

Consolidated Financial Statements

Asanuma Corporation

Year ended March 31, 2019
with Independent Auditor's Report

Asanuma Corporation
Consolidated Financial Statements

Year ended March 31, 2019

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Consolidated Financial Statements

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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, 2019, 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, 2019, 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 27, 2019
Osaka, Japan

Asanuma Corporation
Consolidated Balance Sheet

March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Assets			
Current assets:			
Cash and cash deposits (<i>Notes 6, 10 and 19</i>)	¥ 23,545	¥ 39,914	\$ 212,136
Receivables:			
Notes receivable (<i>Note 19</i>)	4,484	2,500	40,400
Accounts receivable on completed construction contracts (<i>Note 7 and 19</i>)	49,788	40,010	448,581
Other accounts receivable	4,878	3,481	43,950
Allowance for doubtful accounts	(21)	(39)	(189)
	<u>59,129</u>	<u>45,952</u>	<u>532,742</u>
Inventories:			
Cost of uncompleted construction contracts	1,942	924	17,497
Real estate held for sale	34	34	307
Raw materials and supplies	15	15	135
	<u>1,991</u>	<u>973</u>	<u>17,939</u>
Other current assets	260	411	2,343
Total current assets	<u>84,925</u>	<u>87,250</u>	<u>765,160</u>
Property and equipment, at cost:			
Land (<i>Notes 8 and 10</i>)	1,808	1,831	16,289
Buildings and structures (<i>Notes 8 and 10</i>)	6,701	6,131	60,375
Machinery, equipment and vehicles	617	387	5,559
Tools, furniture and fixtures	1,426	1,200	12,848
Lease assets	4	4	36
Less accumulated depreciation	(5,222)	(4,842)	(47,049)
Construction in progress	-	78	-
Property and equipment, net	<u>5,334</u>	<u>4,789</u>	<u>48,058</u>
Investments and other assets:			
Investments in securities (<i>Notes 9, 10 and 19</i>)	8,660	9,040	78,025
Investments in an unconsolidated subsidiary and affiliates (<i>Note 19</i>)	783	128	7,055
Long-term loans receivable (<i>Note 10</i>)	113	121	1,018
Intangible assets	886	471	7,983
Deferred income taxes (<i>Note 11</i>)	567	851	5,109
Other assets	1,413	1,400	12,730
Allowance for doubtful accounts	(681)	(681)	(6,136)
Total investments and other assets	<u>11,741</u>	<u>11,330</u>	<u>105,784</u>
Total assets	<u>¥ 102,000</u>	<u>¥ 103,369</u>	<u>\$ 919,002</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2019	2018	2019
Liabilities			
Current liabilities:			
Short-term bank loans (<i>Notes 10 and 19</i>)	¥ 2,460	¥ 3,828	\$ 22,164
Current portion of long-term debt (<i>Notes 10 and 19</i>)	331	1,624	2,982
Payables:			
Notes payable (<i>Note 19</i>)	893	4,089	8,046
Accounts payable on construction contracts (<i>Note 19</i>)	29,232	26,058	263,375
Other accounts payable (<i>Note 19</i>)	2,029	3,015	18,281
	32,154	33,162	289,702
Advances received on uncompleted construction contracts	6,904	8,465	62,204
Deposits received	1,280	1,326	11,533
Income taxes payable (<i>Note 11</i>)	1,790	902	16,128
Provision for compensation for completed construction	501	532	4,514
Provision for loss on construction contracts (<i>Note 15</i>)	5	57	45
Other current liabilities	5,722	5,775	51,554
Total current liabilities	51,147	55,671	460,826
Long-term liabilities:			
Long-term debt (<i>Notes 10 and 19</i>)	8,904	7,955	80,223
Liability for retirement benefits (<i>Note 12</i>)	4,343	4,319	39,130
Deferred income taxes (<i>Note 11</i>)	13	7	117
Other long-term liabilities	126	193	1,135
Total long-term liabilities	13,386	12,474	120,605
Total liabilities	64,533	68,145	581,431
Net assets			
Shareholders' equity (<i>Note 14</i>):			
Common stock:			
Authorized – 29,356,500 shares			
Issued – 8,508,629 and 85,086,293 shares in 2019 and 2018	9,615	9,615	86,629
Capital surplus	2,167	2,167	19,524
Retained earnings	23,616	20,778	212,776
Less treasury stock, at cost	(1,149)	(146)	(10,352)
Total shareholders' equity	34,249	32,414	308,577
Accumulated other comprehensive income:			
Net unrealized holding gain on investments in securities	3,334	3,070	30,039
Foreign currency translation adjustments	(8)	–	(72)
Retirement benefits liability adjustments (<i>Note 12</i>)	(293)	(376)	(2,640)
Total accumulated other comprehensive income	3,033	2,694	27,327
Non-controlling interests	185	116	1,667
Total net assets	37,467	35,224	337,571
Total liabilities and net assets	¥102,000	¥ 103,369	\$ 919,002

See accompanying notes to consolidated financial statements.

