	\$ 49,153

*See accompanying notes to consolidated financial statements.*

Asanuma Corporation

Consolidated Statement of Comprehensive Income

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Profit	¥ 5,229	¥ 7,306	\$ 49,219
Other comprehensive income ( <i>Note 17</i> ):			
Net unrealized holding gain on investments in securities	356	197	3,351
Retirement benefits liability adjustments	408	651	3,840
Total other comprehensive income	<u>764</u>	<u>848</u>	<u>7,191</u>
Comprehensive income	<u>¥ 5,993</u>	<u>¥ 8,154</u>	<u>\$ 56,410</u>
Comprehensive income attributable to:			
Owners of parent	¥ 5,985	¥ 8,143	\$ 56,335
Non-controlling interests	8	11	75

See accompanying notes to consolidated financial statements.

# Asanuma Corporation

## Consolidated Statement of Changes in Net Assets

Year ended March 31, 2018

*Millions of yen*

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2016	¥ 8,419	¥ 970	¥ 9,479	¥ (140)	¥ 18,728
Issuance of new shares	1,196	1,196	-	-	2,392
Profit attributable to owners of parent	-	-	7,295	-	7,295
Cash dividends	-	-	(380)	-	(380)
Purchases of treasury stock	-	-	-	(2)	(2)
Sales of treasury stock	-	0	-	0	0
Net change in items other than shareholders' equity	-	-	-	-	-
Balance at April 1, 2017	<b>9,615</b>	<b>2,166</b>	<b>16,394</b>	<b>(142)</b>	<b>28,033</b>
Profit attributable to owners of parent	-	-	5,222	-	5,222
Cash dividends	-	-	(838)	-	(838)
Purchases of treasury stock	-	-	-	(4)	(4)
Sales of treasury stock	-	1	-	0	1
Net change in items other than shareholders' equity	-	-	-	-	-
Balance at March 31, 2018	<b>¥ 9,615</b>	<b>¥ 2,167</b>	<b>¥ 20,778</b>	<b>¥ (146)</b>	<b>¥ 32,414</b>

*Millions of yen*

	Net unrealized holding gain on investments in securities	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2016	¥ 2,517	¥(1,435)	¥ 1,082	¥ 115	¥ 19,925
Issuance of new shares	-	-	-	-	2,392
Profit attributable to owners of parent	-	-	-	-	7,295
Cash dividends	-	-	-	-	(380)
Purchases of treasury stock	-	-	-	-	(2)
Sales of treasury stock	-	-	-	-	0
Net change in items other than shareholders' equity	197	651	848	(7)	841
Balance at April 1, 2017	<b>2,714</b>	<b>(784)</b>	<b>1,930</b>	<b>108</b>	<b>30,071</b>
Profit attributable to owners of parent	-	-	-	-	5,222
Cash dividends	-	-	-	-	(838)
Purchases of treasury stock	-	-	-	-	(4)
Sales of treasury stock	-	-	-	-	1
Net change in items other than shareholders' equity	<b>356</b>	<b>408</b>	<b>764</b>	<b>8</b>	<b>772</b>
Balance at March 31, 2018	<b>¥ 3,070</b>	<b>¥ (376)</b>	<b>¥ 2,694</b>	<b>¥ 116</b>	<b>¥ 35,224</b>



## Asanuma Corporation

### Consolidated Statement of Changes in Net Assets (Continued)

Year ended March 31, 2018

*Thousands of U.S. dollars (Note 2)*

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	<b>\$ 90,503</b>	<b>\$ 20,388</b>	<b>\$ 154,311</b>	<b>\$ (1,337)</b>	<b>\$ 263,865</b>
Profit attributable to owners of parent	–	–	<b>49,153</b>	–	<b>49,153</b>
Cash dividends	–	–	<b>(7,888)</b>	–	<b>(7,888)</b>
Purchases of treasury stock	–	–	–	<b>(37)</b>	<b>(37)</b>
Sales of treasury stock	–	<b>9</b>	–	<b>0</b>	<b>9</b>
Net change in items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2018	<b>\$ 90,503</b>	<b>\$ 20,397</b>	<b>\$ 195,576</b>	<b>\$ (1,374)</b>	<b>\$ 305,102</b>

*Thousands of U.S. dollars (Note 2)*

	Net unrealized holding gain on investments in securities	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2017	<b>\$ 25,546</b>	<b>\$ (7,379)</b>	<b>\$ 18,167</b>	<b>\$ 1,016</b>	<b>\$ 283,048</b>
Profit attributable to owners of parent	–	–	–	–	<b>49,153</b>
Cash dividends	–	–	–	–	<b>(7,888)</b>
Purchases of treasury stock	–	–	–	–	<b>(37)</b>
Sales of treasury stock	–	–	–	–	<b>9</b>
Net change in items other than shareholders' equity	<b>3,351</b>	<b>3,840</b>	<b>7,191</b>	<b>75</b>	<b>7,266</b>
Balance at March 31, 2018	<b>\$ 28,897</b>	<b>\$ (3,539)</b>	<b>\$ 25,358</b>	<b>\$ 1,091</b>	<b>\$ 331,551</b>

