

Maeda Corporation



MAEDA

ANNUAL REPORT 2018



FOR THE YEAR ENDED MARCH 31, 2018



Building and Civil Engineering for the World

Maeda Corporation Profile

Maeda Corporation is a comprehensive building and civil engineering contractor founded in Japan in 1919 and operating internationally since 1963. With accumulated expertise and know-how in areas such as cost reduction, functional enhancement, and risk avoidance, Maeda serves complete project needs, from planning and design through construction to maintenance.

Now with over 4,000 employees, Maeda has built a portfolio of civil engineering projects around the world, from dams, railways, subways, tunnels, and subterranean works to highways and bridges, from water supply systems, to hydro, thermal, and nuclear power stations. Maeda also constructs public and commercial buildings such as schools, office buildings, and hospitals, along with other related services.

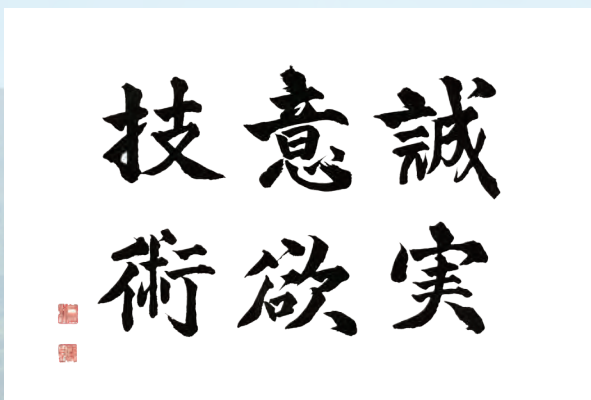
In addition, founded upon its conventional construction business, Maeda is expanding into a broader range of businesses that include electricity generation from renewable energy and infrastructure management for toll road and airport projects.

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Corporate Motto, enacted in January 1968



“Integrity”

As long as a company remains in business, it has to produce a profit. However, focusing only on profit prevents the company from continuing. Only when the company has integrity and interacts with clients, will the business last and develop.

Integrity is fundamental to a business.

“Willingness”

Work, it requires a strong self-discipline.

Without confidence that we are the best in technology, pricing and scheduling and without willingness to push ourselves to overcome difficulties, any work could not be completed.

The point is willingness.

Willingness to work strengthens our minds and is indispensable to both our business and personal life.

“Technology”

Maeda features its technology.

We are strongly hoping that our workmanship instantly reveals that the work was done by Maeda.

It is our technology that others want to learn from Maeda and not that Maeda has learned from others.

This is our advantage.

Forward-looking statements

This annual report contains forward-looking statements regarding the Maeda Corporation future plans and strategies, as well as its results, estimates, and forecasts. These statements are not based on historical fact, but represent management's assumptions and beliefs based on information currently available, and involve certain risks and uncertainties. Potential risks and uncertainties include, but are not limited to, intense competition, market demand, and various regulations relevant to the construction industry. Actual results and business performance may differ materially from these statements. Accordingly, investors are cautioned not to base investment decisions exclusively on forward-looking statements.

The History of Maeda Corporation

Maeda's history began with the construction of a hydroelectric power plant in 1919. Just about 100 years later, Maeda is today broadly active internationally in construction of dams, tunnels, and high-rise buildings, with demonstrated capabilities and an earned reputation for reliability.

In 1963, Maeda, having established a strong track record in Japan, won an order in international competitive bidding for the Kwai Chung Development Project in Hong Kong. The objective for what was phase two of construction in the comprehensive development of the Kwai Chung district, decided upon by the Government of Hong Kong, was the creation of industrial and residential land through reclamation of Gin Drinkers Bay with spoil obtained by leveling the hills on the Lai Chi Kok Peninsula to the east of the bay and the Texaco Peninsula to the west. Although construction was plagued by a continuous onslaught of typhoons and other difficulties, Maeda completed the project by the contract deadline, an accomplishment considered unusual in Hong Kong at the time. Maeda subsequently made Hong Kong a base for expansion of its overseas business activities into Southeast Asia.



Kwai Chung Development Project
Hong Kong

In the Batang Ai hydroelectric project, Maeda built a main dam and three saddle dams with a height of 85m, length of 810m, and volume of 4 million m³ on Malaysia's Sarawak Island. All four dams are concrete-face rockfill dams, a type of dam of which there were few construction examples in Japan at the time. For the main dam (the Batang Ai Dam), Maeda built a 0.3-m thick steel-reinforced concrete facing by moving slip forms at a speed of 2.5 to 3.5 meters per hour.



Batang Ai Project
Malaysia

1919

1963

1982

1955

1972

1991

Tagokura Dam
Fukushima



Tagokura Dam, a concrete gravity dam located in an upstream area of the Tadami River, was completed in November 1960. The dam height of 145m and volume of 1,985,000m³ made it the largest dam in Asia at the time. This was an enormous, make-or-break project for Maeda Corporation, which had not long before been reorganized and established as a joint-stock company in 1946, after the Second World War. The project attracted considerable attention in Japan, even becoming the subject of several novels. Maeda set a world record for concrete volume poured per day of 8,462m³.

Seikan Tunnel
Hokkaido



The 53.85-km Seikan Tunnel, which travels beneath the Tsugaru Strait and links Honshu and Hokkaido, is the world's longest undersea railway tunnel. Maeda was responsible for construction of the 14.7-km Yoshioka section, the deepest portion of the undersea section of the tunnel, located near the Hokkaido end. Construction began in 1972, and the main tunnel breakthrough occurred in March 1985 after the overcoming of problems of soft ground and water inflow at the incredible rate of 80 tons per minute.

Fukuoka Dome
Fukuoka



The retractable dome roof, made of three fan-shaped panels, is 220m in diameter and 84-m high and takes only about 20 minutes to open or close. The key to achieving the functionality of the retractable dome was construction of the complexly shaped track for the trolleys that move the dome, which is shaped like a gutter with a three-dimensional curved surface. To build the track, Maeda used a construction method adapted from tunneling technology involving the use of a large sliding frame.

Maeda was responsible for construction of Kisarazu Artificial Island (Umihotaru, photo), and the northern (eastbound) tunnel from Umihotaru to Kawasaki Artificial Island on the 15.1-km Trans-Tokyo Bay Highway, also known as the Tokyo Bay Aqua-Line, and often called the final large construction project of the 20th century. The large-diameter shield tunneling machine used for the project, the world's largest at the time, was 14.14m in outer diameter and 13.5m in length and weighed 3,200 tons. Leading-edge technologies were applied to segment assembly and direction control, including underground docking of two shield machines under the seabed.



Trans-Tokyo Bay Highway
Chiba

The Tokyo Towers is a residential project consisting of two 193.5-m high-rise buildings housing a total of 2,794 condominium units. Each tower has two underground floors and 58 aboveground floors. High-strength concrete was used for the building frames and a four-m thick concrete mat slab for the foundations. Precast concrete materials were used for the columns, beams, corridors, and floors. As an earthquake countermeasure, 576 stud-type dampers have been installed in each tower. A pool, gym, party room, mini-theater and guestrooms are available for the use of residents.



The Tokyo Towers
Tokyo

Stonecutters Bridge, which straddles Rambler Channel between Tsing Yi and Cheung Sha Wan, is a component of Route 8, which links Hong Kong International Airport and Sha Tin in Kowloon. It is one of the world's largest cable-stayed bridges: 1,596m in total length, with 298-m high towers, and a main span of 1,018m.



Stonecutters Bridge
Hong Kong

1995

2004

2007

1998

2005

2014

Hong Kong International Airport Passenger Terminal Building
Hong Kong



A five-member consortium of British, Chinese, and Japanese companies including Maeda won the order from the Airport Authority Hong Kong for construction of a passenger terminal building with a total floor area of 498,000m² on a 1,248-hectare artificial island. Hong Kong International Airport is an international hub airport that has consistently been selected as the world's best airport since 2001 by an aviation-related research firm in the U.K. Maeda has subsequently continued to win orders for projects such as area expansion construction.

Upper Kotmale Hydropower Project
Sri Lanka



Maeda's involvement in the Upper Kotmale Hydropower Project in Sri Lanka started in September 2005 with Lot 01 Preparatory Work followed by Lot 02 Main Civil Work, which started construction on January 1, 2007, and was completed on February 25, 2014. The project consists of a 36-m high dam, a headrace tunnel with a total length of 15km, and total power capacity of 150MW (two turbines generating 75MW each). In honor of the 60th anniversary of diplomatic relations between Japan and Sri Lanka, a commemorative coin engraved with an image of this dam was issued.

Iidabashi Station West Exit Type I Urban Development Project
Tokyo



Near to where it was founded, Maeda has erected a 30 storey office and commercial tower with a two level basement together with a 40 storey residential tower also with a two level basement. The design of the two towers express and combine Japanese "iki" (stylishness) through silver grey vertical louvers that face the outer moat of the Imperial Palace and the "esprit" of the area's Western culture through champagne gold horizontal louvers that face the Palace. Both buildings are designed and equipped for high-level emergencies. Maeda's headquarters are located on the 11th and 12th floors of the office tower.



Soji Maeda

President and Representative Director

Aspiring to be a company that earns the trust of all stakeholders, tomorrow as well as today

Message from the President

Seeing Opportunity in the Large-scale Transformation of Social Systems

The business environment that surrounds us is already undergoing a major transformation from technological innovation, of which AI and IoT are representative, and the change is evolving at ever-increasing speed. Concerning the effects of AI in particular, Maeda sees it as more than just an extended line of technological innovation since the industrial revolution; it also grasps its potential to effect large-scale transformation of our social system beyond what we have experienced before. This could overturn the existing frameworks in politics and economics and could well cause a major transformation of our world. I believe this transformation is rushing into the construction sector; which will not be exempt.

However, at Maeda we see opportunity in this large-scale transformation. At the same time that business is going through a radical restructuring, we aim to be a corporation that produces innovation in a new world by having each and every employee put into practice conscious innovation towards their own productivity and creativity.

Aiming to Realize a Sustainable Society in the Midst of an Unsettled World Order

Turning our eyes to the greater world, we see that the various disparities arising from the forward march of globalization have come to shake the core of our social system of democracy and capitalism. The effects are also borne by Japan, which, in addition to its shrinking population and super-aging society, is grappling with the social issues distinctive to mature societies.

In this type of environment, Maeda has placed CSV management as a major precept of its business management starting in the fiscal year ended March 31, 2017, and played its part in solving social issues through its main businesses. By

grasping the social issues faced by our partners and proposing measures to solve them, we have launched various initiatives connected to the creation of social value. So that these initiatives can lead to prompt solutions to increasingly complex social issues, we seek innovative solutions through cooperation with various partners such as businesses from other industries and venture companies.

We have initiated efforts under our vision of a society, which has undergone a large-scale transformation that does more than just extend the line from the past, and the social issues that could well emerge because of this. The future is naturally something that cannot be predicted by anyone, yet each and every employee must address social issues while holding some type of vision of a harmonious future society. Their responses continue to be given a concrete shape through their work, and I believe these actions will lead to the growth of Maeda and its partners and to a relationship of trust and the lasting satisfaction of all stakeholders including those in the future.

Towards the Next 100 years

Maeda is approaching the 100th anniversary of its founding, in January 2019. As we approach this important year and milestone in our history, we set as our mission the culmination of the past century of our work, together with constructing a platform for the next 100 years, which we will build from now on. For this purpose, we have taken a step forward. Towards the “raising the satisfaction of all stakeholders”—a goal we seek under CSV-SS—Maeda strives to become a leading company that realizes a better society of the future.

September 2018

Review of Operations : Completed Works

Maeda is one of the leading companies in Japan's construction industry.
Here are the track records of major works completed in the past year.



Building Projects

Redwood Nanko Distribution Center 2

This facility, which is located in Sakishima District in the portside area of Osaka, comprises Phase 2, following the Phase 1 facilities which were completed in June 2016. It is a steel-framed, four-story structure with a total floor area of 158,052m² and serves as a multi-tenant distribution warehouse. Including Phase 1, the facilities have a combined total floor area of 280,000m².

The facilities house truck berths on each floor using a one-way configuration with ramps on two sides and a vehicle lane in the center. It has 16 office areas and can be occupied by up to 24 tenants.

The common-use area is shared between a rest lounge with a panoramic view and a daycare center for children of employees. Near the facilities, we addressed the conservation of biodiversity by developing a biotopes with a large greenbelt.



Kyushu University (Ito) General Education and Research Building (Humanities and Social Sciences)



This structure, which is on the border of Fukuoka City, Nishi Ward and Itoshima City, is sited in a flourishing natural environment. The general education and research building in the humanities area of the campus is the last stage of a large 10-year project to move 18,700 people, including students and faculty.

The building is the largest one on Kyushu University's Ito campus, with nine stories above ground providing a floor area of 52,514m².

Floors 1 and 2 are formed around a continuous free space open structure (inner mall) extending 350m at a width of 10m. In this center of intellectual nourishment, each department is freely connected, and a presentation space has been set up as well.

An observation deck at an altitude of 74m is the symbol of this facility, which is placed where the Ishigahara ancient burial mounds used to be. This building is bundled within a set of five structures in different forms based on the local Hakata-ori Goshiki Kenjo five-color set of fabrics.

Shin-Meishin Expressway: Kirihata Tunnel Construction



This project is a temporary four-lane extension of 40.5km to the Shin-Meishin Expressway. It was built to relieve heavy traffic on the existing expressway between Takatsuki in Osaka Prefecture and Kobe in Hyogo Prefecture and to bolster the high-speed network function. Maeda performed 4.4km of this extension construction including embankment for the service area, substructures for bridges.

A signature feature was the embankment work as high as 70 m with 4,000,000m³ of earth—an unusually large-scale undertaking. Maeda devised a 2.1-km belt conveyor system together with a 600m-long temporary bridge, and expedite its earth transportation process. In addition, Maeda built a Wi-Fi network covering the entire construction sites, with which a range of information-oriented construction was put in practice information and communications technology (ICT) construction.

Construction work for the Mine Solar Power Generation Business

This project involves a venture that adopts a FIT system (a full-quantity buyback system for renewable energy by electricity utilities) based on the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities enforced on July 1, 2012.

Construction of the solar power generation plant was carried out at Ohmine-cho of the Mine City in Yamaguchi Prefecture. The plant having the capacity of 7MW—enough to meet the general needs of 2,200 households—will generate electric power for 20 years. Since the site for the power plant was on the level ground, formed by excavation of the upper portion of a coal slag heap for use as cement raw material over a period of many years, Maeda took meticulous care against any outflow of muddy water caused by construction. Through the innovative idea of utilizing ICT in this project, Maeda successfully reduced costs and time for construction.