Asanuma Corporation
Consolidated Statement of Income

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2019	2018	2019
Net sales (<i>Note 23</i>):			
Construction contracts	¥ 134,195	¥ 142,182	\$ 1,209,073
Other	1,518	1,253	13,677
	135,713	143,435	1,222,750
Cost of sales (<i>Notes 15</i>):			
Construction contracts	121,090	127,334	1,090,999
Other	1,298	942	11,695
	122,388	128,276	1,102,694
Gross profit:			
Construction contracts	13,105	14,848	118,074
Other	220	311	1,982
	13,325	15,159	120,056
Selling, general and administrative expenses (<i>Note 16</i>)	7,624	7,206	68,691
Operating income (<i>Note 23</i>)	5,701	7,953	51,365
Other income (expenses):			
Interest and dividends income	217	231	1,955
Foreign exchange gains (losses), net	29	(58)	261
Interest expenses	(190)	(235)	(1,712)
Guarantee fees	(42)	(39)	(378)
Commission fees	(127)	(279)	(1,144)
Gain on sales of investments in securities (<i>Note 9</i>)	469	–	4,226
Loss on impairment of property and equipment (<i>Note 8 and 23</i>)	(57)	(23)	(514)
Other, net	25	36	225
Profit before income taxes	6,025	7,586	54,284
Income taxes (<i>Note 11</i>):			
Current	1,797	1,462	16,191
Deferred	60	895	540
	1,857	2,357	16,731
Profit	4,168	5,229	37,553
Profit attributable to:			
Non-controlling interests	(10)	7	(90)
Owners of parent	¥ 4,178	¥ 5,222	\$ 37,643

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Comprehensive Income

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Profit	¥ 4,168	¥ 5,229	\$ 37,553
Other comprehensive income (<i>Note 17</i>):			
Net unrealized holding gain on investments in securities	264	356	2,379
Foreign currency translation adjustments	(8)	–	(72)
Retirement benefits liability adjustments	83	408	748
Total other comprehensive income	339	764	3,055
Comprehensive income	¥ 4,507	¥ 5,993	\$ 40,608
Comprehensive income attributable to:			
Owners of parent	¥ 4,517	¥ 5,985	\$ 40,698
Non-controlling interests	(10)	8	(90)

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2019

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	¥ 9,615	¥ 2,166	¥ 16,394	¥ (142)	¥ 28,033
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 April 1, 2018	9,615	2,167	20,778	(146)	32,414
Profit attributable to owners of parent	–	–	4,178	–	4,178
Cash dividends	–	–	(1,340)	–	(1,340)
Purchases of treasury stock	–	–	–	(1,003)	(1,003)
Sales of treasury stock	–	0	–	0	0
Net change in items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2019	¥ 9,615	¥ 2,167	¥ 23,616	¥ (1,149)	¥ 34,249

Millions of yen

	Net unrealized holding gain on investments in securities	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2017	¥ 2,714	¥ –	¥ (784)	¥ 1,930	¥ 108	¥ 30,071
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	356	–	408	764	8	772
Balance at April 1, 2018	3,070	–	(376)	2,694	116	35,224
Profit attributable to owners of parent	–	–	–	–	–	4,178
Cash dividends	–	–	–	–	–	(1,340)
Purchases of treasury stock	–	–	–	–	–	(1,003)
Sales of treasury stock	–	–	–	–	–	0
Net change in items other than shareholders' equity	264	(8)	83	339	69	408
Balance at March 31, 2019	¥ 3,334	¥ (8)	¥ (293)	¥ 3,033	¥ 185	¥ 37,467

Asanuma Corporation

Consolidated Statement of Changes in Net Assets (Continued)

Year ended March 31, 2019

Thousands of U.S. dollars (Note 2)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2018	\$ 86,629	\$ 19,524	\$ 187,206	\$ (1,315)	\$ 292,044
Profit attributable to owners of parent	–	–	37,643	–	37,643
Cash dividends	–	–	(12,073)	–	(12,073)
Purchases of treasury stock	–	–	–	(9,037)	(9,037)
Sales of treasury stock	–	0	–	0	0
Net change in items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2019	<u>\$ 86,629</u>	<u>\$ 19,524</u>	<u>\$ 212,776</u>	<u>\$ (10,352)</u>	<u>\$ 308,577</u>

Thousands of U.S. dollars (Note 2)

	Net unrealized holding gain on investments in securities	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2018	\$ 27,660	\$ –	\$ (3,388)	\$ 24,272	\$ 1,046	\$ 317,362
Profit attributable to owners of parent	–	–	–	–	–	37,643
Cash dividends	–	–	–	–	–	(12,073)
Purchases of treasury stock	–	–	–	–	–	(9,037)
Sales of treasury stock	–	–	–	–	–	0
Net change in items other than shareholders' equity	<u>2,379</u>	<u>(72)</u>	<u>748</u>	<u>3,055</u>	<u>621</u>	<u>3,676</u>
Balance at March 31, 2019	<u>\$ 30,039</u>	<u>\$ (72)</u>	<u>\$ (2,640)</u>	<u>\$ 27,327</u>	<u>\$ 1,667</u>	<u>\$ 337,571</u>