*See accompanying notes to consolidated financial statements.*

# Asanuma Corporation

## Consolidated Statement of Cash Flows

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 7,586	¥ 6,408	\$ 71,404
Adjustments for:			
Depreciation and amortization	405	380	3,812
Loss on impairment of property and equipments	23	8	216
Decrease in allowance for doubtful accounts	(9)	(144)	(85)
Decrease in provision for loss on construction contracts	(197)	(151)	(1,854)
Increase in liability for retirement benefits	530	415	4,989
Interest and dividends income	(231)	(228)	(2,174)
Interest expenses	235	338	2,212
Foreign exchange loss, net	58	46	546
Loss (gain) on sales of property and equipment, net	0	(31)	0
Loss on valuation of membership	-	1	-
Loss on valuation of inventories	-	60	-
Decrease in notes receivable and accounts receivable on completed construction contracts	52	5,910	489
Decrease in inventories	1,764	4,068	16,604
(Increase) decrease in other accounts receivable	(1,246)	303	(11,727)
(Decrease) increase in notes payable and accounts payable on construction contracts	(1,738)	877	(16,359)
(Decrease) increase in other accounts payable	(5,712)	1,313	(53,765)
Increase (decrease) in advances received on uncompleted construction contracts	871	(536)	8,198
Other, net	1,682	(3,737)	15,832
Subtotal	<u>4,073</u>	<u>15,300</u>	<u>38,338</u>
Interest and dividends received	228	225	2,146
Interest paid	(247)	(343)	(2,325)
Income taxes paid	(914)	(951)	(8,603)
Net cash provided by operating activities	<u>3,140</u>	<u>14,231</u>	<u>29,556</u>
<b>Cash flows from investing activities:</b>			
Decrease in time deposits	-	150	-
Purchases of property and equipment	(533)	(221)	(5,017)
Proceeds from sales of property and equipment	0	697	0
Purchases of intangible assets	(193)	(109)	(1,817)
Purchases of investments in securities	(9)	(9)	(85)
Collection of loans receivable	11	10	104
Payments for guarantee deposits	(15)	(20)	(141)
Proceeds from collection of guarantee deposits	40	14	377
Other, net	1	35	9
Net cash (used in) provided by investing activities	<u>¥ (698)</u>	<u>¥ 547</u>	<u>\$ (6,570)</u>

# Asanuma Corporation

## Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<b>2018</b>	2017	<b>2018</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans, net	¥ (3,840)	¥ (8,000)	\$ (36,145)
Proceeds from long-term debt	5,963	–	56,128
Repayment of long-term debt	(3,558)	(1,051)	(33,490)
Proceeds from issuance of common stock	–	2,391	–
Cash dividends paid	(754)	(340)	(7,097)
Cash dividends paid to non-controlling interests	–	(24)	–
Other, net	(2)	4	(19)
Net cash used in financing activities	<b>(2,191)</b>	(7,020)	<b>(20,623)</b>
Effect of exchange rate changes on cash and cash equivalents	(57)	(46)	(536)
Net increase in cash and cash equivalents	<b>194</b>	7,712	<b>1,827</b>
Cash and cash equivalents at beginning of year	<b>39,720</b>	32,008	<b>373,870</b>
Cash and cash equivalents at end of year <i>(Note 5)</i>	<b>¥ 39,914</b>	¥ 39,720	<b>\$ 375,697</b>

*See accompanying notes to consolidated financial statements.*

# Asanuma Corporation

## Notes to Consolidated Financial Statements

March 31, 2018

### **1. Basis of Preparation of Consolidated Financial Statements**

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

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

### **2. U.S. Dollar Amounts**

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥106.24 = U.S.\$1.00, the exchange rate prevailing on March 31, 2018. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

### **3. Principles of Consolidation**

At March 31, 2018 and 2017, the Company had 6 subsidiaries, respectively. The consolidated financial statements for the years ended March 31, 2018 and 2017 include the accounts of the Company and its 5 subsidiaries, respectively.

The Company applied the equity method to its investments in 3 affiliates, at March 31, 2018 and 2017 for the purpose of consolidated financial statements for the years then ended.

The accounts of the remaining subsidiary were not consolidated nor the equity method applied because its total assets, net sales, profit or loss and retained earnings were not material to the consolidated financial statements.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 4. Summary of Significant Accounting Policies

##### (a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

##### (b) Investments in securities

Investments in securities are classified into two categories: held-to-maturity debt securities or other securities. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

##### (c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

##### (d) Inventories

Cost of uncompleted construction contracts are stated at cost determined on an individual project basis. Real estate held for sale is stated at the lower of cost or net selling value, cost being determined on an individual project basis. Raw materials and supplies are stated at the lower of cost or net selling value, cost being determined by the period average method.

##### (e) Property and equipment (Other than leased assets)

Property and equipment is stated on the basis of cost. Depreciation is calculated by the declining-balance method over the estimated useful lives of the respective assets; however, the straight-line method is applied to buildings (except for facilities attached to the buildings) acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 4. Summary of Significant Accounting Policies (continued)

(f) Intangible assets (Other than leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

Expenditures related to computer software developed for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as intangible assets and amortized over an estimated useful life of 5 years.

(g) Leases

Leased assets held under finance leases that transfer ownership are depreciated by the same methods used for owned fixed assets. For finance leases that do not transfer ownership, depreciation expense is calculated based on the straight-line method over the leased period of the lease with a residual value of zero.

(h) Provision for compensation for completed construction

A provision for compensation for completed construction is provided for anticipated future costs arising from warranties on completed construction based on the historical data on the compensation cost.

(i) Provision for loss on construction contracts

A provision for loss on construction contracts is provided for uncompleted construction projects when a future loss is expected and a reasonable estimate of the amount can be made at the fiscal year end.