Civil Engineering Projects





Overseas Projects

Cambodia

Sihanoukville Port Multipurpose Terminal Development Project—Outline of Construction Work

With an aid of loan assistance from the Japanese government, the project is aimed at improving the cargo handling capacity at Sihanoukville port in order to contribute to the development of industrial infrastructures and economic growth in Cambodia. The work consists of construction of a multipurpose terminal at the port.

Sihanoukville is the only large deep-water port in Cambodia and is becoming a base for business activity, but the existing general cargo terminal is small and the facilities are facing aging problems. The port is thus not able to cope with the growing demand for the handling of bulk cargo such as coal, foodstuffs, and general cargo, which results from the country's economic growth. In addition, the development of oil

and natural gas along the Sihanoukville seacoast is under way recently, and requests are being raised for the rapid build-out of an oil supply base (a base for supplying oil field equipment and other needs) to support drilling for these resources.

Work for this project started in January 2015, which was to construct additional facilities of a multipurpose berth (260m in length and 13.5m in depth) and an oil-supply-base berth (220m in length and 7.5m in depth). There is also a ship channel (150m in width, 3.7km in length), dredging of the turnaround area (322,000m³), and yard facilities. This work was carried out and completed in June 2018 by a joint venture with Toyo Construction.



Ho Chi Minh City Urban Railway, Line 1, Underground Railway Project

Vietnam

Ho Chi Minh City is the largest commercial center and the key economic region of Southern Vietnam. With a population of over 8.6 million people, this increasingly affluent city has experienced a significant increase in the ownership of personal vehicles, which has led to increased traffic congestion and road safety accidents. In an effort to alleviate the fundamental problems resulting from increased road traffic, the People's Committee of Ho Chi Minh City has master planned a modern, urban railway system, which includes eight subway lines and three aboveground tram lines (or monorails) to cover the city.

Line 1 is the first metro project in Ho Chi Minh City. This has a total length of 19.7km, is comprised of fourteen stations (three underground and eleven elevated), and will connect the city center with the eastern districts of the city. This Line 1 project is subdivided into four separate contract packages: two underground, one elevated, and one electrical and mechanical.

Maeda is responsible for Contract Package 1b, which has a total linear length of 1,745m, and comprises the design and construction of two underground stations, a twin shield tunnel, a cut and cover tunnel, and a transition structure with the neighboring elevated section. The project is being carried out jointly with Shimizu Corporation.

The completion of Line 1 will mark the first subway in Vietnam. Contract Package 1b is scheduled to be completed in 2019, with Line 1 operational by 2020.



ZI COMMERCIAL SERVICE APARTMENT COMPLEX PROJECT (Waterina Suites)

Vietnam

The ZI Project consists of the planning, design, sales, and transfer, followed by facilities management, of the Waterina Suites high-end condominiums located in a newly developed residential area of District 2 in Ho Chi Minh City, Vietnam.

In this project, Maeda, together with a local big business group, established the Maeda-Thien Duc joint venture. Maeda is also a project owner, and through its local subsidiary, Maeda Vietnam, serves as prime contractor.

One special feature of this project is that it intends to put into practice high-quality Japanese condominiums in the Vietnamese market. In its design, Kengo Kuma, the architect of the main venue of the 2020 Tokyo Olympics, the New National Stadium, has been appointed project designer.

By his design, Waterina Suites is given a unique external appearance composed of elegant curves that embody a motif reminiscent of ripples of water, terraced rice fields and Saigon River.

Construction of these facilities is scheduled to be completed in April 2019, the 100th anniversary of the Company's founding. Then, following the preparations for facilities management, properties are scheduled to be transferred to their buyers later that year in September.



NTK Precision Axle Corporation, Anderson, Indiana

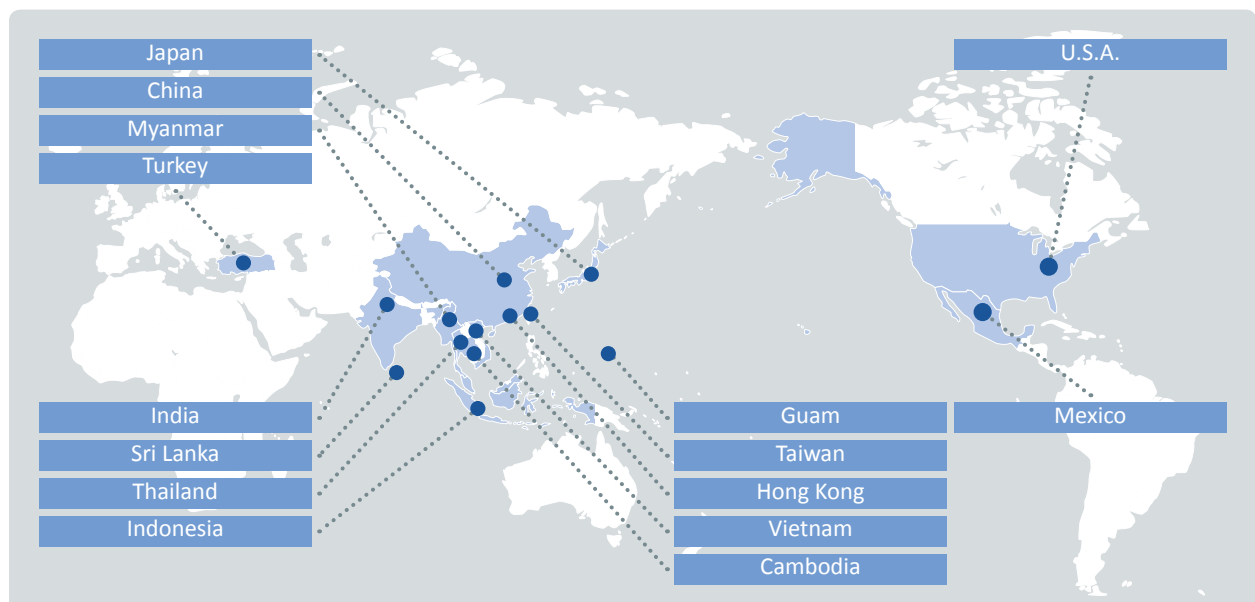
USA



This is the second factory of NTK in North America for the manufacturing of automotive drive shafts. This new construction was in Anderson, Indiana, located approximately 50km north of Indianapolis.

The order was placed by NTK Precision Axle Corporation and covered a factory to produce shafts necessary for the assembly of constant velocity joints (CVJ). On a site of 162,000m², the construction was for a one-story plant with a total floor area of 29,640m², including offices, a factory, and storage facilities. Land formation work started on April 6, 2017, and the completed structure was handed over to the customer on March 12, 2018. In accordance with the customer's order, machinery installation began in early February 2018 and commercial operations started at the end of March.

Overseas Operations



Achieving work-style reform together with company growth

—CSV-SS in the third year of “now”—

A “company trusted by the future” is one that conducts its business in accord with sustainable development. Applying this concept, Maeda Corporation has set “CSV Management No. 1” as one of its important measures in the current medium-term business plan, “Maeda Jump 2016–2018.” We have defined and are implementing our own form of CSV, known as “CSV-SS (Creating Satisfactory Value Shared by Stakeholders),” which shines a bright light on issues within society that are borne by the construction industry.

The year 2018 is not only the final one in the current medium-term business plan, but also one that places us on the verge of an important date: the one-hundredth anniversary of the company’s founding. In this setting, we are pursuing “CSV Management No. 1,” by pushing forward on a variety of initiatives aimed at achieving a balance between work style reform and company growth in a way that compromises neither.

1. Open Innovation and Maeda SII

Today’s social issues have become ever more complex and widespread. In the Company’s view, solution of these social issues requires an involvement that goes beyond the traditional focus of the construction industry. For this, Maeda is promoting open innovation. One of these solutions is to invest funds in accordance with Maeda SII (social impact investment).

Venture companies that are focused on the regional environment and which set as their purpose the solution of social issues, may have trouble securing capital from the market given the low level of returns for the risk involved. Maeda SII is an initiative to support venture companies on the capital front and to funnel their ventures into business activity.

This scheme uses joint technology development with venture companies to create new value-added for society, with the purpose of binding this value-added to the solution of social issues. Since the establishment of this initiative in 2015, information has been collected on roughly 4,000 cases, leading to in-person reviews in about 400 of these cases. Specific examples of technologies invested in through this program include GNSS (global navigation satellite system) reception, advanced electrical storage, next-generation power devices, and leading-edge ICT.

Through development of technology and services resulting from open innovation, we aim to solve a broader set of social issues.

2. Construction of Maeda ICI and a base for new value creation

Today, we are building Maeda ICI^{*1}, a base for new value creation. Under a plan to start the first round of operations in February 2019, this initiative will set up the following: a venue where people from a wide variety of fields can interact and develop new ideas, testing facilities that enable experiments using full-scale models, a workspace for implementing leading-

edge technology, facilities for venture companies' incubation features and research.

Maeda ICI will establish venues embedded within society. It will open facilities to venture companies, different industries, and universities. It will also create new value that addresses social issues of concern in an environment based not only on technology, but which also brings in culture and the arts.

*1. Incubation × Cultivation × Innovation



ICI Lab (Architectural rendering)

3. Aichi Prefecture Toll Road Concession and Regional Rejuvenation

Aichi Road Concession Co., Ltd. (ARC) started operations in October 2016 as the first private company in Japan to serve as a road operator. As a Maeda consolidated subsidiary, ARC has obtained the toll road operating rights^{*2} to eight toll routes covering 72.5km, formerly operated by the Aichi Prefectural Road Public Corporation, and is responsible for daily road operation and facility maintenance on a self-sustaining basis.

ARC is simultaneously addressing the twin social challenges of “infrastructure maintenance” to ensure road convenience and safety, and “rejuvenation of the region along the roadways.” Since the start of operation, while strengthening ties to people in the areas along the roadways, the company has been launching tourism promotion in Chita Peninsula, particularly Chubu Centrair International Airport and points south, issuing

information for highway users and about the areas along the roadways, and holding events for the purpose of increasing tourism. Also, in July 2018 ARC upgraded two rest stops along the Chitahanto Road, built a restaurant featuring a wealth of produce from the peninsula, and set up information kiosks for tourist information in areas along the roadways. The rest stop upgrade offers value-added to the use of the highway and aims further to increase the number of highway users and rejuvenate the overall region.

While keeping our eye on linkages with the Aichi International Exhibition Center, for which Maeda handles the concession, we aim to become an infrastructure company with deep roots in the region.

*2. The period differs by road. The core concessions, including Chitahanto Road, cover four roads over a span of 30 years.

Corporate Governance

Corporate Governance System

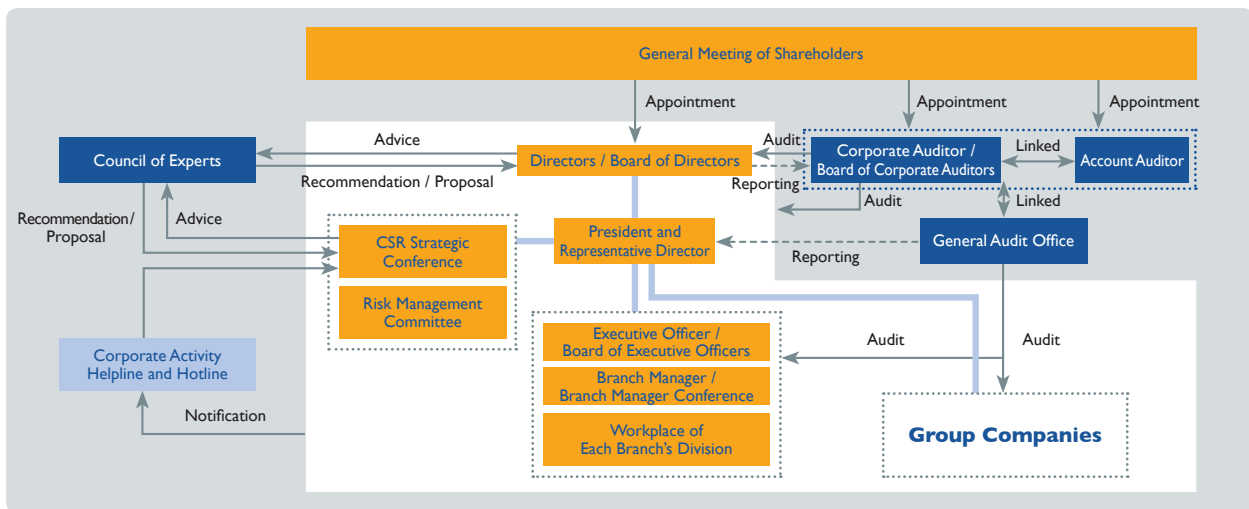
Maeda—with its corporate motto, “Integrity, Willingness, and Technology” and its founding philosophy “Gaining customers’ trust by doing a good job”—has set its basic philosophy of management as offering quality that confers our customers and our local communities with a sense of trust, security and satisfaction based on the principles of supreme quality and putting customers first. In order to constantly contribute meaning to society through business, we have laid out the Maeda Corporate Conduct Charter and the Maeda Code of Conduct and aspire to open management that earns the understanding and appreciation of our stakeholders, which include shareholders and customers.

The Maeda Group considers it a duty to aim for business efficiency, financial health and transparency, while making its business operations clearly understood by all stakeholders. As such, it has organized its corporate structure accordingly.

Maeda has adopted an executive officer system that includes such features as one-year appointments for directors, selection of outside directors (two out of thirteen directors), and the selection of outside corporate auditors (three out of five corporate auditors). It has also established a risk management system and put in place a system of internal controls (As of July 2018). Apart from the Board of Directors, we have established an executive officer system and a Board of Executive Officers with the intent of speeding up management decision-making and clarifying responsibilities for work execution.

While interest in corporate governance is at a higher level than before, through such actions as the introduction of a Japanese-version Corporate Governance Code, the Company aims to further improve corporate governance in order to realize “CSV Management No. 1.”

Corporate Governance and Internal Control Framework



Risk Management

As changes arise in the social environment that surrounds corporations, we are reviewing risks and taking appropriate action against them. Because these actions are taken to ensure sound business activity and are premised on fulfilling our social responsibilities towards our stakeholders, we manage risks that hinder the execution of the “Maeda Corporate Conduct Charter” based upon the “Maeda Risk Management Policy” and the “Risk Management Regulations.”