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 6,025	¥ 7,586	\$ 54,284
Adjustments for:			
Depreciation and amortization	464	405	4,181
Loss on impairment of property and equipment	57	23	514
Decrease in allowance for doubtful accounts	(17)	(9)	(153)
Decrease in provision for loss on construction contracts	(52)	(197)	(469)
Increase in liability for retirement benefits	142	530	1,279
Interest and dividends income	(217)	(231)	(1,955)
Interest expenses	190	235	1,712
Foreign exchange (gains) losses, net	(29)	58	(261)
Gain on sales of investments in securities	(469)	–	(4,226)
(Increase) decrease in notes receivable and accounts receivable on completed construction contracts	(11,248)	52	(101,342)
(Increase) decrease in inventories	(1,019)	1,764	(9,181)
(Increase) decrease in other accounts receivable	(1,380)	(1,246)	(12,434)
(Decrease) increase in notes payable and accounts payable on construction contracts	(224)	(1,738)	(2,018)
(Decrease) increase in other accounts payable	(1,113)	(5,712)	(10,028)
Increase (decrease) in advances received on uncompleted construction contracts	(1,561)	871	(14,064)
Other, net	178	1,682	1,603
Subtotal	(10,273)	4,073	(92,558)
Interest and dividends received	214	228	1,928
Interest paid	(202)	(247)	(1,820)
Income taxes paid	(1,159)	(914)	(10,442)
Net cash (used in) provided by operating activities	(11,420)	3,140	(102,892)
Cash flows from investing activities:			
Purchases of property and equipment	(848)	(533)	(7,640)
Payments for purchase of shares of subsidiary resulting in change in scope of consolidation (<i>Note 6</i>)	(499)	–	(4,496)
Purchases of intangible assets	(342)	(193)	(3,081)
Purchases of investments in securities	(419)	(9)	(3,775)
Proceeds from sales of investment securities	1,078	–	9,712
Collection of loans receivable	11	11	99
Payments for guarantee deposits	(22)	(15)	(198)
Proceeds from collection of guarantee deposits	9	40	81
Other, net	(5)	1	(45)
Net cash used in investing activities	¥ (1,037)	¥ (698)	\$ (9,343)

Asanuma Corporation

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2019	2018	2019
Cash flows from financing activities:			
Decrease in short-term bank loans, net	¥ (1,368)	¥ (3,840)	\$ (12,325)
Proceeds from long-term debt	700	5,963	6,307
Repayment of long-term debt	(1,694)	(3,558)	(15,263)
Proceeds from issuance of bonds	634	–	5,712
Cash dividends paid	(1,209)	(754)	(10,893)
Other, net	(1,004)	(2)	(9,046)
Net cash used in financing activities	(3,941)	(2,191)	(35,508)
Effect of exchange rate changes on cash and cash equivalents	29	(57)	261
Net (decrease) increase in cash and cash equivalents	(16,369)	194	(147,482)
Cash and cash equivalents at beginning of year	39,914	39,720	359,618
Cash and cash equivalents at end of year (Note 6)	¥ 23,545	¥ 39,914	\$ 212,136

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Notes to Consolidated Financial Statements

March 31, 2019

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.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended March 31, 2018 to the 2019 presentation. Such reclassifications had no effect on consolidated profit or cash flow.

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 ¥110.99 = U.S.\$1.00, the exchange rate prevailing on March 31, 2019. 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.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

3. Principles of Consolidation

At March 31, 2019 and 2018, the Company had 7 and 6 subsidiaries, respectively. The consolidated financial statements for the years ended March 31, 2019 and 2018 include the accounts of the Company and its 6 and 5 subsidiaries, respectively.

At October 19, 2018, the Company acquired equity shares of SINGAPORE PAINTS & CONTRACTOR PTE. LTD., which was newly included in the scope of consolidation during the fiscal year ended March 31, 2019. As the acquisition date is deemed to be December 31, 2019, and as the intervening period does not exceed three months from the Company's fiscal year end, solely the acquiree's balance sheet is consolidated.

The Company applied the equity method to its investments in 3 affiliates, at March 31, 2019 and 2018 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.

The balance sheet date of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. is December 31. Necessary adjustments were made to the subsidiary's balance sheet to reflect any significant intercompany transactions during the period from January 1 through March 31.

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.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(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.

(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.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(h) Bonds issuance expenses

Issuance expenses of bonds are charged to income as incurred.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(m) 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. 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.

(n) Goodwill

Goodwill is being amortized on a straight-line basis over the estimated period of benefit. The goodwill resulting from the acquisition of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. is being amortized over seven years.