(j) Retirement benefits

Liability for retirement benefits for employees has been provided at an amount calculated based on the retirement benefit obligation after the fair value of the pension plan assets are deducted. The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized commencing in the year following the year in which the gain or loss is recognized by the straight-line method over a period of principally 10 years, which is within the average remaining years of service of the eligible employees.

Prior service cost is charged to income when incurred.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 4. Summary of Significant Accounting Policies (continued)

##### (k) Income taxes

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

##### (l) Hedge accounting

Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying loans. Interest-rate swaps are utilized to mitigate the risk of fluctuation in interest rates on loans. Hedging instruments and hedged items are interest-rate swaps and interest rates on loans from financial institutions, respectively. The Company omit the evaluation of hedging effectiveness due to meet certain conditions for interest-rate swaps.

##### (m) Revenue recognition

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects, the completed-contract method is applied.

Net sales related to construction contracts accounted for by the percentage-of-completion method totaled ¥139,690 million (\$1,314,853 thousand) and ¥129,426 million for the years ended March 31, 2018 and 2017, respectively.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 5. Cash and Cash Equivalents

A reconciliation of cash and deposits in the accompanying consolidated balance sheets at March 31, 2018 and 2017 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	At March 31,		
	<b>2018</b>	2017	<b>2018</b>
Cash and cash deposits	<b>¥ 39,914</b>	¥ 39,720	<b>\$ 375,697</b>
Cash and cash equivalents	<b>¥ 39,914</b>	¥ 39,720	<b>\$ 375,697</b>

#### 6. Loss on Impairment of Property and Equipment

Loss on impairment of property and equipment for the years ended March 31, 2018 and 2017 are as follows:

Location	Main use	Class	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
			<b>2018</b>	<b>2018</b>
Osaka Prefecture	Leasing	Buildings	<b>¥ 23</b>	<b>\$ 216</b>
Location	Main use	Class	<i>Millions of yen</i>	
			2017	
Ishikawa Prefecture	Business assets	Land	¥ 8	

The Company principally groups the assets in association with the business operations at each regional office whereas leased properties and idle assets are grouped individually and fixed assets of its consolidated subsidiaries and investments for which the equity method is applied are grouped per subsidiary or investment.

For the years ended March 31, 2018 and 2017, the Company decided to sell the above assets that have been grouped as leased properties and assets in association with the business operations at each regional office, respectively, as a result, the company and its consolidated subsidiaries the carrying values of these assets to the recoverable amounts and recognized loss on impairment of property and equipment of ¥23 (\$216) and ¥8.

The recoverable amounts were measured at net selling value based on estimated sales value.



# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 7. Investments in Securities

At March 31, 2018 and 2017, marketable securities classified as held-to-maturity debt securities were as follows:

	<i>Millions of yen</i>					
	<b>2018</b>			<b>2017</b>		
	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:						
Government and municipal bonds	<b>¥15</b>	<b>¥16</b>	<b>¥1</b>	¥15	¥16	¥1
	<b>¥15</b>	<b>¥16</b>	<b>¥1</b>	¥15	¥16	¥1

	<i>Thousands of U.S. dollars</i>		
	<b>2018</b>		
	Carrying value	Estimated fair value	Unrealized gain
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	<b>\$ 141</b>	<b>\$ 150</b>	<b>\$ 9</b>
	<b>\$ 141</b>	<b>\$ 150</b>	<b>\$ 9</b>

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 7. Investments in Securities (continued)

At March 31, 2018 and 2017, marketable securities classified as other securities were as follows:

	<i>Millions of yen</i>					
	<b>2018</b>			2017		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 8,037	¥ 3,751	¥ 4,286	¥ 7,706	¥ 3,932	¥ 3,774
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	<b>206</b>	<b>207</b>	<b>(1)</b>	16	17	(1)
	<b>¥ 8,243</b>	<b>¥ 3,958</b>	<b>¥ 4,285</b>	<b>¥ 7,722</b>	<b>¥ 3,949</b>	<b>¥ 3,773</b>

	<i>Thousands of U.S. dollars</i>		
	<b>2018</b>		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 75,649	\$ 35,307	\$ 40,342
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	<b>1,939</b>	<b>1,948</b>	<b>(9)</b>
	<b>\$ 77,588</b>	<b>\$ 37,255</b>	<b>\$ 40,333</b>

Refer to Note 19 “Financial Instruments” for the redemption schedule at March 31, 2018 for held-to-maturity debt securities.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 8. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans had average interest rates of 1.73% and 1.71% at March 31, 2018 and 2017, respectively.

Long-term debt at March 31, 2018 and 2017 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Unsecured loans due through 2034 at rates ranging from 1.51% to 2.70%	¥ 48	¥ 56	\$ 452
Secured loans due through 2034 at rates ranging from 0.33% to 2.50%	<b>9,531</b>	7,117	<b>89,712</b>
Total	<b>9,579</b>	7,173	<b>90,164</b>
Less current portion included	<b>(1,624)</b>	(1,049)	<b>(15,286)</b>
	<b>¥ 7,955</b>	¥ 6,124	<b>\$ 74,878</b>

The aggregate annual maturities of long-term debt subsequent to March 31, 2018 are summarized as follows:

<u>Years ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2019	¥ 1,624	\$ 15,286
2020	379	3,567
2021	320	3,012
2022	317	2,984
2023 and thereafter	<b>6,939</b>	<b>65,315</b>
	<b>¥ 9,579</b>	<b>\$ 90,164</b>