Internal Control

To continually raise the corporate value of the entire Group, we recognize that fully developing the internal control function is essential for corporate management. We therefore aim to improve management effectiveness, soundness, and transparency as we lay the groundwork for a management framework.

Internal Control Systems

To ensure a thorough and consistent system of internal controls, Maeda has declared a basic policy for internal control systems. To this end, Maeda has established a “CSR Strategy Committee” and a “Risk Management Committee” that is chaired by the President and operates at the executive level. In addition, Maeda has established a “Corporate Audit Department” that conducts audits independently from the executing divisions. These components serve to increase the effectiveness of Maeda’s internal control system.

Internal Reporting System (Business-Conduct Helpline and Hotline)

The Internal Reporting System is a very important mechanism for early detection and correction of unethical behavior and for achieving secure and improved compliance and ethics throughout the Company. In addition to the Internal Reporting System, the Company has established links on its website for reporting on related organizations outside the Company, such as business partners, and includes the assurance of anonymity.

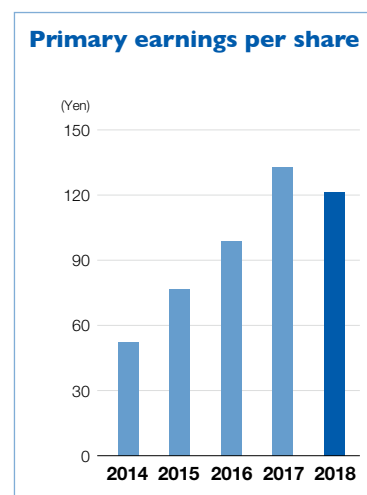
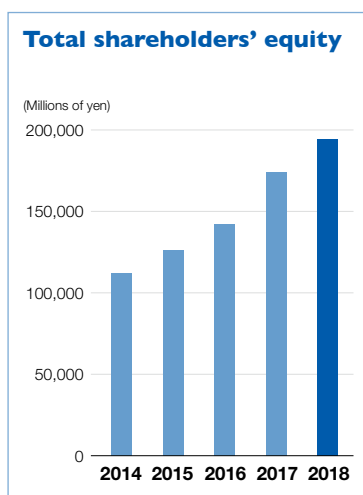
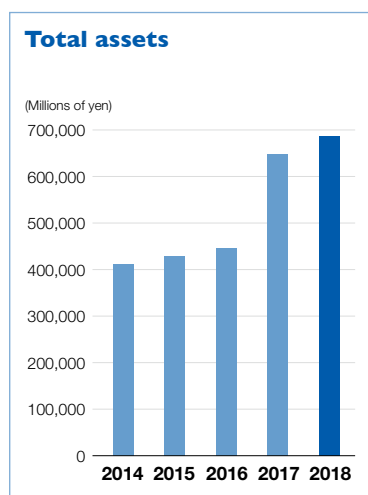
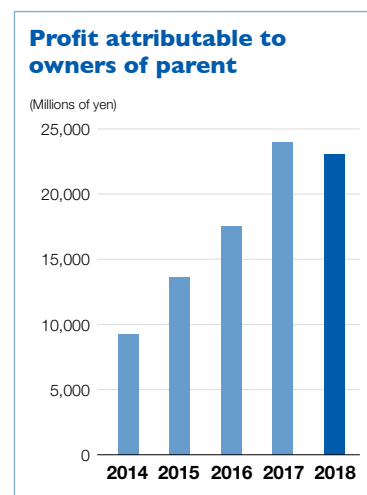
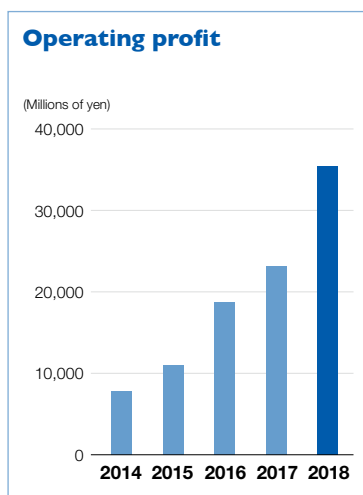
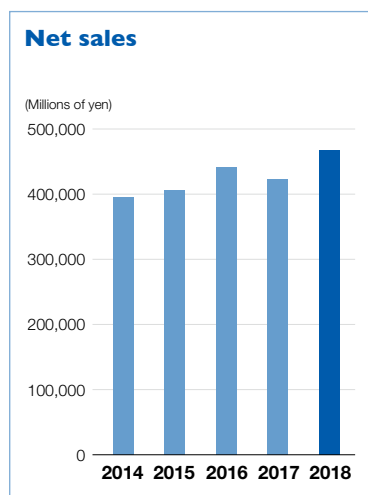
Consolidated Financial Highlights

Maeda Corporation and its consolidated subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2018	2018
For the year:			
Net sales	¥422,587	¥467,725	\$4,402,532
Operating profit	23,104	35,387	333,085
Profit attributable to owners of parent	23,942	23,057	217,027
At year-end:			
Total assets	648,601	685,338	6,450,848
Total shareholders' equity	173,810	194,199	1,827,927

Per share:	Yen	U.S. dollars
	Primary earnings	132.59
Cash dividends	14.00	16.00

Note: U.S. dollar amounts in the financial statements are translated from yen, for convenience only, at the rate of at ¥106.24 = U.S.\$1.00, the exchange rate prevailing on March 31, 2018.



Consolidated Balance Sheets

Maeda Corporation and Subsidiaries
As of March 31

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Current assets:			
Cash and time deposits (Notes 4 & 9)	¥ 66,804	¥102,475	\$ 964,561
Trade receivables: (Notes 4 & 9)			
Notes	8,977	12,436	117,056
Accounts	156,684	151,105	1,422,299
Allowance for doubtful accounts	(71)	(62)	(584)
	165,590	163,479	1,538,771
Marketable securities (Notes 4 & 5)	20	—	—
Inventories (Notes 8 & 9)	22,293	14,130	133,001
Deferred tax assets (Note 12)	2,771	3,807	35,834
Other current assets (Note 9)	38,022	31,603	297,468
Total current assets	295,500	315,494	2,969,635
Investments and other assets:			
Investments in securities (Notes 4, 5 & 9)	76,546	87,972	828,050
Investments in and advances to unconsolidated subsidiaries and affiliates	57,029	60,789	572,186
Deferred tax assets (Note 12)	174	282	2,654
Intangible fixed assets	163,123	157,765	1,484,987
Long-term loans receivable	2,553	3,506	33,001
Claims provable in bankruptcy and other	3,374	3,256	30,648
Other investments	4,435	4,942	46,517
Allowance for doubtful accounts	(4,683)	(4,516)	(42,507)
Total investments and other assets	302,551	313,996	2,955,536
Property and equipment, at cost: (Notes 9, 19 & 23)			
Buildings and structures	48,552	49,279	463,846
Machinery and equipment	34,732	38,151	359,102
Vehicles	2,952	2,643	24,878
Tools, furniture and fixtures	7,396	7,859	73,974
Land	22,798	21,942	206,532
Construction in progress	714	5,277	49,671
Leased assets	2,293	2,078	19,559
	119,437	127,229	1,197,562
Accumulated depreciation	(69,733)	(72,056)	(678,238)
Property and equipment, net	49,704	55,173	519,324
Deferred assets	846	675	6,353
TOTAL ASSETS	¥648,601	¥685,338	\$6,450,848

The accompanying notes are an integral part of the statements.

LIABILITIES & NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Current liabilities:			
Short-term debt (Notes 4 & 9)	¥ 19,275	¥ 19,248	\$ 181,175
Trade payables (Note 4)	73,553	81,432	766,491
Lease obligations	523	277	2,607
Advances on construction work in progress	41,371	29,857	281,034
Accrued income taxes	5,449	9,768	91,943
Allowance for repairs and warranty	769	561	5,281
Accrued bonuses for employees	3,240	3,697	34,799
Accrued bonuses for directors	122	125	1,177
Reserve for defects on completed works	1,308	1,062	9,996
Allowance for loss on construction contracts (Note 17)	1,855	192	1,807
Liabilities related to rights to operate public facilities, etc.	4,295	4,346	40,907
Liabilities related to replacement investment in public facilities, etc. operating project	3,553	2,807	26,421
Other current liabilities	32,808	44,640	420,180
Total current liabilities	188,121	198,012	1,863,818
Long-term liabilities:			
Long-term debt (Notes 4 & 9)	73,568	72,201	679,603
Lease obligations	1,135	1,130	10,636
Liability for retirement benefits (Note 11)	22,339	18,062	170,011
Deferred tax liabilities (Note 12)	8,640	11,303	106,391
Liabilities related to rights to operate public facilities, etc.	126,093	121,747	1,145,962
Liabilities related to replacement investment in public facilities, etc. operating project	23,890	25,028	235,580
Other long-term liabilities	3,305	3,465	32,615
Total long-term liabilities	258,970	252,936	2,380,798
Commitments & contingent liabilities (Note 14)			
Net Assets (Note 21)			
Shareholders' equity:			
Common stock	28,463	28,463	267,912
Additional paid-in capital	36,727	36,724	345,670
Retained earnings	111,057	131,453	1,237,321
Treasury stock, at cost	(2,437)	(2,441)	(22,976)
Total shareholders' equity	173,810	194,199	1,827,927
Accumulated other comprehensive income:			
Unrealized gain on investments in securities	25,651	32,551	306,391
Foreign currency translation adjustments	(11)	6	56
Retirement benefits liability adjustments	(8,921)	(5,636)	(53,049)
Deferred gain (loss) on hedges	15	(27)	(254)
Total accumulated other comprehensive income	16,734	26,894	253,144
Non-controlling interests	10,966	13,297	125,160
Total net assets	201,510	234,390	2,206,231
TOTAL LIABILITIES & NET ASSETS	¥648,601	¥685,338	\$6,450,847

The accompanying notes are an integral part of the statements.

Consolidated Statements of Income

Maeda Corporation and Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Net sales	¥422,587	¥467,725	\$4,402,532
Cost of sales (Note 17)	374,924	405,947	3,821,037
Gross profit	47,663	61,778	581,495
Selling, general and administrative expenses (Note 15)	24,559	26,391	248,410
Operating profit	23,104	35,387	333,085
Other income (expenses):			
Interest and dividend income	1,623	1,494	14,063
Interest expenses	(1,688)	(2,255)	(21,226)
Gain on sale of fixed assets (Note 18)	399	1	9
Gain on sale of investments in securities	2	479	4,509
Loss on retirement of fixed assets	(116)	(305)	(2,871)
Loss on valuation of investments in securities	(179)	(22)	(207)
Foreign exchange gain (loss), net	4	(153)	(1,440)
Gain on equity method investments	4,952	3,212	30,233
Impairment loss on fixed assets (Note 7)	(65)	(848)	(7,982)
Gain on sale of stocks of affiliates	1,008	—	—
Loss on sale of stocks of affiliates	(258)	0	0
Other, net	(875)	(807)	(7,596)
	4,807	796	7,492
Profit before income taxes	27,911	36,183	340,577
Income taxes:			
Current	6,063	12,240	115,211
Deferred	(3,681)	(1,361)	(12,811)
	2,382	10,879	102,400
Profit	25,529	25,304	238,177
Profit attributable to non-controlling interests	1,587	2,247	21,150
Profit attributable to owners of parent (Note 26)	¥ 23,942	¥ 23,057	\$ 217,027
Per share: (Note 26)			
Primary earnings	¥ 132.59	¥ 121.35	\$ 1.14

The accompanying notes are an integral part of the statements.

Consolidated Statements of Comprehensive Income

Maeda Corporation and Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Profit	¥25,529	¥25,304	\$238,178
Other comprehensive income:			
Unrealized gain (loss) on investments in securities	¥ (679)	¥ 6,572	\$ 61,860
Foreign currency translation adjustments	18	38	358
Retirement benefits liability adjustments	984	3,420	32,191
Share of other comprehensive income of companies accounted for by equity method	1,569	397	3,737
Deferred gain (loss) on hedges	31	(48)	(452)
Total other comprehensive income (loss) (Note 20)	1,923	10,379	97,694
Total comprehensive income	¥27,452	¥35,683	\$335,872
Total comprehensive income attributable to:			
Owners of parent	¥25,544	¥33,217	\$312,660
Non-controlling interests	1,908	2,466	23,212

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets

Maeda Corporation and Subsidiaries
For the years ended March 31, 2017 and 2018

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost (Note 21)	Total shareholders' equity	Unrealized gain on investments in securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 11)	Total accumulated other comprehensive income		
Balance at April 1, 2016	¥23,455	¥31,718	¥ 89,248	¥(2,434)	¥141,987	¥26,348	¥ —	¥(19)	¥(11,196)	¥15,133	¥ 6,955	¥164,075
Changes during the year:												
Conversion of zero coupon convertible bonds	5,008	5,008	—	—	10,016	—	—	—	—	—	—	10,016
Cash dividends paid at ¥11.0 per share	—	—	(1,950)	—	(1,950)	—	—	—	—	—	—	(1,950)
Profit attributable to owners of parent	—	—	23,942	—	23,942	—	—	—	—	—	—	23,942
Acquisition of treasury stock	—	—	—	(4)	(4)	—	—	—	—	—	—	(4)
Sale of treasury stock	—	—	—	1	1	—	—	—	—	—	—	1
Change in equity attributable to parent arising from transactions with non-controlling interests	—	1	—	—	1	—	—	—	—	—	—	1
Change in scope of consolidation	—	—	(183)	—	(183)	—	—	—	—	—	2,191	2,008
Net changes other than shareholders' equity	—	—	—	—	—	(697)	15	8	2,275	1,601	1,820	3,421
Total changes during the year	5,008	5,009	21,809	(3)	31,823	(697)	15	8	2,275	1,601	4,011	37,435
Balance at April 1, 2017	¥28,463	¥36,727	¥111,057	¥(2,437)	¥173,810	¥25,651	¥15	¥(11)	¥ (8,921)	¥16,734	¥10,966	¥201,510
Changes during the year:												
Cash dividends paid at ¥14.0 per share	—	—	(2,660)	—	(2,660)	—	—	—	—	—	—	(2,660)
Profit attributable to owners of parent	—	—	23,057	—	23,057	—	—	—	—	—	—	23,057
Acquisition of treasury stock	—	—	—	(4)	(4)	—	—	—	—	—	—	(4)
Change in equity attributable to parent arising from transactions with non-controlling interests	—	(4)	—	—	(4)	—	—	—	—	—	—	(4)
Net changes other than shareholders' equity	—	—	—	—	—	6,901	(42)	17	3,285	10,161	2,330	12,491
Total changes during the year	—	(4)	20,397	(4)	20,389	6,901	(42)	17	3,285	10,161	2,330	32,880
Balance at March 31, 2018	¥28,463	¥36,723	¥131,454	¥(2,441)	¥194,199	¥32,552	¥(27)	¥ 6	¥ (5,636)	¥26,895	¥13,296	¥234,390