(o) 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 ¥131,810 million (\$1,187,584 thousand) and ¥139,690 million for the years ended March 31, 2019 and 2018, respectively.

5. Change in Method of Presentation

(Partial Amendments to Accounting Standard for Tax Effect Accounting)

Effective April 1, 2018, “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28 issued on February 16, 2018) has been adopted.

Under ASBJ Statement No.28, deferred income taxes, which had been previously classified as current assets and current liabilities, are classified as investments and other assets and long-term liabilities, respectively.

As a result, deferred income taxes of ¥ 896 million and ¥ 47 million, which were previously presented under current assets and long-term liabilities, respectively, as of March 31, 2018, were included in deferred income taxes of ¥ 851 million under investments and other assets. Furthermore, deferred income taxes of ¥7 million were presented under long-term liabilities as of March 31, 2018.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

6. Cash and Cash Equivalents

A reconciliation of cash and deposits in the accompanying consolidated balance sheets at March 31, 2019 and 2018 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,	
	2019	2019
Cash and cash deposits	¥ 23,545	¥ 39,914
Cash and cash equivalents	¥ 23,545	\$ 212,136

Assets acquired and liabilities assumed of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. as of deemed acquisition date, acquisition cost of shares and payment for acquisition of shares are summarized as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2019	2019
Current assets	¥ 562	\$ 5,064
Property and equipment, at cost	102	919
Investments and other assets	7	63
Goodwill	198	1,784
Current liabilities	(235)	(2,118)
Long-term liabilities	(36)	(324)
Translation adjustments	7	63
Non-controlling interests	(79)	(712)
Acquisition cost of shares	526	4,739
Cash and cash equivalents	(27)	(243)
Payment for acquisition of shares	¥ 499	\$ 4,496

7. Notes Receivables

The balance sheet date for the year ended March 31, 2019 fell on a bank holiday. Consequently, notes receivable of ¥1 million (\$9 thousand) with a due date of March 31, 2019 were included in the balance in the consolidated balance sheet at March 31, 2019 and were settled on the next business day.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

8. Loss on Impairment of Property and Equipment

Loss on impairment of property and equipment for the years ended March 31, 2019 and 2018 are as follows:

Location	Main use	Class	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
			2019	
Saitama Prefecture	Business assets	Buildings	¥ 34	\$ 306
Saitama Prefecture	Business assets	Land	23	208

Location	Main use	Class	<i>Millions of yen</i>
			2018
Osaka Prefecture	Leasing	Buildings	¥ 23

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, 2019 and 2018, 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 wrote down the carrying values of these assets to the recoverable amounts and recognized losses on impairment of property and equipment of ¥57 million (\$514 thousand) and ¥23 million respectively.

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

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

9. Investments in Securities

At March 31, 2019 and 2018, marketable securities classified as held-to-maturity debt securities were as follows:

<i>Millions of yen</i>					
2019			2018		
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					
¥ 15	¥ 16	¥ 1	¥ 15	¥ 16	¥ 1
¥ 15	¥ 16	¥ 1	¥ 15	¥ 16	¥ 1

<i>Thousands of U.S. dollars</i>		
2019		
Carrying value	Estimated fair value	Unrealized gain
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:		
Government and municipal bonds		
\$ 135	\$ 144	\$ 9
\$ 135	\$ 144	\$ 9

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

9. Investments in Securities (continued)

At March 31, 2019 and 2018, marketable securities classified as other securities were as follows:

	<i>Millions of yen</i>					
	2019			2018		
	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	¥ 8,379	¥ 3,574	¥ 4,805	¥ 8,037	¥ 3,751	¥ 4,286
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	206	274	(68)	206	207	(1)
	¥ 8,585	¥ 3,848	¥ 4,737	¥ 8,243	¥ 3,958	¥ 4,285

	<i>Thousands of U.S. dollars</i>		
	2019		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 75,494	\$ 32,201	\$ 43,293
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	1,856	2,469	(613)
	\$ 77,350	\$ 34,670	\$ 42,680

The proceeds from sales of, and gross realized gain on investments in securities for the year ended March 31, 2019 are summarized as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2019	2019
Proceeds from sales	¥ 1,000	\$ 9,010
Gross realized gain	469	4,226

Refer to Note 19 “Financial Instruments” for the redemption schedule at March 31, 2019 for held-to-maturity debt securities.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

10. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans had average interest rates of 1.66% and 1.73% at March 31, 2019 and 2018, respectively.