Assets pledged at March 31, 2018 and 2017 as collateral for long-term debt, including current portion, and lines of credit of the Company are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Cash and cash deposits	¥ 218	¥ 230	\$ 2,052
Buildings and structures	<b>1,679</b>	1,501	<b>15,804</b>
Land	<b>1,451</b>	1,457	<b>13,658</b>
Investments in securities	<b>6,969</b>	6,472	<b>65,596</b>
	<b>¥ 10,317</b>	¥ 9,660	<b>\$ 97,110</b>

All assets of the consolidated subsidiaries engaged in the Private Finance Initiative business were pledged as collateral for their loans under the project finance agreements. Assets pledged at March 31, 2018 and 2017 amounted to ¥6,350 million (\$59,770 thousand) and ¥5,657 million as collateral for loans of ¥4,731 million (\$44,531 thousand) and ¥5,106 million, respectively.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 8. Short-Term Bank Loans and Long-Term Debt (continued)

Assets of the Company pledged at March 31, 2018 and 2017 as collateral for loans of affiliates engaged in the PFI business are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Investments in securities	¥ 105	¥ 93	\$ 988
Long-term loans receivable	113	121	1,064
	<u>¥ 218</u>	<u>¥ 214</u>	<u>\$ 2,052</u>

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2018 and 2017 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Lines of credit	¥ 10,000	¥ 10,000	\$ 94,127
Credit utilized	-	-	-
Available credit	<u>¥ 10,000</u>	<u>¥ 10,000</u>	<u>\$ 94,127</u>

#### 9. Income Taxes

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 30.7% for the years ended March 31, 2018 and 2017, respectively.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2018 and 2017 as a percentage of profit before income taxes is summarized as follows:

	<u>2018</u>	<u>2017</u>
Statutory tax rates	30.7 %	30.7 %
Permanently non-tax-deductible expenses	0.9	1.1
Permanently non-taxable income	(0.2)	(0.3)
Per capita portion of inhabitants' taxes	1.5	1.9
Tax credit for corporation tax	(1.8)	(1.8)
Valuation allowance	(0.2)	(46.0)
Other	0.2	0.4
Effective tax rates	<u>31.1%</u>	<u>(14.0)%</u>

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 9. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
<b>Deferred tax assets:</b>			
Allowance for doubtful accounts	¥ 219	¥ 222	\$ 2,062
Provision for compensation for completed construction	162	138	1,525
Inventories	23	106	216
Provision for loss on construction contracts	17	78	160
Liability for retirement benefits	1,314	1,331	12,368
Assets transferred to defined contribution pension plans	—	64	—
Loss on impairment of fixed assets	468	460	4,405
Loss on revaluation of investments in securities	95	95	894
Tax loss carryforwards	—	1,020	—
Other	882	760	8,302
Gross deferred tax assets	<u>3,180</u>	<u>4,274</u>	<u>29,932</u>
Less valuation allowance	<u>(939)</u>	<u>(956)</u>	<u>(8,838)</u>
Total deferred tax assets	<u>2,241</u>	<u>3,318</u>	<u>21,094</u>
<b>Deferred tax liabilities:</b>			
Unrealized holding gain on investments in securities	(1,218)	(1,062)	(11,465)
Deferred capital gains on property	(178)	(181)	(1,675)
Other	(0)	—	(0)
Total deferred tax liabilities	<u>(1,396)</u>	<u>(1,243)</u>	<u>(13,140)</u>
Net deferred tax assets	<u>¥ 845</u>	<u>¥ 2,075</u>	<u>\$ 7,954</u>

#### 10. Retirement Benefits

##### 1. Outline of retirement benefits for employees

The Company has funded or unfunded defined benefit pension plans and defined contribution plans in order to allocate for employees' retirement benefits. In addition to these retirement benefit plans, the Company may pay additional retirement benefits when employees retire. All employees of Asanuma Tatemono K.K., a consolidated subsidiary of the Company, have been composed of secondees from the Company, consequently, the retirement benefit plan of Asanuma Tatemono K.K. is incorporated in those of the Company. The other consolidated subsidiaries do not have any retirement pension plans.

Under the defined benefit plans, the Company pays lump-sum or pension payments, the amounts of which are determined by reference to employees' ranks and length of service.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

**10. Retirement Benefits (continued)**

2. Defined benefit plans

(1) The changes in retirement benefit obligation for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Balance at the beginning of the year	¥ 10,692	¥ 10,707	\$ 100,640
Service cost	395	390	3,718
Interest cost	107	107	1,007
Actuarial loss	20	8	188
Benefit paid	(543)	(520)	(5,111)
Balance at the end of the year	<u>¥ 10,671</u>	<u>¥ 10,692</u>	<u>\$ 100,442</u>

(2) The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Balance at the beginning of the year	¥ 6,316	¥ 6,438	\$ 59,450
Expected return on plan assets	126	129	1,186
Actuarial gain (loss)	19	(145)	179
Contributions by the employer	273	269	2,570
Benefit paid	(382)	(375)	(3,596)
Balance at the end of the year	<u>¥ 6,352</u>	<u>¥ 6,316</u>	<u>\$ 59,789</u>

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiary's defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Funded retirement benefit obligation	¥ 6,364	¥ 6,462	\$ 59,902
Plan assets at fair value	(6,352)	(6,316)	(59,789)
	12	146	113
Unfunded retirement benefit obligation	<u>4,307</u>	<u>4,230</u>	<u>40,540</u>
Liability recognized in the consolidated balance sheet	<u>¥ 4,319</u>	<u>¥ 4,376</u>	<u>\$ 40,653</u>

Asanuma Corporation  
Notes to Consolidated Financial Statements (continued)