Thousands of U.S. dollars (Note 3)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost (Note 21)	Total shareholders' equity	Unrealized gain on investments in securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 11)	Total accumulated other comprehensive income		
Balance at April 1, 2017	\$267,912	\$345,698	\$1,045,340	\$(22,939)	\$1,636,011	\$241,444	\$ 141	\$ (104)	\$(83,970)	\$157,511	\$103,219	\$1,896,741
Changes during the year:												
Cash dividends	—	—	(25,037)	—	(25,037)	—	—	—	—	—	—	(25,037)
Profit attributable to owners of parent	—	—	217,027	—	217,027	—	—	—	—	—	—	217,027
Acquisition of treasury stock	—	—	—	(37)	(37)	—	—	—	—	—	—	(37)
Change in equity attributable to parent arising from transactions with non-controlling interests	—	(37)	—	—	(37)	—	—	—	—	—	—	(37)
Net changes other than shareholders' equity	—	—	—	—	—	64,957	(395)	1,601	30,921	95,643	21,931	117,574
Total changes during the year	—	(37)	191,990	(37)	191,916	64,957	(395)	1,601	30,921	95,643	21,931	309,490
Balance at March 31, 2018	\$267,912	\$345,661	\$1,237,330	\$(22,976)	\$1,827,927	\$306,401	\$(254)	\$ 56	\$(53,049)	\$253,154	\$125,150	\$2,206,231

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Maeda Corporation and Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 27,911	¥ 36,183	\$ 340,578
Depreciation	8,364	11,940	112,387
Impairment loss on fixed assets	65	847	7,973
Increase (decrease) in allowance for doubtful accounts	(258)	(176)	(1,657)
Increase (decrease) in allowance for losses on construction contracts	(15)	(1,667)	(15,691)
Increase (decrease) in liability for retirement benefits	(1,670)	2,561	24,106
Interest and dividend income	(1,623)	(1,494)	(14,063)
Interest expenses	1,688	2,255	21,226
Foreign exchange loss (gain)	31	261	2,457
Equity in losses (earnings) of affiliates	(4,952)	(3,212)	(30,233)
Loss (gain) on sales of short-term and long-term investment securities	(752)	(479)	(4,509)
Loss (gain) on valuation of short-term and long-term investment securities	179	22	207
Loss (gain) on sale of fixed assets	(362)	(1)	(9)
Increase (decrease) in trade receivables	16,067	900	8,471
Increase (decrease) in construction work in progress	(7,958)	8,066	75,922
Increase (decrease) in project costs for development and others	(69)	68	640
Increase (decrease) in other inventories	406	29	273
Increase (decrease) in consumption tax receivables	3,519	7,003	65,917
Increase (decrease) in trade payables	(367)	7,621	71,734
Increase (decrease) in advances on construction work in progress	21,366	(11,525)	(108,481)
Increase (decrease) in deposits	3,257	8,438	79,424
Other	(304)	(1,667)	(15,691)
Sub-total	64,523	65,973	620,981
Receipt of interest and dividend income	3,022	2,896	27,259
Payment of interest expenses	(1,647)	(2,285)	(21,508)
Payment of income taxes	(3,569)	(7,858)	(73,965)
Cash flows provided by (used in) operating activities	62,329	58,726	552,767
Cash Flows from Investing Activities:			
Proceeds from sale and redemption of marketable securities	50	20	188
Acquisition of property and equipment and intangible assets	(4,748)	(9,561)	(89,994)
Proceeds from sale of property and equipment and intangible assets	1,656	385	3,624
Proceeds from subsidy income	5	2	19
Acquisition of investments in securities	(2,340)	(2,749)	(25,875)
Proceeds from sale of investments in securities	107	1,255	11,813
Acquisition of stocks of subsidiaries	(2,072)	(1,395)	(13,131)
Proceeds from sales of stocks of subsidiaries and affiliates	606	0	0
Lending of long-term loans receivable	(3,793)	(6,104)	(57,455)
Collection of long-term loans receivable	1,830	4,608	43,373
Acquisition of concession-based private finance initiative right	(16,971)	(3,977)	(37,434)
Acquisition of replacement investment in concession-based private finance initiative	—	(582)	(5,478)
Sale of subsidiaries' stocks resulting in change in scope of consolidation	(234)	—	—
Proceeds from sale of subsidiaries' stocks resulting in change in scope of consolidation	772	—	—
Other	(1,044)	(335)	(3,153)
Cash flows provided by (used in) investing activities	(26,176)	(18,433)	(173,503)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term loans	(30,397)	(357)	(3,360)
Increase in long-term loans	10,500	9,058	85,260
Repayment of long-term loans	(3,589)	(11,629)	(109,460)
Increase in non-recourse loans	18,888	2,560	24,096
Repayment of non-recourse loans	(632)	(1,026)	(9,657)
Proceeds from issuance of bonds	14,916	—	—
Repayment of bonds	(5,000)	—	—
Payment of finance lease obligations	(380)	(484)	(4,556)
Payment from non-controlling shareholders	2,400	—	—
Payment of cash dividends	(1,950)	(2,660)	(25,038)
Acquisition of treasury stock	(3)	(4)	(38)
Payment of cash dividends to non-controlling shareholders	(121)	(126)	(1,186)
Acquisition of subsidiaries' stocks not resulting in change in scope of consolidation	—	(10)	(94)
Others	—	(33)	(310)
Cash flows provided by (used in) financing activities	4,632	(4,711)	(44,343)
Exchange difference of cash and cash equivalents	—	(101)	(951)
Increase (decrease) in cash and cash equivalents	40,785	35,481	333,970
Cash and cash equivalents at beginning of the year	25,469	66,254	623,626
Increase due to inclusion in consolidation	—	151	1,421
Cash and cash equivalents at end of the year (Note 22)	¥ 66,254	¥101,886	\$ 959,017

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

Maeda Corporation and Subsidiaries

01 Basis of Presenting Consolidated Financial Statements

(1) Accounting principles and presentation

Maeda Corporation (the "Company") and its consolidated subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and, its foreign subsidiaries maintain their books of account in conformity with those countries of domicile.

Effective April 1, 2008, the Company adopted the "Practical Solution to Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No.18)". In accordance with PITF No.18, the accompanying consolidated financial statements for the years ended March 31, 2017 and 2018 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

(2) Scope of consolidation

The Company has twenty-eight (28) subsidiaries ("controlled companies", wherein the decision-making body of entity is controlled) as of March 31, 2018. The accompanying consolidated financial statements include the accounts of the Company and nine (9) significant subsidiaries, controlled directly or indirectly by the Company, as listed below:

Consolidated subsidiaries:

Name of subsidiary	Segment (Main business)	Equity ownership percentage	March 31, 2018	
			Thousands of Millions of yen	U.S. dollars
			Common stock	
Maeda Seisakusho Co., Ltd.	Manufacturing (Manufacturing, sales and rental of construction machinery and others)	43.0% *{0.7} **[9.8]	¥3,160	\$29,744
Aichi Road Concession Co., Ltd.	Infrastructure Operation (Maintenance and management of roads)	50.0 *{—}	480	4,518
Anonymous Association-Aichi Road Concession	Infrastructure Operation (Maintenance and management of roads)	— *{—}	—	—
JM Corporation	Building	100.0 *{—}	350	3,294
Fujimi Koken Co., Ltd.	Manufacturing (Production and sales of construction materials)	50.0 *{—}	250	2,353
FBS Miyama Inc.	Building and Civil Engineering	75.0 *{25.0}	100	941
Thai Maeda Corporation Ltd.	Building	45.0 *{—}	***20	640
Anonymous Association—Goyozan Solar Power	Infrastructure Operation (Electricity generation and sales from solar power)	— *{—}	—	—
Anonymous Association—Mine Solar Power	Infrastructure Operation (Electricity generation and sales from solar power)	— *{—}	—	—

* The corresponding figures represent the indirect ownership percentage included in "Equity ownership percentage."

** The corresponding figure represents the ownership percentage of those closely related or with ties to the Company not included in "Equity ownership percentage."

*** The amount is presented as millions of Thai Baht.

Note: Anonymous Association-Mine Solar Power, the newly established anonymous association was included in the scope of consolidation. Miyama Kogyo Co., Ltd., a former subsidiary of the Company, was excluded from consolidation because it merged with FBS Inc. The merged entity then changed its company name to FBS Miyama Inc.

The accounts of the other nineteen (19) subsidiaries have not been consolidated with the Company because of the insignificant amount of total assets, net sales, net profit and retained earnings, but one (1) of the unconsolidated subsidiaries is accounted for by the equity method.

(3) Consolidation and elimination

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Company and its consolidated subsidiaries have been eliminated, and the portion thereof attributable to non-controlling interests is charged to non-controlling interests.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method are amortized by the straight-line method over periods not exceeding 5 years. However, immaterial amounts of goodwill are charged to profit or loss in the year of acquisition.

(4) Investments in unconsolidated subsidiaries and affiliates

As of March 31, 2018, the Company has twenty two (22) affiliates ("influenced companies", wherein the financial and operating or business decision-making body of an entity that is not a subsidiary can be influenced to a material degree).

Investments in one (1) unconsolidated subsidiary and five (5) affiliates are accounted for by the equity method, under which the Company's equity in the net profit of these affiliates is included in consolidated profit with appropriate elimination of inter-company profit as of March 31, 2018, and for the year then ended. The remaining investments in unconsolidated subsidiaries and affiliates are stated at cost since the investments do not have a material effect on consolidated net profit and retained earnings in the consolidated financial statements.

Major unconsolidated subsidiary accounted for by the equity method;

J. City Corporation

Major affiliates accounted for by the equity method;

Maeda Road Construction Co., Ltd.

Toyo Construction Co., Ltd.

Major unconsolidated subsidiary not accounted for by the equity method;

Chiba City Consumer Life PFI Service Co., Ltd.

Major affiliate not accounted for by the equity method;

Jindai Hospital Parking Service Co., Ltd.

02 Summary of Significant Accounting Policies

(1) Revenue recognition

Sales are recognized by the percentage-of-completion method for the construction contracts, whose profit/loss and stage of completion of the contracts can be estimated reliably at the balance sheet date, and by the completed-contract method for the other construction contracts.

Sales for the year ended March 31, 2018 include ¥370,879 million (\$3,490,954 thousand) of sales based on the percentage-of-completion method.

(2) Financial instruments

1) Securities

Bonds held to maturity: Amortized cost method

Other securities:

Securities with market value:

Market price method based on the market value as of the balance sheet date (Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount, and sales costs are calculated based on the moving average cost method).

Securities without market value: Moving average cost method

Notes to the Consolidated Financial Statements

2) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as “hedging instruments.”

Gains or losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally interest rate swaps and forward foreign exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans, and debt securities issued by the Company.

The Company has a policy of utilizing the above hedging instruments in order to reduce the Company's exposure to the risks of interest rate and exchange rate fluctuations. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(3) Inventories

Construction work in progress is stated at the specific identification cost.

Real estate held for sale, merchandise and finished products, project costs for development and others and materials in stock are stated at the specific identification cost (write-down according to decreased profitability method).

(4) Property and equipment

Depreciation costs of property and equipment are computed by the declining balance method over the estimated useful lives of respective assets except for buildings (not including facilities annexed to buildings) acquired on or after April 1, 1998, and facilities and structures acquired on or after April 1, 2016 whose depreciation costs are computed by the straight-line method over the estimated useful lives of respective assets.

Useful lives and residual values of property and equipment are in accordance with the Corporation Tax Act of Japan.

Depreciation costs of certain tangible assets held by certain consolidated subsidiaries are computed by the straight-line method over the estimated useful life or in the proportion that production for a period relates to management's estimate of production.

(5) Intangible fixed assets and long-term prepaid expense

The straight-line method is adopted. Rights to operate public facilities, etc. and assets related to replacement investment in the public facilities, etc. operating project are amortized in the proportion that production for a period relates to management's estimate of production. Software for the Company is amortized by the straight-line method over 5 years, the useful life set by the Company.

(6) Leased assets

The leased assets under finance lease contracts that transfer ownership to the lessee are depreciated by the same method applicable to the Company's own fixed assets, but the leased assets that do not transfer ownership are fully depreciated to a zero residual value by the straight-line method over the period of the lease contract.

(7) Bond issuance expenses

Bond issuance expenses are fully amortized at the time of issuance.

(8) Deferred assets

Deferred assets are amortized on a straight-line basis over 5 years.

(9) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide the allowance for doubtful accounts by the method which uses the percentage of its own actual experience of bad debt loss written off against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(10) Allowance for repairs and warranty

An allowance for repair costs of heavy machinery has been provided based on an estimated cost as of the end of the fiscal year.

(11) Accrued bonuses for employees

Accrued bonuses for employees represent the estimated amount of bonuses to employees attributable to their services rendered within the period.

(12) Accrued bonuses for directors

Accrued bonuses for directors represent the estimated amount of bonuses to directors attributable to their services rendered within the period.

(13) Reserve for defects on completed works

A reserve has been provided based on the previous fiscal year's experience in respect of the expenses for defect liabilities of the completed works.

(14) Allowance for loss on construction contracts

An allowance for loss on construction contracts has been provided based on an estimate of the total losses which can be anticipated for the future and beyond in respect of construction contracts on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated.

(15) Reserve for retirement benefits

The accrued retirement benefit represents the estimated present value of projected benefit obligations and plan assets for the employees. Unrecognized actuarial differences are amortized on a straight-line basis over 10 to 15 years from the following fiscal year.

Unrecognized prior service costs are amortized on a straight-line basis over 15 years.

(16) Amortization of goodwill

Goodwill is amortized on a straight-line basis over 5 years.

In case the amount is not significant, goodwill is, however, expensed immediately.

(17) Cash and cash equivalents

For the preparation of cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of overdrafts, all highly liquid investments with maturities of three (3) months or less and commercial paper.