Long-term debt at March 31, 2019 and 2018 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Unsecured loans due through 2034 at rates ranging from 1.51% to 2.59%	¥ 42	¥ 48	\$ 378
Secured loans due through 2034 at rates ranging from 0.33% to 1.59%	8,543	9,531	76,971
1.37% unsecured bond due March 31, 2025	650	-	5,856
Total	9,235	9,579	83,205
Less current portion included in current liabilities	(331)	(1,624)	(2,982)
	¥ 8,904	¥ 7,955	\$ 80,223

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 are summarized as follows:

<u>Years ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2020	¥ 331	\$ 2,982
2021	338	3,045
2022	337	3,036
2023	1,047	9,433
2024 and thereafter	7,182	64,709
	¥ 9,235	\$ 83,205

Assets pledged at March 31, 2019 and 2018 as collateral for lines of credit of the Company and bank overdraft are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Cash and cash deposits	¥ 4	¥ 218	\$ 36
Buildings and structures	648	1,679	5,838
Land	957	1,451	8,623
Investments in securities	7,345	6,969	66,177
	¥ 8,954	¥ 10,317	\$ 80,674

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, 2019 and 2018 amounted to ¥4,091 million (\$36,859 thousand) and ¥6,350 million as collateral for loans of ¥3,543 million (\$31,922 thousand) and ¥4,731 million, respectively.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

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

Assets of the Company pledged at March 31, 2019 and 2018 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>
	2019	2018	2019
Investments in securities	¥ 118	¥ 105	\$ 1,063
Long-term loans receivable	105	113	946
	¥ 223	¥ 218	\$ 2,009

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, 2019 and 2018 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Lines of credit	¥ 10,000	¥ 10,000	\$ 90,098
Credit utilized	-	-	-
Available credit	¥ 10,000	¥ 10,000	\$ 90,098

11. 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 rates of approximately 30.4% and 30.7% for the years ended March 31, 2019 and 2018, respectively.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2019 and 2018 as a percentage of profit before income taxes is summarized as follows:

	2019	2018
Statutory tax rates	30.4%	30.7%
Permanently non-tax-deductible expenses	1.4	0.9
Permanently non-taxable income	(0.1)	(0.2)
Per capita portion of inhabitants' taxes	1.8	1.5
Tax credit for corporation tax	(1.9)	(1.8)
Valuation allowance	(0.5)	(0.2)
Other	(0.3)	0.2
Effective tax rates	30.8%	31.1%

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2019 and 2018 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Deferred tax assets:			
Allowance for doubtful accounts	¥ 214	¥ 219	\$ 1,928
Provision for compensation for completed construction	152	162	1,370
Inventories	23	23	207
Provision for loss on construction contracts	1	17	9
Liability for retirement benefits	1,321	1,314	11,902
Loss on impairment of fixed assets	484	468	4,361
Loss on revaluation of investments in securities	45	95	405
Tax loss carryforwards	15	–	135
Other	793	882	7,145
Gross deferred tax assets	3,048	3,180	27,462
Less valuation allowance	(907)	(939)	(8,172)
Total deferred tax assets	2,141	2,241	19,290
Deferred tax liabilities:			
Unrealized holding gain on investments in securities	(1,406)	(1,218)	(12,668)
Deferred capital gains on property	(174)	(178)	(1,568)
Other	(7)	(1)	(62)
Total deferred tax liabilities	(1,587)	(1,397)	(14,298)
Net deferred tax assets	¥ 554	¥ 844	\$ 4,992

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

12. 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.

2. Defined benefit plans

(1) The changes in retirement benefit obligation for the years ended March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Balance at the beginning of the year	¥ 10,671	¥ 10,692	\$ 96,144
Service cost	402	395	3,622
Interest cost	108	107	973
Actuarial loss	154	20	1,387
Benefit paid	(627)	(543)	(5,649)
Balance at the end of the year	<u>¥ 10,708</u>	<u>¥ 10,671</u>	<u>\$ 96,477</u>

(2) The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Balance at the beginning of the year	¥ 6,351	¥ 6,316	\$ 57,221
Expected return on plan assets	127	126	1,144
Actuarial gain (loss)	(62)	19	(558)
Contributions by the employer	342	272	3,081
Benefit paid	(393)	(381)	(3,541)
Balance at the end of the year	<u>¥ 6,365</u>	<u>¥ 6,352</u>	<u>\$ 57,347</u>

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

2. Defined benefit plans (continued)

(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, 2019 and 2018 for the Company's and the consolidated subsidiary's defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Funded retirement benefit obligation	¥ 6,349	¥ 6,364	\$ 57,203
Plan assets at fair value	(6,365)	(6,352)	(57,347)
	(16)	12	(144)
Unfunded retirement benefit obligation	4,359	4,307	39,274
Liability recognized in the consolidated balance sheet	¥ 4,343	¥ 4,319	\$ 39,130

(4) The components of retirement benefit expense for the years ended March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Service cost	¥ 402	¥ 395	\$ 3,622
Interest cost	108	107	973
Expected return on plan assets	(127)	(126)	(1,144)
Amortization of actuarial gain and loss	335	588	3,018
Retirement benefit expense	¥ 718	¥ 964	\$ 6,469

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Actuarial gain	¥ 118	¥ 587	\$ 1,063

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

2. Defined benefit plans (continued)

- (6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Unrecognized actuarial gain	¥ 422	¥ 540	\$ 3,802

- (7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 are as follows:

	2019	2018
Debt securities	84%	84%
Equity securities	15	15
Cash and cash deposits	1	1
Total	100%	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:

	2019	2018
Discount rate	1.0%	1.0%
Expected long-term rate of return on plan assets	2.0%	2.0%
Estimated rate of salary increase	9.1%	9.1%

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

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

3. Defined contribution pension plan

Information on contributions to the defined contribution pension plan for the years ended March 31, 2019 and 2018 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Contributions to the defined contribution pension plan	¥ 167	¥ 166	\$ 1,505

13. 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 years ended March 31, 2019 and 2018, instead of recording asset retirement obligations.