**10. Retirement Benefits (continued)**

2. Defined benefit plans (continued)

(4) The components of retirement benefit expense for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Service cost	¥ 395	¥ 390	\$ 3,718
Interest cost	107	107	1,007
Expected return on plan assets	(126)	(129)	(1,186)
Amortization of actuarial gain and loss	588	461	5,535
Retirement benefit expense	<b>¥ 964</b>	¥ 829	<b>\$ 9,074</b>

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Actuarial gain	¥ 587	¥ 308	\$ 5,525

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Unrecognized actuarial gain (loss)	¥ 540	¥ (1,127)	\$ 5,083

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 10. Retirement Benefits (continued)

##### 2. Defined benefit plans (continued)

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 are as follows:

	<b>2018</b>	2017
Debt securities	<b>84%</b>	84%
Equity securities	<b>15</b>	15
Cash and cash deposits	<b>1</b>	1
Other	<b>0</b>	0
<b>Total</b>	<b>100%</b>	100%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and the expected long-term rate of return from multiple plan assets at present and in the future.

(8) The assumptions used in accounting for the defined benefit plans are as follows:

	<b>2018</b>	2017
Discount rate	<b>1.0%</b>	1.0%
Expected long-term rate of return on plan assets	<b>2.0%</b>	2.0%
Estimated rate of salary increase	<b>9.1%</b>	9.1%

(Note) Estimated rate of salary increase is an expected rate of the increase of the retirement benefit points.

##### 3. Defined contribution pension plan

Information on contributions to the defined contribution pension plan for the years ended March 31, 2018 and 2017 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Contributions to the defined contribution pension plan	<b>¥ 166</b>	¥ 166	<b>\$ 1,563</b>



## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 11. Asset Retirement Obligations

The Company and its domestic consolidated subsidiaries estimated the cost of restoration obligations based on property lease agreements of the headquarters in Osaka and Tokyo office. As the cost of the restoration obligations is immaterial, the information on asset retirement obligations is omitted.

Regarding certain restoration obligations, the Company estimated non-recoverable amounts of deposits for those premises and charged the portion attributable to the year ended March 31, 2018 and 2017, instead of recording asset retirement obligations.

#### 12. Contingent Liabilities

The contingent liabilities of the Company at March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	At March 31,		
	<b>2018</b>	2017	<b>2018</b>
Down payment guarantee for condominium-purchaser	¥ –	¥ 101	\$ –

#### 13. Shareholders' Equity

The Companies Act (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 13. Shareholders' Equity (continued)

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2018 and 2017 are summarized as follows:

	Number of shares			
	<b>2018</b>			
	April 1, 2017	Increase	Decrease	March 31, 2018
Shares of common stock in issue	<b>85,086,293</b>	–	–	<b>85,086,293</b>
Treasury stock	<b>1,309,647</b>	<b>8,848</b>	<b>2,412</b>	<b>1,316,083</b>
	2017			
	April 1, 2016	Increase	Decrease	March 31, 2017
Shares of common stock in issue	77,386,293	7,700,000	–	85,086,293
Treasury stock	1,303,462	6,835	650	1,309,647

The increases of common stock were due to the issuance of 6,700,000 new shares through public offering and 1,000,000 new shares through third-party allotments for the year ended March 31, 2017.

The increases and decrease of treasury stock were due to purchases of shares of less than one voting unit and sales of shares at requests of shareholders owning less than one voting unit for the year ended March 31, 2018 and 2017.

#### 14. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2018 and 2017 amounted to ¥57 million (\$537 thousand) and ¥254 million, respectively.

#### 15. Loss on Valuation of Inventories

Inventories are stated at the lower of the cost or net selling value. Loss on valuation of inventories included in cost of sales for the years ended March 31, 2018 and 2017 amounted to nil and ¥60 million, respectively.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 16. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2018 and 2017 amounted to ¥230 million (\$2,165 thousand) and ¥251 million, respectively.

#### 17. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to components of other comprehensive income for the years ended March 31, 2018 and 2017:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Net unrealized holding gain on investments in securities:			
Amount arising during the year	¥ 512	¥ 255	\$ 4,819
Before tax effect	512	255	4,819
Tax effect	(156)	(58)	(1,468)
Net unrealized holding gain on investments in securities, net	356	197	3,351
Retirement benefits liability adjustments:			
Amount arising during the year	1	(152)	9
Reclassification adjustments for loss realized in the statement of income	586	460	5,516
Before tax effect	587	308	5,525
Tax effect	(179)	343	(1,685)
Retirement benefits liability adjustments, net	408	651	3,840
Total other comprehensive income	¥ 764	¥ 848	\$ 7,191

#### 18. Leases

Future minimum lease payments subsequent to March 31, 2018 under non-cancellable operating leases are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2019	¥ 231	\$ 2,174
2020 and thereafter	231	2,174
	¥ 462	\$ 4,348

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 19. Financial Instruments

##### (1) Policy for financial instruments

The Company and its consolidated subsidiaries (collectively, the “Group”) manage their funds by investing only in short-term deposits, and primarily raise funds by borrowings from banks. The purpose of entering into derivative transactions is to mitigate fluctuation risk related to interest rates with respect to borrowings from banks, and derivative transactions are not carried out for speculative purposes.

##### (2) Types of financial instruments, related risk and risk management for financial instruments

Notes receivable and accounts receivable on completed construction contracts are subject to the credit risk of customers. Regarding this risk, the Company and its consolidated subsidiaries monitor due dates and outstanding balances by individual customer, and the credit worthiness of their main customers regularly.