(18) Consumption tax

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

(19) Accounting standards issued but not yet effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

Notes to the Consolidated Financial Statements

1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

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

2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

03 U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥106.24 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2018. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

04 Financial Instruments

(1) Financial instruments

1) Policy of financial instruments

The Company and its group raise funds mainly necessary for construction business according to its financial planning by means of borrowings from banks and bonds.

Temporary surplus funds are managed by means of safe and secured financial instruments. The Company has a policy of utilizing derivative transactions in order to avoid the Company's exposure to the risks mentioned below, but not for trading or speculative purposes.

2) Financial instruments, risks and risks management

Notes and accounts of trade receivables are exposed to the credit risks of the clients. The Company attempts to reduce the risks of disability or delay in collection of debt by the routine confirmation of the debt balances and examination of credit standing of each client in accordance with the project award control procedures, the accounting rules and other rules of the Company. The consolidated subsidiaries manage the risks according to the Company's regulations.

Marketable securities and investments in securities include mainly the securities of subsidiaries, affiliates, and business partners. Marketable securities of the business partners are exposed to the stock market fluctuation risks, and the Company, examining the fair values and financial status of such companies, makes continuous review of the possession situation, by taking the market situation and the relationship with such companies into consideration.

Trade payables, electronically recorded monetary claims, and others as liabilities are to be paid mostly within one year. Part of foreign currency trade payables is exposed to the foreign exchange market fluctuation risks, but they are constantly within the amount of the same foreign currency trade receivables. Forward foreign exchange contracts are utilized against the payment for part of the amount fixed by the long-term contract in order to avoid the exchange rate fluctuation risks.

Loans and bonds are utilized for the purpose of operating funds (mainly from short-term debt) and investments in facilities and others (mainly from long-term debt). Variable interest loans are exposed to interest rate fluctuation risks. Regarding part of long-term debt, interest rate swap transactions are utilized per each contract in order to hedge the interest rate fluctuation risks and

fix interest payments. Forward foreign exchange contracts are utilized in order to hedge the exchange rate fluctuation risks against part of foreign currency loans.

Liabilities related to rights to operate public facilities, etc. are the accounts payable for rights to operate public facilities, etc. and they will be paid over the operating period. The accompanying interest payments are fixed.

The risks in funding liquidity are managed and controlled by monitoring and maintaining the funding liquidity in hand, and by preparing and reviewing the financial planning timely by the department in charge based on the reports from the subsidiaries, affiliates and the branches of the Company. Cash Management System (CMS) is operated among the consolidated subsidiaries and affiliates in order to promote mutual exploitation of surplus funds within the Company's group. It enhances efficiency of funding, and is useful for the maintenance and management of the funding liquidity in hand.

The derivative transactions are conducted and managed in accordance with the Company's regulations for authority for approval, and such transactions are conducted only with highly-rated financial institutions in order to reduce the credit risks.

The explanation for hedging instruments, hedged items, policy for hedge accounting and evaluation of effectiveness of hedging activities are provided in aforementioned "2) Derivatives" of "(2) Financial instruments" in Note "2. Summary of Significant Accounting Policies."

3) Supplemental explanation on fair value of financial instruments

The fair values of financial instruments are based on the fair market value. The financial instruments without market value, are evaluated by reasonable assessment, and such evaluations based on variable factors may change in line with the adoption of new assumptions.

(2) Fair value and other

Fair values of financial instruments, except for those for which the fair value is recognized as extremely difficult to determine, as of March 31, 2017 and 2018 are summarized as follows:

March 31, 2017	Millions of yen		
	Book value	Fair value	Difference
(a) Cash and time deposits	¥ 66,804	¥ 66,804	¥ —
(b) Trade receivables	165,661	165,588	(72)
(c) Marketable securities and investment in securities	123,482	120,069	(3,414)
Total assets	¥355,947	¥352,461	¥(3,486)
(a) Electronically recorded monetary claims	¥ 9,037	¥ 9,037	¥ —
(b) Trade payables	73,552	73,552	—
(c) Short-term loans	18,317	18,317	—
(d) Short-term non-recourse loans	958	958	—
(e) Current liabilities related to rights to operate public facilities, etc.	4,295	4,295	—
(f) Corporate bonds	25,000	24,869	(131)
(g) Non-recourse corporate bonds	20	22	2
(h) Long-term loans	25,933	26,035	102
(i) Long-term non-recourse loans	22,615	22,697	82
(j) Long-term liabilities related to rights to operate public facilities, etc.	126,093	129,693	3,600
Total liabilities	¥305,820	¥309,475	¥ 3,655
(a) Derivative transactions*	¥ 33	¥ 33	¥ —

Notes to the Consolidated Financial Statements

March 31, 2018	Millions of yen		
	Book value	Fair value	Difference
(a) Cash and time deposits	¥102,475	¥102,475	¥ —
(b) Trade receivables	163,542	163,466	(76)
(c) Investments in securities	136,858	136,574	(284)
Total assets	¥402,875	¥402,515	¥ (360)
(a) Electronically recorded monetary claims	¥ 8,783	¥ 8,783	¥ —
(b) Trade payables	81,432	81,432	—
(c) Short-term loans	17,093	17,093	—
(d) Short-term non-recourse loans	2,156	2,156	—
(e) Current liabilities related to rights to operate public facilities, etc.	4,346	4,346	—
(f) Corporate bonds	25,000	24,907	(93)
(g) Non-recourse corporate bonds	20	22	2
(h) Long-term loans	24,230	24,118	(112)
(i) Long-term non-recourse loans	22,951	23,036	85
(j) Long-term liabilities related to rights to operate public facilities, etc.	121,747	127,826	6,079
Total liabilities	¥307,758	¥313,719	¥5,961
(a) Derivative transactions*	¥ (32)	¥ (32)	¥ —

March 31, 2018	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(a) Cash and time deposits	\$ 964,561	\$ 964,561	\$ —
(b) Trade receivables	1,539,364	1,538,648	(716)
(c) Investments in securities	1,288,197	1,285,524	(2,673)
Total assets	\$3,792,122	\$3,788,733	\$ (3,389)
(a) Electronically recorded monetary claims	\$ 82,671	\$ 82,671	\$ —
(b) Trade payables	766,491	766,491	—
(c) Short-term loans	160,890	160,890	—
(d) Short-term non-recourse loans	20,294	20,294	—
(e) Current liabilities related to rights to operate public facilities, etc.	40,908	40,907	—
(f) Corporate bonds	235,316	234,441	(875)
(g) Non-recourse corporate bonds	188	207	19
(h) Long-term loans	228,069	227,014	(1,055)
(i) Long-term non-recourse loans	216,030	216,830	800
(j) Long-term liabilities related to rights to operate public facilities, etc.	1,145,962	1,203,182	57,220
Total liabilities	\$2,896,819	\$2,952,927	\$56,109
(a) Derivative transactions*	\$ 301	\$ 301	\$ —

*The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

Notes: 1. Method of determining the fair values of financial instruments, securities and derivatives

Assets:

(a) Cash and time deposits

Cash and time deposits are stated at book value since all time deposits are short term and their fair value is almost equivalent to the book value.

(b) Trade receivables - Notes and Accounts

Each trade receivable is evaluated by the present value discounted by the rate in consideration of the maturity period of each trade receivable classified by period and credit risk of each debtor.

(c) Marketable securities and investments in securities

The fair values of stocks are based on market value, and the fair values of bonds are based on market value or the values provided by corresponding financial institutions.

Liabilities:

(a) Electronically recorded monetary claims, (b) Trade payables, (c) Short-term loans, (d) Short-term non-recourse loans and (e) Current liabilities related to rights to operate public facilities, etc.

These liabilities are stated at book value since they are settled in a short term and their fair value is almost equivalent to the book value.

(f) Corporate bonds

The fair values of bonds are based on market value.

(g) Non-recourse corporate bonds

The fair values of non-recourse corporate bonds are evaluated by the present value discounted by the expected rate applied to similar new debt instruments.

(h) Long-term loans and (i) Long-term non-recourse loans

Long-term loans with floating interest rates are stated at book value since the market rates are reflected in a short term and their fair value is almost equivalent to the book value.

Long-term loans with fixed interest rates are evaluated by the present value discounted by the expected rate applied to similar new loans.

Long-term loans hedged by interest rate swaps transactions are evaluated by the present value accounted for together with the interest rate swaps discounted by the estimated rate applied to the similar new loans.

(j) Long-term liabilities related to rights to operate public facilities, etc.

The fair values of long-term liabilities related to rights to operate public facilities, etc. are evaluated by the present value that is estimated by discounting future cash flow, at the rate based on the yield on Japanese government bonds with maturities corresponding to the payment period.

Derivative transactions;

(a) Derivative transactions

Forward foreign exchange contracts are based on information provided by the financial institutions.

The fair values of interest rate swaps transactions designated as "hedging instruments" are included in the fair values of long-term loans and non-recourse loans since the fair values are accounted for together with the hedged long-term loans and non-recourse loans.

2. Financial instruments for which the fair value is recognized as extremely difficult to determine

Unlisted stocks and others of ¥10,113 million as of March 31, 2017 at book value were not included in "Investments in securities" since their fair values are recognized as extremely difficult to determine without market value and their future cash flows cannot be estimated.

Unlisted stocks and others of ¥11,903 million (\$112,039 thousand) as of March 31, 2018 at book value are not included in "Investments in securities" since their fair values are recognized as extremely difficult to determine without market value.

3. Repayment schedule of trade receivables, marketable securities and investments in securities with maturities and other

March 31, 2017	Millions of yen			
	Within 1 year	Over 1 year within 5 yrs	Over 5 years within 10 yrs	Over 10 years
(1) Cash and time deposits	¥ 66,804	¥ —	¥ —	¥ —
(2) Trade receivables—Notes and accounts	160,451	4,912	172	125
(3) Investments in securities:				
Held-to-maturity securities				
National/Municipal bonds	—	20	—	—
Corporate bonds	—	—	—	—
Other securities w/maturities				
National/Municipal bonds	20	331	—	—
Corporate bonds	—	30	—	94
Total	¥227,275	¥5,293	¥172	¥219

March 31, 2018	Millions of yen			
	Within 1 year	Over 1 year within 5 yrs	Over 5 years within 10 yrs	Over 10 years
(1) Cash and time deposits	¥102,475	¥ —	¥ —	¥ —
(2) Trade receivables—Notes and accounts	157,639	5,598	187	117
(3) Investments in securities:				
Held-to-maturity securities				
National/Municipal bonds	—	20	—	—
Corporate bonds	—	—	—	—
Other securities w/maturities				
National/Municipal bonds	—	331	—	—
Corporate bonds	—	30	—	90
Total	¥260,114	¥5,979	¥187	¥207

March 31, 2018	Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 yrs	Over 5 years within 10 yrs	Over 10 years
(1) Cash and time deposits	\$ 964,561	\$ —	\$ —	\$ —
(2) Trade receivables—Notes and accounts	1,483,801	52,692	1,760	1,101
(3) Investments in securities:				
Held-to-maturity securities				
National/Municipal bonds	—	188	—	—
Corporate bonds	—	—	—	—
Other securities w/maturities				
National/Municipal bonds	—	3,116	—	—
Corporate bonds	—	282	—	847
Total	\$2,448,362	\$56,278	\$1,760	\$1,948

4. Repayment schedule of corporate bonds, long-term debt and lease obligations

Repayment schedule of corporate bonds, long-term loans and lease obligations is presented in "10. Short-Term Debt, Long-Term Debt and Lease Obligations."

Notes to the Consolidated Financial Statements

05 Fair Value Information on Marketable Securities and Investments in Securities

Fair value information on marketable securities and investments in securities as of March 31, 2017 and 2018 are summarized as follows:

(I) Held-to-maturity securities

March 31, 2017	Millions of yen		
	Book value	Fair value	Unrealized gain (loss)
Securities with fair value that exceeds book value			
National/Municipal bonds	¥20	¥21	¥ 1
Corporate bonds	—	—	—
Sub-total	¥20	¥21	¥ 1
Securities with fair value that does not exceed book value			
National/Municipal bonds	¥—	¥—	¥—
Corporate bonds	—	—	—
Sub-total	¥—	¥—	¥—
Total	¥20	¥21	¥ 1

March 31, 2018	Millions of yen		
	Book value	Fair value	Unrealized gain (loss)
Securities with fair value that exceeds book value			
National/Municipal bonds	¥20	¥21	¥ 1
Corporate bonds	—	—	—
Sub-total	¥20	¥21	¥ 1
Securities with fair value that does not exceed book value			
National/Municipal bonds	¥—	¥—	¥—
Corporate bonds	—	—	—
Sub-total	¥—	¥—	¥—
Total	¥20	¥21	¥ 1

March 31, 2018	Thousands of U.S. dollars		
	Book value	Fair value	Unrealized gain (loss)
Securities with fair value that exceeds book value			
National/Municipal bonds	\$188	\$197	\$ 9
Corporate bonds	—	—	—
Sub-total	\$188	\$197	\$ 9
Securities with fair value that does not exceed book value			
National/Municipal bonds	\$ —	\$ —	\$—
Corporate bonds	—	—	—
Sub-total	\$ —	\$ —	\$—
Total	\$188	\$197	\$ 9

(2) Other securities

March 31, 2017	Millions of yen		
	Book value	Acquisition cost	Unrealized gain (loss)
Other securities with book value that exceeds acquisition cost			
Stocks	¥67,937	¥31,760	¥36,177
Bonds			
National/Municipal bonds	382	351	31
Other	—	—	—
Other	—	—	—
Sub-total	¥68,319	¥32,111	¥36,208
Other securities with book value that does not exceed acquisition cost			
Stocks	¥ 3,127	¥ 3,359	¥ (232)
Bonds			
National/Municipal bonds	—	—	—
Other	—	—	—
Other	738	745	(7)
Sub-total	¥ 3,865	¥ 4,104	¥ (239)
Total	¥72,184	¥36,215	¥35,969

Note: Unlisted stocks and others of ¥4,342 million at book value were not included in the "(2) Other securities" since their fair values were recognized as extremely difficult to determine without market quotations available.