14. 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)

14. Shareholders' Equity (continued)

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2019 and 2018 are summarized as follows:

	Number of shares			March 31, 2019
	2019			
	April 1, 2018	Increase	Decrease	
Shares of common stock in issue	85,086,293	–	76,577,664	8,508,629
Treasury stock	1,316,083	318,045	1,187,746	446,382

The decrease in common stock of 76,577,664 shares is due to the consolidation of ten shares into one share on October 1, 2018.

The increase in treasury stock consists of 313,600 shares due to purchase of shares based on the resolution of the Board of Directors' meeting, 467 shares due to the purchase of fractional shares of less than one voting unit resulting from the consolidation of shares and 3,978 shares due to purchase of shareholders owning less than one voting unit.

The decrease in treasury stock of 1,187,708.4 shares is due to the consolidation of shares, 0.6 shares due to disposal of fractional shares of less than one voting unit resulting from the consolidation of shares and 37 shares due to sales of shares at requests of shareholders owning less than one voting unit.

As the Company resolved at the Board of Directors' meeting held on May 10, 2019, to retire a portion of its treasury stock in the carrying amount of ¥1,107 million (\$9,974 thousand) corresponding to 430,000 shares of common stock pursuant to Article 178 of the Companies Act of Japan, its cancellation procedures have not yet been completed by the end of the fiscal year ended March 31, 2019.

	Number of shares			March 31, 2018
	2018			
	April 1, 2017	Increase	Decrease	
Shares of common stock in issue	85,086,293	–	–	85,086,293
Treasury stock	1,309,647	8,848	2,412	1,316,083

The increase 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.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

15. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2019 and 2018 amounted to ¥5 million (\$45 thousand) and ¥57 million, respectively.

16. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2019 and 2018 amounted to ¥320 million (\$2,883 thousand) and ¥230 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, 2019 and 2018:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Net unrealized holding gain on investments in securities:			
Amount arising during the year	¥ 925	¥ 512	\$ 8,334
Reclassification adjustments for loss realized in the statement of income	(468)	–	(4,217)
Before tax effect	457	512	4,117
Tax effect	(193)	(156)	(1,738)
Net unrealized holding gain on investments in securities, net	264	356	2,379
Foreign currency translation adjustments, net	(8)	–	(72)
Retirement benefits liability adjustments:			
Amount arising during the year	(201)	1	(1,811)
Reclassification adjustments for loss realized in the statement of income	319	586	2,874
Before tax effect	118	587	1,063
Tax effect	(35)	(179)	(315)
Retirement benefits liability adjustments, net	83	408	748
Total other comprehensive income	¥ 339	¥ 764	\$ 3,055

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

18. Leases

Future minimum lease payments subsequent to March 31, 2019 under non-cancellable operating leases are summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2020	¥ 231	\$ 2,081

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 and issuing bonds. 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, long-term debt and bonds 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.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

(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.

The carrying value, estimated fair value and the difference between them as of March 31, 2019 and 2018 are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	<i>Millions of yen</i>		
	2019		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	¥ 23,545	¥ 23,545	¥ –
Notes receivable and accounts receivable on completed construction contracts	54,272	54,629	357
Investments in securities	8,600	8,601	1
Total assets	¥ 86,417	¥ 86,775	¥ 358
Notes payable and accounts payable on construction contracts	¥ 30,125	¥ 30,125	¥ –
Short-term bank loans and current portion of long-term debt	2,791	2,790	(1)
Long-term debt :			
Bonds	650	650	–
Long-term loans	8,254	8,265	11
Total liabilities	¥ 41,820	¥ 41,830	¥ 10

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

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

	<i>Millions of yen</i>		
	2018		
	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
Total assets	¥ 90,682	¥ 91,071	¥ 389
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
Total liabilities	¥ 43,554	¥ 43,873	¥ 319
	<i>Thousands of U.S. dollars</i>		
	2019		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	\$ 212,136	\$ 212,136	\$ –
Notes receivable and accounts receivable on completed construction contracts	488,981	492,197	3,216
Investments in securities	77,485	77,494	9
Total assets	\$ 778,602	\$ 781,827	\$ 3,225
Notes payable and accounts payable on construction contracts	\$ 271,421	\$ 271,421	\$ –
Short-term bank loans and current portion of long-term debt	25,146	25,137	(9)
Long-term debt :			
Bonds	5,856	5,856	–
Long-term loans	74,367	74,466	99
Total liabilities	\$ 376,790	\$ 376,880	\$ 90

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

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

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.