Investments in securities are mainly composed of stocks and are exposed to fluctuation risk of market prices and the Group review the fair values of such listed stocks every quarter.

Notes payable, accounts payable on construction contracts and other accounts payable are mostly due within one year.

Short-term bank loans and long-term debt are mainly utilized for business operations. Certain long-term debt is hedged by derivative transactions (interest rate swaps) as a hedging instrument per individual agreement in order to reduce fluctuation risk of interest rate and fix interest expense.

In addition, the Company follows internal policies which include authorized procedures and processes governing derivatives within the actual demand.

##### (3) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumption factors are reflected in estimating the fair value, different premises and factors could result in a different fair value.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 19. Financial Instruments (continued)

The carrying value, estimated fair value and the difference between them as of March 31, 2018 and 2017 are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	<i>Millions of yen</i>		
	<b>2018</b>		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	¥ 39,914	¥ 39,914	¥ –
Notes receivable and accounts receivable on completed construction contracts	42,510	42,898	388
Investments in securities	8,258	8,259	1
<b>Total assets</b>	<b>¥ 90,682</b>	<b>¥ 91,071</b>	<b>¥ 389</b>
Notes payable and accounts payable on construction contracts	¥ 30,147	¥ 30,147	–
Short-term bank loans and current portion of long-term debt	5,452	5,452	–
Long-term debt	7,955	8,274	319
<b>Total liabilities</b>	<b>¥ 43,554</b>	<b>¥ 43,873</b>	<b>¥ 319</b>
	<i>Millions of yen</i>		
	<b>2017</b>		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	¥ 39,720	¥ 39,720	¥ –
Notes receivable and accounts receivable on completed construction contracts	42,561	42,985	424
Investments in securities	7,738	7,739	1
<b>Total assets</b>	<b>¥ 90,019</b>	<b>¥ 90,444</b>	<b>¥ 425</b>
Notes payable and accounts payable on construction contracts	¥ 31,885	¥ 31,885	¥ –
Short-term bank loans and current portion of long-term debt	8,717	8,717	–
Other accounts payable	8,805	8,805	–
Long-term debt	6,124	6,491	367
<b>Total liabilities</b>	<b>¥ 55,531</b>	<b>¥ 55,898</b>	<b>¥ 367</b>

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 19. Financial Instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	<b>2018</b>		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	\$ 375,697	\$ 375,697	\$ –
Notes receivable and accounts receivable on completed construction contracts	400,132	403,784	3,652
Investments in securities	77,729	77,739	10
<b>Total assets</b>	<b>\$ 853,558</b>	<b>\$ 857,220</b>	<b>\$ 3,662</b>
Notes payable and accounts payable on construction contracts	\$ 283,763	\$ 283,763	\$ –
Short-term bank loans and current portion of long-term debt	51,318	51,318	–
Long-term debt	74,878	77,880	3,002
<b>Total liabilities</b>	<b>\$ 409,959</b>	<b>\$ 412,961</b>	<b>\$ 3,002</b>

Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions:

#### *Cash and cash deposits*

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

#### *Notes receivable and accounts receivable on completed construction contracts*

The estimated fair value of notes receivable and accounts receivable on completed construction contracts are based on the present value discounted by the interest rates in considering the collection term of each receivable and each credit risk.

#### *Investments in securities*

The estimated fair values of equity securities are based on quoted market prices. The estimated fair value of debt securities are based on prices provided by the financial institutions.

#### *Notes payable, accounts payable on construction contracts and short-term bank loans*

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

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 19. Financial Instruments (continued)

##### *Long-term debt*

The estimated fair values of long-term debt are based on present value of the total amount including principal and interest, discounted by the expected interest rate in the case of new borrowings of the same loan as in the amount of the balance as of the end of the period. Floating interest rates for long-term loans were hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The estimated fair value of those long-term loans is based on the present value of the total of principals, interests and net cash flows of swap agreements discounted by the interest rates, estimated reasonably, applicable to loans made under similar circumstances.

##### *Derivatives transactions*

Refer to the Note 20 “Derivatives” for fair value information at March 31, 2018 and 2017 of derivative transactions.

Financial instruments for which it is extremely difficult to determine the fair value:

Unlisted equity securities of ¥910 million (\$8,566 thousand) and ¥897 million included in “Investments in securities” and “Investments in an unconsolidated subsidiary and affiliates” in the consolidated balance sheets at March 31, 2018 and 2017, respectively, are based neither on market value nor estimated future cash flow, and it is difficult to determine the estimated fair value. Therefore, they are not included in the above table.

The redemption schedule for cash deposits, receivables and marketable securities with maturity dates at March 31, 2018 is summarized as follows:

	<i>Millions of yen</i>			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash deposits	¥ 39,911	¥ –	¥ –	¥ –
Notes receivable and accounts receivable on completed construction contracts	38,950	1,288	2,272	–
Investments in securities: Held-to-maturity debt securities	–	15	–	–
<b>Total</b>	<b>¥ 78,861</b>	<b>¥ 1,303</b>	<b>¥ 2,272</b>	<b>¥ –</b>
	<i>Thousands of U.S. dollars</i>			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash deposits	\$ 375,668	\$ –	\$ –	\$ –
Notes receivable and accounts receivable on completed construction contracts	366,623	12,123	21,386	–
Investments in securities: Held-to-maturity debt securities	–	141	–	–
<b>Total</b>	<b>\$ 742,291</b>	<b>\$ 12,264</b>	<b>\$ 21,386</b>	<b>\$ –</b>