March 31, 2018	Millions of yen		
	Book value	Acquisition cost	Unrealized gain (loss)
Other securities with book value that exceeds acquisition cost			
Stocks	¥78,864	¥33,143	¥45,721
Bonds			
National/Municipal bonds	361	331	30
Other	—	—	—
Other	304	300	4
Sub-total	¥79,529	¥33,774	¥45,755
Other securities with book value that does not exceed acquisition cost			
Stocks	¥ 3,278	¥ 3,568	¥ (290)
Bonds			
National/Municipal bonds	—	—	—
Other	—	—	—
Other	424	481	(57)
Sub-total	¥ 3,702	¥ 4,049	¥ (347)
Total	¥83,231	¥37,823	¥45,408

March 31, 2018	Thousands of U.S. dollars		
	Book value	Acquisition cost	Unrealized gain (loss)
Other securities with book value that exceeds acquisition cost			
Stocks	\$742,319	\$311,963	\$430,356
Bonds			
National/Municipal bonds	3,398	3,116	282
Other	—	—	—
Other	2,861	2,824	37
Sub-total	\$748,578	\$317,903	\$430,675
Other securities with book value that does not exceed acquisition cost			
Stocks	\$ 30,855	\$ 33,584	\$ (2,729)
Bonds			
National/Municipal bonds	—	—	—
Other	—	—	—
Other	3,991	4,528	(536)
Sub-total	\$ 34,846	\$ 38,112	\$ (3,265)
Total	\$783,424	\$356,015	\$427,410

Note: Unlisted stocks and others of ¥4,721 million (\$44,437 thousand) at book value are not included in the "(2) Other securities" since their fair values are recognized as extremely difficult to determine without market quotations available.

Notes to the Consolidated Financial Statements

(3) "Other securities" sold

Year ended March 31, 2017	Millions of yen		
	Proceeds	Gain	Loss
Stocks	¥ —	¥—	¥—
Bonds			
National/Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	102	2	—
Other	—	—	—
Total	¥102	¥ 2	¥—

Year ended March 31, 2018	Millions of yen		
	Proceeds	Gain	Loss
Stocks	¥1,051	¥475	¥ 0
Bonds			
National/Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	204	4	—
Total	¥1,255	¥479	¥ 0

Year ended March 31, 2018	Thousands of U.S. dollars		
	Proceeds	Gain	Loss
Stocks	\$ 9,893	\$4,471	\$ 0
Bonds			
National/Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	1,920	38	—
Total	\$11,813	\$4,509	\$ 0

(4) Impairment loss on other securities

Impairment loss on securities amounted to ¥179 million, including ¥0 million of stocks without market value in other securities, and ¥179 million of affiliates' stocks for the year ended March 31, 2017.

Impairment loss on securities amounted to ¥22 million (\$207 thousand) including ¥22 million (\$207 thousand) of affiliates' stocks for the year ended March 31, 2018.

06 Derivative Financial Instruments

Derivative financial instruments as of March 31, 2017 and 2018 are summarized as follows:

(1) Derivative transactions not designated as “hedging instruments”

Currency-related transactions

For the year ended March 31, 2017: Not applicable

For the year ended March 31, 2018: Not applicable

(2) Derivative transactions designated as “hedging instruments”

Currency-related transactions

For the year ended March 31, 2017: Not applicable

Millions of yen				
March 31, 2018	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Deferral accounting as “hedging instruments”				
	Foreign exchange forward contract —Buy U.S. dollar	Forecasted foreign currency transactions ¥1,977	¥—	(54) See Note

Thousands of U.S. dollars				
March 31, 2018	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Deferral accounting as “hedging instruments”				
	Foreign exchange forward contract —Buy U.S. dollar	Forecasted foreign currency transactions \$18,609	\$—	(508) See Note

Note: Fair value of derivative transactions is determined based on prices quoted by financial institutions.

Interest-rate-related transactions

Millions of yen				
March 31, 2017	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Deferral accounting as “hedging instruments”				
	Interest rate swap transactions —Variable interest received and fixed interest paid	Long-term loans Non-recourse loans ¥39,628	¥28,987	See Note 1

Millions of yen				
March 31, 2018	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Deferral accounting as “hedging instruments”				
	Interest rate swap transactions —Variable interest received and fixed interest paid	Long-term loans Non-recourse Loans ¥19,859	¥18,023	See Note 1
	Interest rate swap transactions —Variable interest received and fixed interest paid	Non-recourse Loans ¥9,128	¥8,392	22 See Note 2

Thousands of U.S. dollars				
March 31, 2018	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Deferral accounting as “hedging instruments”				
	Interest rate swap transactions —Variable interest received and fixed interest paid	Long-term loans Non-recourse loans \$186,926	\$169,644	See Note 1
	Interest rate swap transactions —Variable interest received and fixed interest paid	Non-recourse loans \$85,919	\$78,991	204 See Note 2

Notes: 1. Fair value of interest rate swap transactions designated as “hedging instruments” is included in the fair values of the long-term loans and non-recourse loans and under the special hedge accounting method for interest rate swaps.

2. Fair value that counterparties to the transactions is evaluated based on the price etc. provided by financial institutions etc.

Notes to the Consolidated Financial Statements

07 Impairment Loss on Fixed Assets

Fixed assets for business use are grouped by business, and fixed assets for rent, golf courses and the fixed assets to be disposed are grouped based on an individual asset basis.

Impairment loss of ¥65 million for the year ended March 31, 2017 is recorded since the book values of the properties have been reduced to the recoverable values due to the decline in the value of fixed assets for rent and other.

The recoverable amounts of the fixed assets are their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards or publicly-assessed land values and other for the year ended March 31, 2017. Some recoverable amounts are also determined to be zero when future cash flows are negative.

Impairment loss of ¥847 million (\$7,973 thousand) for the year ended March 31, 2018 is recorded since the book values of the properties have been reduced to the recoverable values due to the productivity decline in the value of fixed assets for rent and other.

The recoverable amounts of the fixed assets are their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards or publicly-assessed land values and other for the year ended March 31, 2018. Some recoverable amounts are calculated by discounting estimated future cash flows at a rate of 8.1%. However, the recoverable amounts are determined to be zero when future cash flows are negative.

Impairment losses on fixed assets for the years ended March 31, 2017 and 2018 are summarized as follows:

Years ended March 31			Millions of yen		Thousands of U.S. dollars
			2017	2018	2018
Location	Type of assets	Use			
Saitama	Land	For rent	¥53	¥ —	\$ —
Shizuoka	Land	Idle assets	11	—	—
Tokyo	Land, building and other	For rent	—	729	6,862
Nagano	Land	For rent	—	76	716
Chiba	Machinery and other	For rent and other	—	29	273
Miyagi	Building and other	Idle assets	—	12	113
Niigata, and other	Land	Idle assets	1	1	9
Total			¥65	¥847	\$7,973

08 Inventories

Inventories as of March 31, 2017 and 2018 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Real estate held for sale	¥ 2,093	¥ 1,980	\$ 18,637
Merchandise and finished products	821	946	8,904
Construction work in progress	18,402	10,335	97,280
Project costs for development and others	68	—	—
Materials in stock	909	869	8,180
Total	¥22,293	¥14,130	\$133,001

Notes: 1. Inventories are written down based on the decreased profitability and ¥95 million and ¥70 million (\$659 thousand) of losses on write-downs of inventories for the years ended March 31, 2017 and 2018, respectively, are included in "Cost of Sales" in the Consolidated Statements of Income.

2. The amount of construction work in progress is not offset by the allowance for losses on construction contracts and both are presented. The amount of construction work in progress for which an allowance for losses on construction contracts is provided is ¥20 million for the year ended March 31, 2017.

09 Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt and lease obligations due within one year as of March 31, 2017 and 2018 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Bank loans bearing interest with an average rate of 0.5% per annum	¥ 6,700	¥ 6,310	\$ 59,394
Current portion of long-term loans	11,617	10,782	101,487
Current portion of non-recourse loans	958	2,156	20,294
Liabilities related to rights to operate public facilities, etc.	4,295	4,346	40,907
Total short-term debt	¥23,570	¥23,594	\$222,082
Lease obligations due within one year	¥ 523	¥ 277	\$ 2,607
Total	¥24,093	¥23,317	\$219,475

Long-term debt and lease obligations as of March 31, 2017 and 2018 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Corporate bonds			
—Issued by Maeda Corporation			
0.43% 22nd series bonds due in 2019	¥ 10,000	¥ 10,000	\$ 94,127
0.15% 23rd series bonds due in 2021	5,000	5,000	47,062
0.28% 24th series bonds due in 2022	10,000	10,000	94,127
Corporate bonds			
—Issued by Anonymous Association			
—Goyozan Solar Power			
3.00% 1st series bonds due in 2022	20	—	—
Sub-total	¥ 25,020	¥ 25,000	\$ 235,316
Long-term loans due in between 2015–2020 bearing interest with an average rate of 1.2% per annum	¥ 37,550	¥ 35,013	\$ 329,565
Long-term non-recourse loans	23,572	25,107	236,323
	¥ 61,122	¥ 60,120	\$ 565,888
Less—Portion due within one year	(12,575)	(12,938)	(121,780)
Total	¥ 48,547	¥ 47,182	\$ 444,108
Lease obligations due after one year	¥ 1,135	¥ 1,130	\$ 10,636
Liabilities related to rights to operate public facilities, etc. due after one year	¥126,093	¥121,747	\$1,145,962
Total	¥175,775	¥170,059	\$1,600,706

Note: Average rates of interest are calculated by the weighted average method using the interest rates and the loan balance as of the year end. Average rates of interest of lease obligations are omitted since the balance of lease obligations in the balance sheets includes the interests thereof.

The annual maturities of short-term debt, corporate bonds, long-term debt, and liabilities related to rights to operate public facilities, etc. as of March 31, 2017 and 2018 are as follows:

Year ending March 31	Millions of yen				
	March 31, 2017				
	Short-term debt	Corporate bonds	Long-term debt	Non-recourse debt	Liabilities related to rights to operate public facilities, etc.
2018	¥6,700	¥ —	¥11,617	¥ 958	¥ 4,295
2019	—	—	10,606	1,808	4,345
2020	—	10,000	6,492	1,791	4,397
2021	—	—	419	2,069	4,449
2022	—	5,000	8,250	1,525	4,502
2023 and thereafter	—	10,020	166	15,421	108,399
Total	¥6,700	¥25,020	¥37,550	¥23,572	¥130,387

Notes to the Consolidated Financial Statements

Millions of yen					
March 31, 2018					
Year ending March 31	Short-term debt	Corporate bonds	Long-term debt	Non-recourse debt	Liabilities related to rights to operate public facilities, etc.
2019	¥6,310	¥ —	¥10,782	¥ 2,156	¥ 4,346
2020	—	10,000	6,668	1,949	4,397
2021	—	—	587	2,227	4,449
2022	—	5,000	8,393	1,683	4,502
2023	—	—	4,309	2,346	4,555
2024 and thereafter	—	10,020	4,274	14,746	103,844
Total	¥6,310	¥25,020	¥35,013	¥25,107	¥126,093

Thousands of U.S. dollars					
March 31, 2018					
Year ending March 31	Short-term debt	Corporate bonds	Long-term debt	Non-recourse debt	Liabilities related to rights to operate public facilities, etc.
2019	\$59,394	\$ —	\$101,487	\$ 20,294	\$ 40,907
2020	—	94,127	62,764	18,345	41,387
2021	—	—	5,525	20,962	41,877
2022	—	47,063	79,000	15,841	42,375
2023	—	—	40,559	22,082	42,875
2024 and thereafter	—	94,315	40,230	138,799	977,448
Total	\$59,720	\$235,505	\$329,565	\$236,323	\$1,186,869

Note: Corporate bonds as of March 31, 2018 include ¥20 million (\$188 thousand) of non-recourse corporate bonds.

The assets pledged as collateral for short-term debt and long-term debt as of March 31, 2017 and 2018 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Securities	¥ 20	¥ —	\$ —
Other investments	50	70	659
Buildings and structures	502	469	4,415
Land	61	61	574
Investments in securities	2,235	2,547	23,974
Total	¥2,868	¥3,147	\$29,622

The secured liabilities as of March 31, 2017 and 2018 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Short-term loans	¥4,717	¥4,349	\$40,936
Long-term loans	1,933	2,172	20,444
Total	¥6,650	¥6,521	\$61,380

The assets pledged as collateral for non-recourse debt as of March 31, 2017 and 2018 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and bank deposits	¥ 9,442	¥ 24,912	\$ 234,488
Trade receivables	1,524	1,689	15,898
Buildings and structures	122	131*	1,233
Other fixed assets	4,685	6,729*	63,337
Rights to operate public facilities, etc.	135,116	129,816	1,221,913
Investments in securities	32	22	207
Total	¥150,921	¥163,299	\$1,537,076

*¥131 million (\$1,233 thousand) of the buildings and structures and ¥6,713 million (\$63,187 thousand) of other fixed assets are pledged as a revolving mortgage for factory foundation of a consolidated subsidiary.

The Company entered into committed loan facility agreements in the total amount of ¥20,000 million (\$188,253 thousand) with 5 banks. There is no outstanding balance under those agreements as of March 31, 2018.

10 Lease Transactions

Finance lease contracts: (as lessee)

Finance lease contracts that do not transfer ownership

Leased assets include:

tangible assets, which mainly consist of machinery for rent in the construction machinery sales and related service business of a consolidated subsidiary, Maeda Seisakusho Co., Ltd.

Depreciation cost of leased assets is computed by:

the straight-line method over the lease term of the leased assets with a zero residual value.

Operating lease contracts:

Outstanding minimum lease payments under non-cancelable operating lease contracts

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
(As lessee)			
Minimum lease payments			
Within one year	¥ 51	¥ 55	\$ 518
Over one year	218	216	2,033
Total	¥ 269	¥271	\$2,551
(As lessor)			
Minimum lease payments			
Within one year	¥ 519	¥510	\$4,800
Over one year	672	183	1,723
Total	¥1,191	¥693	\$6,523

11 Retirement Benefit Plans

The Company and its consolidated subsidiaries have a corporate pension plan and an employees' pension plan as a defined benefit pension plan, in addition to a defined contribution pension plan and a lump sum payment plan.

The Company and its consolidated subsidiaries may provide extra severance payments, which are not subject to the pension obligation calculated in accordance with the retirement benefit accounting, to employees upon retirement and in other circumstances.

As of March 31, 2018, the Company and its consolidated subsidiaries, as a group, have a single corporate pension fund and a single employees' pension fund, and 6 companies of the group have the lump sum payment plan.