Bonds

The estimated fair value of bonds issued by the Company is based on present value determined by discounting the principal and interest amount with the interest rate expected in the case of a new bond issuance.

Long-term debt

The estimated fair values of long-term debt are based on present value determined by discounting the principal and interest amount with the interest rate expected case of new bond issuance. 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 Note 20 “Derivatives” for fair value information at March 31, 2019 and 2018 of derivative transactions.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

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

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

Unlisted equity securities of ¥843 million (\$7,595 thousand) and ¥910 million included in “Investments in securities” and “Investments in an unconsolidated subsidiary and affiliates” in the consolidated balance sheets at March 31, 2019 and 2018, 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, 2019 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	¥ 23,541	¥ –	¥ –	¥ –
Notes receivable and accounts receivable on completed construction contracts	51,027	1,309	1,936	–
Investments in securities: Held-to-maturity debt securities	–	–	15	–
Total	¥ 74,568	¥ 1,309	¥ 1,951	¥ –
	<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	\$ 212,100	\$ –	\$ –	\$ –
Notes receivable and accounts receivable on completed construction contracts	459,744	11,794	17,443	–
Investments in securities: Held-to-maturity debt securities	–	–	135	–
Total	\$ 671,844	\$ 111,794	\$ 17,578	\$ –

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

20. Derivatives

There were no derivative contracts outstanding at March 31, 2019.

The estimated fair value of the derivative contracts outstanding qualified for deferral hedge accounting at March 31, 2018 is summarized as follows:

Interest-rate related transactions

			<i>Millions of yen</i>		
			2018		
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	¥ –	(*)

* 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, 2019 and 2018 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2019	2018	2019
Net assets	¥ 4,624.16	¥ 4,191.01	\$ 41.66
Profit attributable to owners of parent	504.87	623.31	4.55
Cash dividends	16.00	10.00	0.14

Information used in the computation of profit attributable to owners of parent per share for the years ended March 31, 2019 and 2018 is presented as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Profit attributable to owners of parent	¥ 4,178	¥ 5,222	\$ 37,643
Profit not attributable to common shareholders	—	—	—
Profit attributable to owners of parent applicable to common shareholders	¥ 4,178	¥ 5,222	\$ 37,643

	<i>Thousands of shares</i>	
	2019	2018
Weighted-average number of shares of common stock used in the calculation	8,276	8,377

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.

Effective on October 1, 2018, the Company executed the consolidation of ten shares into one share. Per share information was calculated under the assumption that the stock consolidation had taken effect at the beginning of the previous fiscal year.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

22. Business Combination through Acquisition

a. Outline of the business combination

1) Name and business description of acquiree

Name: SINGAPORE PAINTS & CONTRACTOR PTE. LTD.

Business description: Building painting and repair contracting

2) Primary reasons for business combination

SINGAPORE PAINTS & CONTRACTOR PTE. LTD. is a building painting and repair contracting company in Singapore. As the three-year medium-term plan stated to strive to strengthen its overseas business and to expand its business, including mergers and acquisitions as an option, with the aim of developing a renovation business in the ASEAN region, the Company made SINGAPORE PAINTS & CONTRACTOR PTE. LTD. into a subsidiary as the first step.

3) Date of the business combination

Acquisition date: October 19, 2018

Deemed acquisition date: December 31, 2018

4) Legal form of the business combination

Acquisition of shares

5) Company name after the business combination

No change

6) Voting rights acquired through the business combination

80%

7) Principal basis for determination of the acquiring company

The Company acquired shares of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. for cash.

b. Period of the operating results of the acquired company included in the accompanying consolidated financial statements.

The Company uses the financial statements as of the acquiree's latest fiscal year end for consolidation purposes since the intervening period from the deemed acquisition date does not exceed three months from the Company's fiscal year end. As the acquisition date is deemed to be December 31, 2018, solely the acquiree's balance sheet is consolidated, and the acquiree's operating results are not included in the consolidated statement of income for the fiscal year ended March 31, 2019.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

22. Business Combination through acquisition (continued)

- c. Acquisition cost of the acquired company and details of the type of consideration

Acquisition cost consists of cash and cash deposit in the amounts of ¥526 million (\$4,739 thousand)

- d. Major acquisition-related costs and nature

Advisory fees and other: ¥55 million (\$496 thousand)

- e. Amount of assets acquired and liabilities assumed as of the date of business combination and major breakdown

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2019	2019
Current assets	¥ 562	\$ 5,064
Property and equipment, at cost	102	919
Investments and other assets	7	63
Total assets	¥ 671	\$ 6,046
Current liabilities	¥ 235	\$ 2,118
Long-term liabilities	36	324
Total liabilities	¥ 271	\$ 2,442

While provisional accounting treatment for the business combination based on reasonably available information was applied up to the end of third quarter, the finalization of the acquisition cost allocation was completed during the fiscal year ended March 31, 2019.