Asanuma Corporation  
Notes to Consolidated Financial Statements (continued)

**20. Derivatives**

*Derivative transactions to which hedge accounting is applied*

Interest-rate related transactions

			<i>Millions of yen</i>		
			<b>2018</b>		
Method of hedge accounting	Transaction	Hedged item	Notional amount	(Including portion in excess of one year)	Estimated fair value
Interest-rate swaps (special treatment)	Interest rate swap: Receive / floating and pay / fixed	Long-term debt	¥1,239	¥ –	(*)
		Total	¥1,239	¥ –	(*)

			<i>Millions of yen</i>		
			2017		
Method of hedge accounting	Transaction	Hedged item	Notional amount	(Including portion in excess of one year)	Estimated fair value
Interest-rate swaps (special treatment)	Interest rate swap: Receive / floating and pay / fixed	Long-term debt	¥ 1,979	¥ 1,239	(*)
		Total	¥ 1,979	¥ 1,239	(*)

			<i>Thousands of U.S. dollars</i>		
			<b>2018</b>		
Method of hedge accounting	Transaction	Hedged item	Notional amount	(Including portion in excess of one year)	Estimated fair value
Interest-rate swaps (special treatment)	Interest rate swap: Receive / floating and pay / fixed	Long-term debt	\$ 11,662	\$ –	(*)
		Total	\$ 11,662	\$ –	(*)

\*Because interest rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans payable, their fair values were included in long-term debt.



## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 21. Amounts per Share

Amounts per share at March 31, 2018 and 2017 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Net assets	<b>¥ 419.10</b>	¥ 357.65	<b>\$ 3.94</b>
Profit attributable to owners of parent	<b>62.33</b>	95.14	<b>0.59</b>
Cash dividends	<b>16.00</b>	10.00	<b>0.15</b>

Information used in the computation of profit attributable to owners of parent per share for the years ended March 31, 2018 and 2017 is presented as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Profit attributable to owners of parent	<b>¥ 5,222</b>	¥ 7,295	<b>\$ 49,153</b>
Profit not attributable to common shareholders	-	-	-
Profit attributable to owners of parent applicable to common shareholders	<b>¥ 5,222</b>	¥ 7,295	<b>\$ 49,153</b>
		<i>Thousands of shares</i>	
		<b>2018</b>	2017
Weighted-average number of shares of common stock used in the calculation		<b>83,773</b>	76,672

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

Profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 22. Segment Information

#### a. Segment Information

##### (1) Overview of reporting segments

The reporting segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resource allocation and assess their performance.

The Company and its consolidated subsidiaries mainly operate in the construction business and have two reporting segments, which are the Building Construction Segment and the Civil Engineering Segment.

##### (2) Method of calculating sales and income in reporting segments

The method of accounting for reporting segments is, in principle, the same as stated in Note 4 "Summary of Significant Accounting Policies." The income of reporting segments is calculated on the basis of operating income. Intersegment sales are recorded based on current market prices.

<i>Millions of yen</i>							
<b>2018</b>							
Reporting Segments							
	Building Construction	Civil Engineering	Total	Others	Sub total	Adjustments	Total
Net sales and income:							
Sales to third parties	¥119,135	¥23,047	¥142,182	¥1,253	¥143,435	¥ -	¥143,435
Intersegment sales	-	-	-	6	6	(6)	-
Net sales	<u>119,135</u>	<u>23,047</u>	<u>142,182</u>	<u>1,259</u>	<u>143,441</u>	<u>(6)</u>	<u>143,435</u>
Segment income	¥ 11,276	¥ 3,571	¥ 14,847	¥ 131	¥ 14,978	¥ (7,025)	¥ 7,953
<i>Millions of yen</i>							
<b>2017</b>							
Reporting Segments							
	Building Construction	Civil Engineering	Total	Others	Sub total	Adjustments	Total
Net sales and income:							
Sales to third parties	¥ 104,232	¥ 27,387	¥131,619	¥ 1,081	¥ 132,700	¥ -	¥ 132,700
Intersegment sales	-	-	-	6	6	(6)	-
Net sales	<u>104,232</u>	<u>27,387</u>	<u>131,619</u>	<u>1,087</u>	<u>132,706</u>	<u>(6)</u>	<u>132,700</u>
Segment income	¥ 9,880	¥ 3,235	¥ 13,115	¥ 45	¥ 13,160	¥ (6,495)	¥ 6,665

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 22. Segment Information (continued)

##### a. Segment Information (continued)

##### (2) Method of calculating sales and income in reporting segments (continued)

<i>Thousands of U.S. dollars</i>							
<b>2018</b>							
	Reporting Segments			Others	Sub total	Adjustments	Total
	Building Construction	Civil Engineering	Total				
Net sales and income:							
Sales to third parties	<b>\$ 1,121,376</b>	<b>\$ 216,933</b>	<b>\$ 1,338,309</b>	<b>\$ 11,795</b>	<b>\$ 1,350,104</b>	<b>\$ -</b>	<b>\$ 1,350,104</b>
Intersegment sales	-	-	-	57	57	(57)	-
Net sales	<b>\$ 1,121,376</b>	<b>\$ 216,933</b>	<b>\$ 1,338,309</b>	<b>\$ 11,852</b>	<b>\$ 1,350,161</b>	<b>\$ (57)</b>	<b>\$ 1,350,104</b>
Segment income	<b>\$ 106,137</b>	<b>\$ 33,613</b>	<b>\$ 139,750</b>	<b>\$ 1,233</b>	<b>\$ 140,983</b>	<b>\$ (66,124)</b>	<b>\$ 74,859</b>

“Others” is a business segment which is not included in the reporting segments, and includes real estate and other businesses.