Defined benefit plans

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

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at the beginning of the year	¥54,354	¥54,129	\$509,497
Service cost	1,668	1,714	16,133
Interest cost	52	10	94
Actuarial gain and loss	388	(1,845)	(17,366)
Retirement benefit paid	(2,333)	(2,489)	(23,428)
Balance at the end of the year	¥54,129	¥51,519	\$484,930

Notes to the Consolidated Financial Statements

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

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at the beginning of the year	¥30,501	¥31,790	\$299,228
Expected return on plan assets	305	318	2,993
Actuarial gain and loss	230	576	5,422
Contributions by the Company	2,522	2,540	23,908
Retirement benefit paid	(1,768)	(1,767)	(16,632)
Balance at the end of the year	¥31,790	¥33,457	\$314,919

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

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligation	¥ 42,039	¥ 39,608	\$ 372,816
Plan assets at fair value	(31,790)	(33,457)	(314,919)
	10,249	6,151	57,897
Unfunded retirement benefit obligation	12,090	11,910	112,105
Net liability for retirement benefits in the balance sheets	22,339	18,062	170,011
Liability for retirement benefits	22,339	18,062	170,011
Net liability for retirement benefits in the balance sheets	¥ 22,339	¥ 18,062	\$ 170,011

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

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥1,667	¥1,714	\$16,133
Interest cost	52	10	94
Expected return on plan assets	(305)	(317)	(2,983)
Amortization of actuarial gain and loss	2,126	1,548	14,571
Amortization of prior service cost	(983)	(549)	(5,168)
Retirement benefit expense	¥2,557	¥2,406	\$22,647

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

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Prior service cost	¥ (983)	¥ (549)	\$ (5,168)
Actuarial gain and loss	1,967	3,969	37,359
Total	¥ 984	¥3,420	\$32,191

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

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized prior service cost	¥ 1,998	¥ 1,449	\$ 13,639
Unrecognized actuarial gain and loss	(10,342)	(6,373)	(59,987)
Total	¥ (8,344)	¥(4,924)	\$(46,348)

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

March 31	2017	2018
Bonds	55.5%	52.1%
Stocks	27.2%	29.1%
Cash on hand in banks	5.5%	4.3%
Other	11.8%	14.5%
Total	100.0%	100.0%

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

March 31	2017	2018
Discount rates*1	0.02%	0.17%
Discount rates of a subsidiary*2	0.6%	0.6%
Expected rates of return on plan assets	1.0%	1.0%
Expected rates of salary increase	5.2%	5.6%
Expected rates of salary increase of a subsidiary	1.2%–1.9%	1.2%–1.9%

Notes: 1. The rates are presented based on the benefit formula method, using a weighted-average discount rate reflecting the expected timing and amount of benefit payments.
2. The subsidiary employs the benefit formula method, using a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The Company and its consolidated subsidiaries contributions for the years ended March 31, 2017 and 2018 were ¥499 million and ¥471 million (\$4,433 thousand), respectively, to the defined contribution pension plans.

The subsidiary participates in a multi-employer pension plan. The funded status of the multi-employer pension plan for the years ended March 31, 2017 and 2018, for which contributions are recorded as net periodic retirement benefit costs, is as follows.

Contributions made to the multi-employer pension plan for the years ended March 31, 2017 and 2018 were ¥24 million and ¥19 million (\$179 thousand), respectively.

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Fair value of plan assets	¥252,968	¥—	\$—
Total amount of actuarial loss on past service liability and minimum actuarial reserve	242,429	—	—
Difference	¥ 10,539	¥—	\$—

The subsidiary's contribution ratios for the multi-employer pension plan for the year ended March 31, 2017 was 1.06%, however, there was no applicable contribution ratio for the year ended March 31, 2018.

The above difference for the year ended March 31, 2017 was due to the actuarial loss on past service liability of ¥9,482 million (\$84,517 thousand) and the voluntary reserve of ¥20,021 million (\$178,456 thousand).

The amortization of past service liability of the plan is amortized by the straight-line method, and the Company and its consolidated subsidiaries present the amortization as special cost of ¥8 million for the year ended March 31, 2017, on the consolidated financial statements for the year ended March 31, 2017. The contribution ratios described above do not match the actual percentage of contributions made by the Company and its consolidated subsidiaries.

The multi-employer pension fund was dissolved with the government's permission on September 30, 2016. There is no additional cost due to the dissolution. As a result, the Company and its consolidated subsidiaries have shifted to the succeeding pension fund, the "National construction association pension fund."

The latest circumstance of contributions to the above-mentioned fund is omitted as the fund's first fiscal-year end fell on March 31, 2018, which does not enable to estimate the contribution amounts properly.

Notes to the Consolidated Financial Statements

12 Income Taxes

Significant components of deferred tax assets and liabilities as of March 31, 2017 and 2018 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Net loss carried forward	¥ 1,039	¥ 947	\$ 8,914
Liability for retirement benefits	4,409	4,145	39,015
Write-down of inventories and other	4,324	4,254	40,041
Impairment loss on fixed assets	3,054	3,292	30,987
Allowance for doubtful accounts	1,450	1,398	13,159
Allowance for losses on construction contracts	557	64	603
Unrealized inter-company profit of fixed assets	397	478	4,499
Other	6,193	9,374	88,234
Total	21,423	23,952	225,452
Less—Valuation allowance	(16,445)	(17,567)	(165,352)
Deferred tax assets	4,978	6,385	60,100
Deferred tax liabilities:			
Unrealized gain on investment	(10,368)	(13,266)	(124,869)
Other	(305)	(333)	(3,134)
Total deferred tax liabilities	(10,673)	(13,599)	(128,003)
Net deferred tax liabilities	¥ (5,695)	¥ (7,214)	\$ (67,903)

The details of the difference between the statutory tax rate and effective income tax rate for the years ended March 31, 2017 and 2018 are as follows:

March 31	2017	2018
Statutory tax rate	30.9%	—
Changes in the tax rate resulting from:		
Non-deductible expenses	1.3	—
Non-taxable income	(0.5)	—
Per capita levy	0.7	—
Special deductible income taxes	(1.7)	—
Investment profit on equity method	(5.5)	—
Less—Valuation allowance and other	(16.7)	—
Effective income tax rate	8.5%	—

Since the difference between the statutory tax rate and effective income tax rate is less than or equal to 5%, the details of the difference for the year ended March 31, 2018 is omitted.

13 Shareholders' Equity

The Corporation Law of Japan provides that an amount equivalent to 10% of the amount of the deduction from surplus as a result of the payment of dividends of surplus be recorded as capital reserves or retained earnings reserves, until the sum of the capital reserves and the retained earnings reserves equals 25% of the capital stock amount. Such a distribution of dividends of surplus can be made by resolution of a shareholders meeting, or by the Board of Directors if certain conditions are met.

14 Commitments and Contingent Liabilities

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

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Endorsed trade notes receivable	¥1,338	¥2,365	\$22,260
Guarantees on securitized trade notes receivable	1,801	2,227	20,962
Loan guarantee for			
Asai Construction Co., Ltd.	1,290	1,195	11,248
Izumon Retailing Co., Ltd.	—	67	631
Letters of guarantee for affiliates			
Toyo Construction Co., Ltd.	1,985	1,032	9,714
Maeda Vietnam Co., Ltd.	67	554	5,215
Total	¥6,481	¥7,440	\$70,030

15 Selling, General and Administrative Expenses

Major items of selling, general and administrative expenses in the consolidated statements of income for the years ended March 31, 2017 and 2018 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Salaries to employees	¥9,873	¥10,414	\$98,023
Experimental research costs	2,344	2,647	24,915
Retirement benefit expenses	844	790	7,436
Provision for bonuses for employees	1,368	1,507	14,185
Provision for doubtful accounts	(218)	(47)	(442)
Provision for bonuses for directors	123	126	1,186

16 Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2017 and 2018 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Research and development expenses	¥2,056	¥2,434	\$22,910

17 Allowance for Loss on Construction Contracts

Provision of allowance for loss on construction contracts included in cost of sales for the years ended March 31, 2017 and 2018 amounted to ¥939 million and ¥85 million (\$800 thousand), respectively.

18 Gain on Sale of Fixed Assets

The details of gain on sale of fixed assets for the years ended March 31, 2017 and 2018 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Land	¥396	¥—	\$—
Others	3	1	9
Total	¥399	¥ 1	\$ 9

Notes to the Consolidated Financial Statements

19 Reduction Entry Resulting from Government Subsidy

Deferred tax assets excluded from the acquisition cost of tangible fixed assets due to receiving government subsidies for the years ended March 31, 2017 and 2018 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Machinery, equipment, vehicles, tools, furniture, and fixtures	¥559	¥559	\$5,262
Total	¥559	¥559	\$5,262

20 Consolidated Statements of Comprehensive Income

The reclassification adjustments and tax effects associated with other comprehensive income for the years ended March 31, 2017 and 2018 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrealized gain (loss) on investments in securities			
Recognized amount for the year	¥ (978)	¥ 9,760	\$ 91,867
Amount of reclassification adjustments	(2)	(181)	(1,703)
Before tax effect adjustment	¥ (980)	¥ 9,579	\$ 90,164
Amount of tax effect	300	(3,007)	(28,304)
Sub-total	¥ (680)	¥ 6,572	\$ 61,860
Deferred gain (loss) on hedges			
Recognized amount for the year	¥ 33	¥ (65)	\$ (612)
Amount of reclassification adjustments	—	—	—
Before tax effect adjustment	¥ 33	¥ (65)	\$ (612)
Amount of tax effect	(2)	17	160
Sub-total	¥ 31	¥ (48)	\$ (452)
Foreign currency translation adjustments			
Recognized amount for the year	¥ 18	¥ 38	\$ 358
Amount of reclassification adjustments	—	—	—
Sub-total	¥ 18	¥ 38	\$ 358
Retirement benefits liability adjustments			
Recognized amount for the year	¥ (158)	¥ 2,421	\$ 22,788
Amount of reclassification adjustments	1,142	999	9,403
Before tax effect adjustment	¥ 984	¥ 3,420	\$ 32,191
Amount of tax effect	—	—	—
Sub-total	¥ 984	¥ 3,420	\$ 32,191
Share of other comprehensive income of companies accounted for by equity method			
Recognized amount for the year	¥1,349	¥ 261	\$ 2,457
Amount of reclassification adjustments	221	136	1,280
Sub-total	¥1,570	¥ 397	\$ 3,737
Total other comprehensive income	¥1,923	¥10,379	\$ 97,694

21 Consolidated Statements of Changes in Net Assets

(1) Type and number of outstanding stock and treasury stock

	Thousands of shares	
	Outstanding stock	Treasury stock
	Type	Common stock
Number of shares as of April 1, 2016	185,214	7,948
Increase during the year	12,742	3
Decrease during the year	—	(3)
Number of shares as of March 31, 2017	197,956	7,948

Note: The increase in treasury stock of 3,000 shares of common stock consisted of 2,000 due to the purchase of less-than-one-unit shares, and 1,000 due to the change of the Company's equity holdings in subsidiaries and affiliates. The decrease in treasury stock of 3,000 shares of common stock is due to the sale of shares of common stock.

	Thousands of shares	
	Outstanding stock	Treasury stock
	Type	Common stock
Number of shares as of April 1, 2017	197,956	7,948
Increase during the year	—	4
Decrease during the year	—	—
Number of shares as of March 31, 2018	197,956	7,952

Note: The increase in treasury stock of 3,000 shares of common stock is consisted of 3,000 due to the purchase of less-than-one-unit shares, and 1,000 due to the change of the Company's equity holdings in subsidiaries and affiliates.

(2) Zero coupon convertible bonds

The Company issued yen zero coupon convertible bonds due in 2018 as follows:

	Thousands of shares	
	Outstanding stock	Treasury stock
	Type	Common stock
Number of shares as of March 31, 2016	—	12,706
Increase during the year	—	36
Decrease during the year	—	12,742
Number of shares as of March 31, 2017	—	—

- Notes:
1. Yen zero coupon convertible bonds are not accounted for separately.
 2. The number of shares reserved for yen zero coupon convertible bonds is based on the number of shares that would be transferred in the event that conversion options were exercised.
 3. The increase in number of shares of common stock is due to the adjustment of the conversion price from ¥787 to ¥784.8 due to the increase in dividends of surplus subject to the conditions of adjustment on the conversion price.
 4. The decrease in number of shares of common stock is due to the exercise of all conversion options made on January 24, 2017.

For the year ended March 31, 2018: Not applicable

(3) Dividends

Cash dividends distributed during the year ended March 31, 2017

Cash dividends of ¥11.0 per common share at March 31, 2016 in a total amount of ¥1,950 million out of retained earnings were distributed to shareholders subject to the resolution of the general shareholders meeting held on June 24, 2016.

Cash dividends distributed during the year ended March 31, 2018

Cash dividends of ¥14.0 (\$0.13) per common share at March 31, 2017 in a total amount of ¥2,660 million (\$25,038 thousand) out of retained earnings were distributed to shareholders subject to the resolution of the general shareholders meeting held on June 23, 2017.

Cash dividends to be distributed during the year ending March 31, 2019

Cash dividends of ¥16.0 (\$0.15) per common share at March 31, 2018 in a total amount of ¥3,040 million (\$28,614 thousand) out of retained earnings are to be distributed to shareholders subject to the resolution of the general shareholders meeting held on June 22, 2018.

Note: The total amounts of cash dividends are after deduction of the dividends to the stocks held by the affiliates.

Notes to the Consolidated Financial Statements

22 Consolidated Statements of Cash Flows

(I) Cash and cash equivalents at year end

The balances of "Cash and time deposits" in the consolidated balance sheets are reconciled to "Cash and cash equivalents at end of the year" in the consolidated statements of cash flows for the years ended March 31, 2017 and 2018 as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
"Cash and time deposits"	¥66,804	¥102,475	\$964,561
Less—Time deposits over 3 months	(550)	(589)	(5,544)
Cash and cash equivalents at end of the year	¥66,254	¥101,886	\$959,017

23 Investment and Rental Properties

The Company and its consolidated subsidiaries own rental properties such as office buildings, complex facilities and others in Tokyo, Fukuoka prefecture, and the other major cities throughout Japan. Profits on rental properties of ¥725 million and ¥904 million (\$8,509 thousand), loss on sale of fixed assets of nil and ¥13 million (\$122 thousand), and impairment loss on fixed assets of ¥65 million and ¥806 million (\$7,587 thousand) have been recognized for the years ended March 31, 2017 and 2018, respectively.

