

Maeda Corporation



MAEDA

# ANNUAL REPORT 2017

For the year ended March 31, 2017



# Building and Civil Engineering for the World

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## 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.

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### PHOTO:

BIG FRONT Hiroshima

>> See page 6

### 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.

## 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.



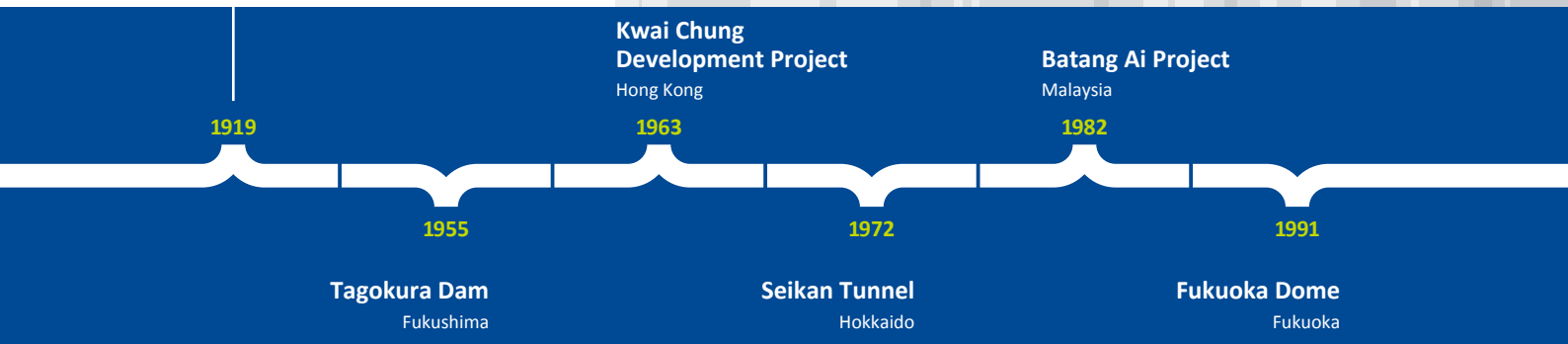
# The History of Maeda Corporation

**Maeda's history began with the construction of a hydroelectric power plant in 1919. Over 90 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.



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 m<sup>3</sup> 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.



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 1,985,000m<sup>3</sup> 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 8,462m<sup>3</sup>.



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.



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.



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.



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.



### Trans-Tokyo Bay Highway

Chiba

1995

### The Tokyo Towers

Tokyo

2004

### Stonecutters Bridge

Hong Kong

2007

1998

### Hong Kong International Airport Passenger Terminal Building

Hong Kong

2005

### Upper Kotmale Hydropower Project

Sri Lanka

2014

### Iidabashi Station West Exit Type I Urban Development Project

Tokyo



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 498,000m<sup>2</sup> 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.



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.



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.

# Putting forth an image of a new society where harmony prevails

## Undertaking to solve diverse and complex social issues in a world where turmoil is spreading deeper

With the world trending towards lower levels of global business expansion and world economic growth, and given the widening of numerous disparities and the confrontations surrounding them, the amount of turmoil in the world is increasing more and more, as evidenced by growing terrorism and the rise of the extreme right combined with the “my country first” principle. Even the concepts of freedom and democracy, which had been considered universal principles, have been having difficulty attracting full-scale support. As people’s sense of value and lifestyles diversify, social issues and social needs are becoming ever more complex. In times like these, Japan is a step farther down the path than the rest of the world in the maturing of its economy, shrinking of its population, and standing now in an era in which

economic growth faces structural limits.

Under these circumstances, in order for society to realize sustainable development, I think it is crucial to develop harmony among the elements of the environment, the economy, the community, and people’s lives, too. I believe moreover that Maeda shall be a business that assumes responsibility for this task.