Adjustments for segment income in the amounts of ¥7,025 million (\$66,124 thousand) and ¥6,495 million for the years ended March 31, 2018 and 2017 include eliminations of intersegment transactions of ¥1 million (\$9 thousand) and ¥1 million and corporate expenses of ¥7,024 million (\$66,115 thousand) and ¥6,494 million recorded as selling, general and administrative expenses not attributable to any business segments, respectively.

The total amount of segment income is adjusted to operating income on the consolidated statement of income.

Assets, liabilities and others are not allocated to business segments.

##### b. Related information

##### (1) Information by products and services

Disclosure of information by products and services for the years ended March 31, 2018 and 2017 has been omitted as the Company classifies such information in the same way as it does its reporting segments.

##### (2) Information by geographical segment

Disclosure of sales and property and equipment by geographical area for the years ended and as of March 31, 2018 and 2017 has been omitted as sales to domestic customers were in excess of 90% of consolidated net sales, and the balance of property and equipment in Japan was in excess of 90% of consolidated property and equipment.

Asanuma Corporation  
Notes to Consolidated Financial Statements (continued)

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 22. Segment Information (continued)

b. Related information (continued)

(3) Information by major customers

Disclosure of information by major customers for years ended March 31, 2018 and 2017 has been omitted as sales to each customer were less than 10% of consolidated net sales.

c. Loss on impairment of property and equipment by reporting segment

		<i>Millions of yen</i>					
		<b>2018</b>					
		<u>Reporting Segments</u>					
		<u>Building Construction</u>	<u>Civil Engineering</u>	<u>Total</u>	<u>Other</u>	<u>Elimination and corporate</u>	<u>Total</u>
Loss on impairment of property and equipment		¥ –	¥ –	¥ –	¥ 23	¥ –	¥ 23
		<i>Millions of yen</i>					
		<b>2017</b>					
		<u>Reporting Segments</u>					
		<u>Building Construction</u>	<u>Civil Engineering</u>	<u>Total</u>	<u>Other</u>	<u>Elimination and corporate</u>	<u>Total</u>
Loss on impairment of property and equipment		¥ –	¥ –	¥ –	¥ –	¥ 8	¥ 8
		<i>Thousands of U.S. dollars</i>					
		<b>2018</b>					
		<u>Reporting Segments</u>					
		<u>Building Construction</u>	<u>Civil Engineering</u>	<u>Total</u>	<u>Other</u>	<u>Elimination and corporate</u>	<u>Total</u>
Loss on impairment of property and equipment		\$ –	\$ –	\$ –	\$ 216	\$ –	\$ 216

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 23. Subsequent Events

##### 1. Appropriation of retained earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2018, was approved at the annual general meeting of the shareholders of the Company held on June 27, 2018.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends of ¥16 (\$0.15) per share	<b>¥1,340</b>	<b>\$12,613</b>

##### 2. Share consolidation and change in number of shares constituting one share unit

The Company resolved at the board of directors' meeting held on May 23, 2018 to submit a proposal for consolidating the Company's shares and changing the number of shares constituting one unit to the 83rd annual general meeting of shareholders held on June 27, 2018. It was approved at this shareholders' meeting.

###### (1) Reason for share consolidation and the change in the number of shares constituting one share unit

The Japanese Stock Exchanges are promoting an action plan to unify the number of shares constituting one trading unit as 100 shares. In light of this, the number of shares constituting one share unit of the Company were changed from the current 1,000 shares to 100 shares and a share consolidation was also implemented in order to maintain a preferable price range per investment unit from ¥50 thousand to less than ¥500 thousand as announced by the stock exchanges.

###### (2) Method and ratio share consolidation

As of October 1, 2018, 10 shares will be consolidated into 1 share based on the shareholders' share numbers recorded in the shareholder register as of September 30, 2018.

###### (3) Decrease in number of shares due to share consolidation

Total number of outstanding shares before share consolidation (As of March 31, 2018)	85,086,293 shares
Decrease in number of shares due to share consolidation	76,577,664 shares
Total number of outstanding shares after share consolidation	8,508,629 shares

Asanuma Corporation  
Notes to Consolidated Financial Statements (continued)

**23. Subsequent Event (continued)**

**Share consolidation and change in number of shares constituting one share unit (continued)**

(4) Treatment for any fractional shares less than one share

In case the share consolidation results in any fractional shares less than one share, the fractional shares are collectively sold or purchased in accordance with the Companies Act, and the proceeds from the transactions will be properly allocated to the shareholders of fractional shares at the ratio of ownership.

(5) Schedule of the share consolidation and change in the number of shares constituting share unit

Resolution at the Board of Directors' meeting	May 23, 2018
Resolution at the general shareholders' meeting	June 27, 2018
Effective date for the share consolidation and change in number of shares constituting one share unit	October 1, 2018

(6) Impacts of this change on per share information

Per share information, which was calculated as if the share consolidation had been implemented as of April, 2016 for the years ended March 31, 2018 and 2017 was as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>2018</b>	2017	<b>2018</b>
Net assets	<b>¥ 4,191.01</b>	¥ 3,576.49	<b>\$ 39.45</b>
Profit attributable to owners of the parent	<b>623.31</b>	951.42	<b>5.87</b>

As there no dilutive shares, the disclosure of diluted profit attributable to owners of the parent per share has been omitted.