The book value, increase or decrease in book value during the year, and fair value of rental properties for the years ended March 31, 2017 and 2018 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Book value as of March 31, 2016	¥12,551		
Increase (decrease) during the year	(2,783)		
Book value as of March 31, 2017	¥ 9,768	¥ 9,768	\$ 91,943
Increase (decrease) during the year		181	1,704
Book value as of March 31, 2018		¥ 9,949	\$ 93,647
Fair value as of the year end	¥20,232	¥21,869	\$205,845

- Notes: 1. Book value represents the acquisition cost less accumulated depreciation cost and cumulative impairment loss.
 2. Decrease in book value results mainly from the exclusion of a subsidiary, Seiyu Estate, Co., Ltd., which possesses rental buildings in the amount of ¥2,233 million for the year ended March 31, 2017.
 Increase in book value results mainly from the purchase of rental building in the amount of ¥285 million (\$2,683 thousand), and from the transfer from common assets to rental building in the amount of ¥221 million (\$2,080 thousand). Decrease in book value results mainly from the sale of rental building in the amount of ¥328 million (\$3,087 thousand) for the year ended March 31, 2018.
 3. Fair values of main properties are based on real property appraisal from independent real estate appraisers.

24 Segment Information

(I) Segment information

1) Summary of reportable segments:

The reportable segments of the Company's group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors of the Company to make decisions about resource allocation and assess performance.

The operations of the Company's group consist of the business and services operated by the operational divisions of the Company and consolidated subsidiaries, and are composed of four operating segments as follows:

Building	Contract work for building and other related services
Civil engineering	Contract work for civil engineering and other related services
Manufacturing	Production and sales of construction machinery and concrete secondary products, and other related services
Infrastructure management...	Renewable energy and concession operations, and other related services

2) Net sales, profit (loss), and other by segment

The accounting policies of the reportable operating segments are substantially the same as those described in "Summary of Significant Accounting Policies." Profit (loss) of reportable segments is evaluated based on operating profit (loss). Inter-segment sales are among the consolidated subsidiaries, and are recorded at the same prices used in transactions with third parties.

3) Reportable segments information

Year ended March 31, 2017	Millions of yen						Consolidated statements of income
	Building	Civil engineering	Manufacturing	Infrastructure management	Other	Adjustment	
Net sales							
Sales to outside customers	¥239,558	¥135,743	¥37,113	¥8,492	¥1,681	¥ —	¥422,587
Inter-segment sales	1,201	1,366	2,461	—	33	(5,061)	—
Total	240,759	137,109	39,574	8,492	1,714	(5,061)	422,587
Profit (loss) by segment	¥ 13,800	¥ 5,225	¥ 2,024	¥2,085	¥ 455	¥ (485)	¥ 23,104
Other							
Depreciation	¥ 1,662	¥ 1,168	¥ 1,939	¥3,523	¥ 23	¥ (83)	¥ 8,232

- Notes: 1. "Other", which represents real estate, is not included in reportable segments.
2. "Adjustment" of "Profit (loss) by segment" included ¥485 million of inter-segment transactions.
3. "Profit (loss) by segment" was adjusted in accordance with operating profit (loss) of Consolidated Statements of Income.
4. The amount of assets in each segment was not listed since corporate assets were not allocated to each segment.

Year ended March 31, 2018	Millions of yen						Consolidated statements of income
	Building	Civil engineering	Manufacturing	Infrastructure management	Other	Adjustment	
Net sales							
Sales to outside customers	¥270,709	¥139,094	¥37,956	¥16,614	¥3,352	¥ —	¥467,725
Inter-segment sales	1,122	3,538	5,422	—	17	(10,099)	—
Total	271,831	142,632	43,378	16,614	3,369	(10,099)	467,725
Profit (loss) by segment	¥ 18,551	¥ 10,719	¥ 2,298	¥ 3,278	¥ 567	¥ (26)	¥ 35,387
Other							
Depreciation	¥ 1,663	¥ 1,107	¥ 2,297	¥ 6,734	¥ 23	¥ (100)	¥ 11,724

Year ended March 31, 2018	Thousands of U.S. dollars						Consolidated statements of income
	Building	Civil engineering	Manufacturing	Infrastructure management	Other	Adjustment	
Net sales							
Sales to outside customers	\$2,548,089	\$1,309,243	\$357,267	\$156,382	\$31,551	\$ —	\$4,402,532
Inter-segment sales	10,561	33,302	51,035	—	160	(95,058)	—
Total	2,558,650	1,342,545	408,302	156,382	31,711	(95,058)	4,402,532
Profit (loss) by segment	\$ 174,614	\$ 100,894	\$ 21,630	\$ 30,855	\$ 5,337	\$ (245)	\$ 333,085
Other							
Depreciation	\$ 15,653	\$ 10,420	\$ 21,621	\$ 63,385	\$ 216	\$ (941)	\$ 110,354

- Notes: 1. "Other", which represents real estate, is not included in reportable segments.
2. "Adjustment" of "Profit (loss) by segment" includes ¥26 million (\$245 thousand) of inter-segment transactions.
3. "Profit (loss) by segment" is adjusted in accordance with operating profit (loss) of Consolidated Statements of Income.
4. The amount of assets in each segment is not listed since corporate assets were not allocated to each segment.

(2) Related information

1) Products and services segment information

Description is omitted since it is described previously in (1) Segment information.

2) Geographic segment information

(a) Sales

The disclosure of geographic segment information is omitted since the amount of sales to outside customers in Japan for the years ended March 31, 2017 and 2018 exceeds 90% of the sales in the Consolidated Statements of Income.

Notes to the Consolidated Financial Statements

(b) Fixed assets

The disclosure of geographic segment information is omitted since the amount of fixed assets in Japan as of March 31, 2017 and 2018 exceeds 90% of fixed assets in the Consolidated Balance Sheets.

3) Major customer segment information

The disclosure of major customer segment information is omitted since the amount of sales to any customer for the years ended March 31, 2017 and 2018 is not more than 10% of the sales to outside customers in the Consolidated Statements of Income.

(3) Impairment loss on fixed assets by segment

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Building	¥—	¥ —	\$ —
Civil engineering	—	41	386
Manufacturing	1	77	725
Infrastructure management	—	—	—
Other	64	729	6,862
Adjustment	—	—	—
Total	¥65	¥847	\$7,973

Note: "Other" represents real estate.

(4) Amortization and residual value of goodwill information

Segment information of amortization and residual value of goodwill is omitted since the amount is immaterial.

(5) Gain on negative goodwill information

Segment information of gain on negative goodwill is omitted since the amount is immaterial.

25 Related Party Information

(1) Related party transactions

Transactions with a related party for the years ended March 31, 2017 and 2018 are as follows:

For the year ended March 31, 2017;

Not applicable

For the year ended March 31, 2018;

Not applicable

(2) Major affiliate

Maeda Road Construction Co., Ltd. is a major affiliate as of March 31, 2017 and 2018, and a summary of its financial statements as of March 31, 2017 and 2018 and for the years then ended is as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Total current assets	¥143,456	¥159,760	\$1,503,765
Total non-current assets	105,125	122,375	1,151,873
Total current liabilities	¥ 44,761	¥ 54,195	\$ 510,119
Total long-term liabilities	13,266	29,659	279,170
Total net assets	¥190,554	¥198,282	\$1,866,359
Net sales	¥221,034	¥222,166	\$2,091,171
Profit before income taxes	25,729	21,239	199,915
Net profit	17,579	8,818	83,001

26 Per Share Information

March 31	Yen		U.S. dollars
	2017	2018	2018
Net assets per share	¥1,002.83	¥1,163.63	\$10.95
Earnings per share	132.59	121.35	1.14
Diluted earnings per share	125.98	—	—

Note: Diluted earnings per share for the year ended March 31, 2018 is omitted because there were no diluted shares.

The above information is calculated based on the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Profit attributable to owners of parent	¥23,942	¥23,057	\$217,027
Amount not attributable to common shareholders	—	—	—
Net profit attributable to common shareholders	¥23,942	¥23,057	\$217,027

	Thousands of shares	
	For the years ended March 31	
	2017	2018
Average number of shares	180,564	190,005

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Adjustment to diluted earnings per share	¥ 5	¥ —	\$ —
Interest received	(5)	—	—

	Thousands of shares	
	For the years ended March 31	
	2017	2018
Increase in number of shares	9,444	—
Zero coupon convertible bonds	(9,444)	—
Overview of residual securities not included in the calculation of diluted earnings per share as they have no dilutive effect	—	—

Notes to the Consolidated Financial Statements

27 Operations for Public Facilities etc.

Aichi Road Concession Co., Ltd., a consolidated subsidiary, has been selected as a management company, and it runs operations for public facilities as follows;

1. Summary of operations for public facilities

Descriptions of public facilities	Toll Road Operation Management in Aichi Prefecture					
	4 Roads in Chita Area consisting Minami Chita Road, Chita Hanto Road, Chita Odan Road, and Access Road to Chubu Centrai Int'l Airport	Sanage Green Road	Kinuura Tunnel	Kinuura Toyota Road	Nagoya Seto Road	
Terms of payments	Pay in lump sum as rights are obtained, and the remaining balances are paid annually					Pay in full as right is obtained
Duration of rights	Start	October 1, 2016	October 1, 2016	October 1, 2016	October 1, 2016	October 1, 2016
	End	March 31, 2046	June 22, 2029	November 29, 2029	March 5, 2034	November 26, 2044
Remaining duration of rights	Start	April 1, 2018	April 1, 2018	April 1, 2018	April 1, 2018	April 1, 2018
	End	March 31, 2046	June 22, 2029	November 29, 2029	March 5, 2034	November 26, 2044
Summary of profit-share clause	Rights are made on above-mentioned roads respectively Increased and decreased revenues belong to or are compensated as follows, provided that the revenue amounts of each fiscal-year end are increased or decreased compare to the scheduled revenue amounts; · With in 6% of increase (decrease) Belong to Aichi Road Concession Co., Ltd. · Above 6% of increase 6% or less of increase belongs to Aichi Road Concession Co., Ltd. 6% or above of increase belongs to Aichi Prefectural Road Public Corporation · Above 6% of decrease 6% or less of decrease belongs to Aichi Road Concession Co., Ltd. 6% or above of decrease belongs to Aichi Prefectural Road Public Corporation					

2. Amortization method of rights to operate public facilities

Unit-of-production method based on traffic volume.

3. Information on replacement investments

(1) Descriptions and scheduled dates

(4 roads in Chita Area)

Descriptions of replacement investments	Scheduled dates	
Lanes for Electronic Toll Collection System ("ETC")	March 31, 2019	
	March 31, 2029	thru March 31, 2032
Lanes for Ordinary Toll Collection Machines	March 31, 2019	thru March 31, 2022
	March 31, 2033	thru March 31, 2036
Main computer system of "ETC"	March 31, 2019	thru March 31, 2021
	March 31, 2024	thru March 31, 2029
	March 31, 2031	
Guardrails	March 31, 2041	
	March 31, 2021	thru March 31, 2023
	March 31, 2028	thru March 31, 2030
	March 31, 2033	thru March 31, 2035

(2) Method of allocating assets and liabilities regarding replacement investments

In regards to a part of capital expenditure for replacement investments, which is limited to that owned by Aichi Prefectural Road Public Corporation, the Company estimates the total amount of expenditure and expected period during which the management rights are held, and allocates the present value of the total expenditure under liabilities when rights to operate the public facilities are acquired. In addition, the Company allocates the corresponding amount of the present value of the total expenditures under assets.

(3) Amortization method of assets in replacement investment

Unit-of-production method based on traffic volume.

Report of Independent Certified Public Accountants



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Independent Auditor's Report

The Board of Directors
Maeda Corporation

We have audited the accompanying consolidated financial statements of Maeda Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years 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 audits. We conducted our audits 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 Maeda Corporation and its consolidated subsidiaries as at March 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years 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 3.

Ernst & Young ShinNihon LLC

June 21, 2018
Tokyo, Japan

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Principal Subsidiaries and Affiliates

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Fax: 84-9-0995-1067

Domestic:

- MAEDA ROAD CONSTRUCTION CO., LTD.
- TOYO CONSTRUCTION CO., LTD.
- MAEDA SEISAKUSHO CO., LTD.
- HIKARIGAOKA CORPORATION
- FUJIMI KOKEN CO., LTD.
- FBS-MIYAMA CO., LTD.
- JM CORPORATION
- KOHO CO., LTD.

Corporate Information

Outline of the Corporation

(As of March 31, 2018)

<p>Name in English Maeda Corporation</p> <p>Establishment In January 1919</p> <p>Incorporation In November 1946</p>	<p>Registered Address 2-10-2, Fujimi, Chiyoda-ku, Tokyo 102-8151, Japan Tel: (81)-3-3265-5551 Fax: (81)-3-5276-5220 URL: http://www.maeda.co.jp/</p> <p>Company Registration No. 40100-01-008789 (With Tokyo Legal Affairs Bureau)</p>	<p>Number of Employees 3,001 (Non-consolidated)</p> <p>Paid-in Capital ¥28,463 million</p> <p>Stock Listing On the First Section of the Tokyo Stock Exchange</p>
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Directors

(As of June 22, 2018)



Chairman and Representative Director
Koichi Obara



President and Representative Director
Soji Maeda



Representative Director and Executive Vice President
Kojiro Fukuta



Director and Executive Vice President
Makoto Nagao



Director and Senior Managing Officer
Shogo Sekimoto



Director and Senior Managing Officer
Hiromi Adachi



Director and Senior Managing Officer
Seiichi Kondo



Director and Senior Managing Officer
Yasuhiko Imaizumi



Director and Managing Officer
Kazunari Kibe



Director and Managing Officer
Naoya Okawa



Director and Managing Officer
Nobuyuki Nakashima



Outside Director
Akira Watanabe



Outside Director
Akio Dobashi

Audit & Supervisory Board Members

(As of June 22, 2018)

Audit & Supervisory Board Members

Yutaka Tokui
(Outside Audit & Supervisory Board Member)
Yoshitaka Ooshima
Shiro Ogasahara
Masaru Matsuzaki
(Outside Audit & Supervisory Board Member)
Motohiro Sato
(Outside Audit & Supervisory Board Member)

Executive Officers

(As of June 22, 2018)

Senior Managing Officer

Yuji Hatakama

Managing Officers

Tadayuki Kozakai
Shigemi Shoji
Takao Nakanishi
Youichi Kawashima
Katsuzo Kamikuri
Tetsuji Nishimoto
Masamori Nagashige

Executive Officers

Akira Fujiwara
Michio Yamada
Toshimasa Suwa
Katsumi Igarashi
Yasuyuki Ishiguro
Hiroyuki Hata
Tetsuya Mishima
Satoru Tahara
Yoshiyuki Abe

Makoto Tagawa
Akio Suzuki
Hisanari Yamada
Masaru Takada
Hitoshi Wakiya
Kenji Hamano
Tadanobu Anzai
Motoi Higashiyama



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