## A prompt start to solving social issues

Maeda is responsible for operating Sendai Airport, the country’s first public-private concession, and Aichi Prefecture Toll Road, the country’s first road concession. These types of society-leading enterprises are the results of Maeda’s preparations attained for over a decade by envisaging possible future changes in the construction industry as well as by thinking over what value we can provide to society as a business engaged in infrastructure. The concession business is instrumental in



lightening the financial load on government and in offering a solution to regional revitalization. Maeda has placed this business as an exemplary case of business management for CSV (Creating Shared Value) and will be pursuing future initiatives in this area.

Meanwhile, in order to achieve work style reform as a step towards resolution of internal social issues, we have started related activities. Last year, we defined the issues by conducting an employee satisfaction (ES) survey, and during the fiscal year, we established a dedicated organization aimed at resolving problems.

### **Drawing a grand design of society**

So that every employee can deepen their understanding of social issues inside and outside of the Company, Maeda has set up an educational framework. We have launched such initiatives as opening a “Learning Site” where all employees can study social issues by gaining the expertise of scholars and experts, and deepened discussions for CSV-SS (Creating Satisfactory Value Shared by Stakeholders) by setting up a working group for promoting CSV in each business unit and placing these results within work operations.

Through these activities, Maeda aims to be a

company where each employee thinks of what a society in harmony would be like and in which individuals and their collective action continue to pursue this kind of harmonious society through work. At Maeda, we believe in undertaking activities that make us a true partner with other parties.

### **Towards a construction company that is the launch pad to the future**

Maeda intends to continue its activities in the resolution of social issues and be a company depended upon and needed by those of the future. Moreover, we are determined to become one of the leading companies in creating a good society through our business operations.

By not merely depicting an image of our future expectations, but rather by having the bold ambition to create with our own hands a society in harmony, I believe this effort will create a vibrant and rewarding workplace, leading to the creation of new business ventures that help solve society’s problems.

### **Soji Maeda**

President and  
Representative Director



## 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

## BIG FRONT Hiroshima

This project, at the entrance to Hiroshima, the city of international peace culture, was born as a super-high-rise hybrid facility to serve the important role of a welcome gate. It is composed of two towers—a 52 story structure of 197m and a 10 story structure—and includes condominiums, hotels, offices, and stores.

Using a stylish glass-themed design on all sides, the building not only highlights an imposing "tower-form" in the area near the train station but also displays an appearance suitable as a landmark of Hiroshima.



## Sumitomo Realty & Development Azabu Juban Building

This project, located in the Mita area of Minato Ward in Tokyo, is an office building within walking distance of Azabu Juban Station. The 10 story structure has a total floor area of 46,151.93m<sup>2</sup>. The ratio of rentable floor space on one floor, at approximately 4,200m<sup>2</sup>, is in the highest range achieved in the metropolitan region. In order to fit in with the request of our client, Sumitomo Realty and Development for an "external appearance with an impact not seen before," the building has a distinctive design, featuring protruding asymmetrical metal eaves, which might be suggestive of an art museum.

These towers are receiving high expectations as the new landmark of the Mita area.



## Levee Restoration in Idoura Area of the Fukanuma South Construction Zone, Sendai Bay South Shore



The coast-side levee along the south shore of Sendai Bay suffered both full and partial destruction by the Great East Japan Earthquake of 2011. This construction project involved restoration of the 1.2-km coast-side embankment (volume of approximately 62,000m<sup>3</sup>).

The Idoura area is a confined piece of land sandwiched between the sea and a lagoon. As a result, the coast-side levee for this section employs a CSG (cemented sand and gravel) structure that is able to narrow the width of the embankment. For the construction, Maeda deployed the M-Y mixer, a continuous gravity-based mixing system developed by the company. To achieve our goals of high-speed production and stable quality of CSG together with a low environmental footprint, we introduced several ICT technologies to ensure quality and improve productivity.



## Civil Engineering Projects

### Tsukinokawa Tunnel No. 1 (Nishi-Kyushu Expressway, Imari-Matsuura Section)

This project involved the construction of the 976m long Tsukino-kawa Tunnel No. 1 for the Imari-Matsuura stretch of the Nishi-Kyushu Expressway, which was planned as a 150km motorway starting in Fukuoka City, passing through Sasebo City, and extending to Takeo City. The project is expected to improve traffic connections, business development, and disaster response over a wide area in northwest Kyushu.