- f. Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period

(1) Amount of goodwill

As the allocation of the acquisition cost was completed, the amount of goodwill was determined in the amount of ¥ 198 million (\$1,784 thousand) which is included in the other assets.

(2) Reason for generation of goodwill

Goodwill resulted from the acquiree's excess earning power that the Company expects to realize in business operations in the future.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

22. Business Combination through acquisition (continued)

- f. Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period (continued)

(3) Method of amortization and amortization period

Straight-line method over 7 years

- g. Estimated impact on the consolidated statement of income for the year ended March 31, 2019 assuming the business combination was completed at the beginning of the year ended March 31, 2019 and the calculation method

The impact and calculation method have been omitted as immaterial

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

23. 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>							
2019							
Reporting Segments							
	Building Construction	Civil Engineering	Total	Others	Sub total	Adjustments	Total
Net sales and income:							
Sales to third parties	¥ 109,116	¥ 25,079	¥ 134,195	¥ 1,518	¥ 135,713	¥ -	¥ 135,713
Intersegment sales	-	-	-	5	5	(5)	-
Net sales	<u>109,116</u>	<u>25,079</u>	<u>134,195</u>	<u>1,523</u>	<u>135,718</u>	<u>(5)</u>	<u>135,713</u>
Segment income	¥ 10,436	¥ 2,669	¥ 13,105	¥ 30	¥ 13,135	¥ (7,434)	¥ 5,701

<i>Millions of yen</i>							
2018							
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

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

23. 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>						
	2019						
	Reporting Segments						
	Building Construction	Civil Engineering	Total	Others	Sub total	Adjustments	Total
Net sales and income:							
Sales to third parties	\$ 983,116	\$ 225,957	\$1,209,073	\$ 13,677	\$ 1,222,750	\$ –	\$1,222,750
Intersegment sales	–	–	–	45	45	(45)	–
Net sales	<u>\$ 983,116</u>	<u>\$ 225,957</u>	<u>\$1,209,073</u>	<u>\$ 13,722</u>	<u>\$ 1,222,795</u>	<u>\$ (45)</u>	<u>\$1,222,750</u>
Segment income	\$ 94,027	\$ 24,047	\$ 118,074	\$ 270	\$ 118,344	\$ (66,979)	\$ 51,365

“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 ¥7,434 million (\$66,979 thousand) and ¥7,025 million for the years ended March 31, 2019 and 2018 include eliminations of intersegment transactions of ¥1 million (\$9 thousand) and ¥1 million and corporate expenses of ¥7,433 million (\$66,970 thousand) and ¥7,024 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, 2019 and 2018 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, 2019 and 2018 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)

23. Segment Information (continued)

b. Related information (continued)

(3) Information by major customers

Disclosure of information by major customers for years ended March 31, 2019 and 2018 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>						
2019						
Reporting Segments						
	Building Construction	Civil Engineering	Total	Other	Elimination and corporate	Total
Loss on impairment of property and equipment	¥ –	¥ –	¥ –	¥ –	¥ 57	¥ 57
<i>Millions of yen</i>						
2018						
Reporting Segments						
	Building Construction	Civil Engineering	Total	Other	Elimination and corporate	Total
Loss on impairment of property and equipment	¥ –	¥ –	¥ –	¥ 23	¥ –	¥ 23
<i>Thousands of U.S. dollars</i>						
2019						
Reporting Segments						
	Building Construction	Civil Engineering	Total	Other	Elimination and corporate	Total
Loss on impairment of property and equipment	\$ –	\$ –	\$ –	\$ –	\$ 514	\$ 514

d. Information on amortization of goodwill and remaining unamortized balance

Goodwill is not allocated to reporting segments. Amortization of goodwill and remaining unamortized balance as at March 31, 2019 and for the year then ended was nil and ¥198 million (\$1,784 thousand), respectively.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

24. 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, 2019, was approved at the annual general meeting of the shareholders of the Company held on June 26, 2019.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends of ¥153 (\$1.38) per share	¥ 1,234	\$ 11,118

2. Retirement of treasury stock

The Company resolved at the Board of Directors' meeting held on May 10, 2019, to retire a portion of its treasury stock as stated below pursuant to Article 178 of the Companies Act of Japan.

Reason for retirement of the Company's treasury stock:
To return profit to shareholders

Outline of retirement:

(1) Type of shares

Common stock of the Company

(2) Number of shares to be retired

430,000 shares (The ratio to the aggregate number of issued shares (including treasury stock) before cancellation: 5.05%)

(3) Scheduled retirement date

May 31, 2019

Aggregate number of the Company's issued shares

Before retirement: 8,508,629 shares

After retirement: 8,078,629 shares