During construction, work was carried out considerably in an eco-friendly manner, in order to avoid causing such a nuisance as unwanted noise, vibration, or dust over a day-care center and residential housing located nearby. Also, through such means as regular construction site tours and activities that contribute to the local community, we have sought to build a friendly relationship with local residents. We succeeded at completing construction with no accidents and no disasters during the entire construction period thanks to the cooperation of those involved in the construction.





## Vietnam

### Suntory PepsiCo Vietnam Beverage Central Project

In this project, Maeda built a new beverage production plant for our client, Suntory PepsiCo Vietnam Beverage (SPVB). These facilities give the customer a new base in central Vietnam and were constructed in the Dien Nam-Dien Ngoc industrial estate in Quang Nam province, about 20km south of Da Nang, a highly popular tourist destination in recent years. Maeda Vietnam built a factory of approximately 50,000m<sup>2</sup> on a site of 141,804m<sup>2</sup>. The construction work, started in January 2016 and completed in February 2017, also included wastewater treatment facilities meeting the highest-level environmental standards. We have also received an order from SPVB for construction work at their Hanoi/Can Tho plant.

## Overseas Projects



### U.S.A.

#### NTN Driveshaft Anderson, Inc. Factory Project

This project for NTN Corporation is in Anderson, Indiana, and will be the company's third manufacturing facility for automobile drive shafts in the US. The site is located approximately 50km northwest of Indianapolis.

The order was placed by NTN Driveshaft Anderson, Inc. The facility will make components that combine shafts with a constant velocity joint (CVJ). The building, located within a lot of

approximately 162,000m<sup>2</sup>, is a plant with a total floor area of 37,777m<sup>2</sup> and includes offices, the factory, and a warehouse. Site preparation began on November 24, 2015, and the completed project was handed over to the client on November 15, 2016.

The installation of production equipment by the client started in the middle of September 2016 and proceeded simultaneously with construction work. Driveshaft production began in April 2017.



## Hong Kong

### MTR823A/823B Express Rail Link (XRL) Project



This project is part of a 26km express rail link from western Kowloon to the border with mainland China which was planned by the Hong Kong SAR. Maeda contracted two construction contracts, i.e. Contract 823A for a section of about 1.6km to construct main tunnels by TBM and cut-and-cover methods, and Contract 823B for a section of 1.2km to construct connecting tunnels with the main tunnels as well as the ground level by cut-and-cover method.

With overall progress on entire XRL delayed, Maeda's contracts also encountered difficulties including late possession of the construction sites and unforeseen ground conditions. By implementing practical delay recovery measures, construction work, awarded in July 2010, was completed in December 2016. Track laying and facility services work is now being carried out with the operation expected to commence in 2018.

## Vietnam

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

Ho Chi Minh City is the largest commercial center and the key economic region of Southern Vietnam. With a population of over 7.7 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.

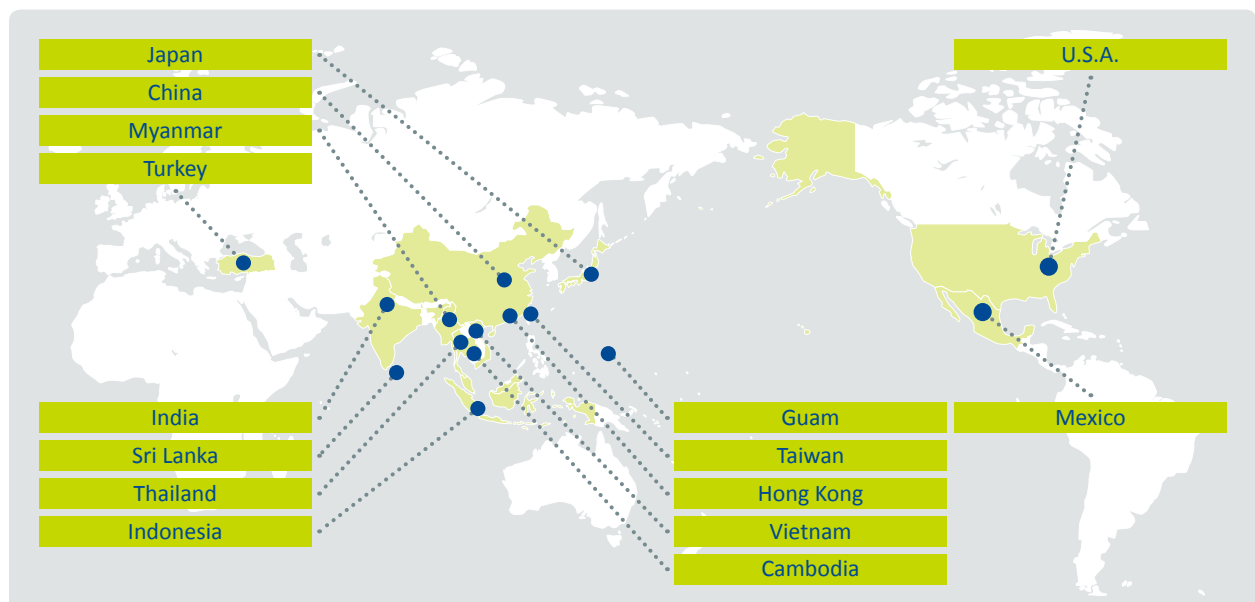
Line 1 is the first metro project in Ho Chi Minh City. This has a total length of 19.7km, is comprised of fourteen stations (three underground and eleven elevated), and will connect the city center with the eastern districts of the city. This Line 1 project is subdivided into four separate contract packages: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



## Overseas Operations



# Balancing work style reform and company growth

—The first step toward the goal of CSV-SS—

A “company trusted by the future” is one that conducts its business in accord with sustainable development. Applying this concept, Maeda has set “CSV Management No. 1” as one of its important measures in the current medium-term business plan, MAEDA JUMP 2016–2018, and has established and implemented its own CSV, “CSV-SS (Creating Satisfactory Value Shared by Stakeholders),” which highlights internal social issues that are borne by the construction industry.

As one of CSV-SS’s aspirational goals for the year ending March 31, 2018, the second year of this endeavor, we are concentrating our focus on work style reform balanced with corporate growth. This initiative embodies our intent to realize strong individuals and a strong fabric (organizations) that, while seeing the risks in social issues, will resolve these problems through their own efforts after properly grasping the transformed roles of the construction market and construction industry and the dramatic change in society. As the Company approaches its centennial anniversary in January 2019, it is launching initiatives towards the next hundred years.

## **1. Maeda has established a special division that encompasses its beliefs towards the way of work from now on.**

The role of the domestic construction business in Japan is structurally changing from new construction toward maintenance, which means, the work style of our employees will also change drastically.

With respect to this change, Maeda newly established a special division in April 2017 for

strategically restructuring and improving the way of work for every employee. The new division will establish structures that will enable every employee to continue to pursue CSV-SS on their own initiative, while also helping them to think continuously about “what we work for” and “how to progress our business more than ever.”

Our goal is, by putting work style reform into effect, to create a virtuous cycle in which the growth of each and every employee will lead to the growth of Maeda.

## 2. Progress on open innovation

Our new R&D facilities now under construction are scheduled to be completed in the year ending March 31, 2019. Under the main concept of a “Hub Space for Open Innovation,” we will proactively open these facilities to various industries, ventures, and universities, making the R&D center true to its name as a venue for open innovation and a place where leading edge technologies such as IoT, AI, and robotics, can be developed and put into practice.

By pushing along these types of open innovation initiatives and bringing together a large variety of industries, venture companies, and universities, Maeda is actively promoting the matching of needs and collaborative development. One initiative in this direction is a scheme called Maeda SII (Social Impact Investment) for investing in venture companies that seek to solve social issues. This scheme has invested so far in such technologies as GNSS reception, advance power storage, next-generation power devices, and leading ICT-related technologies.

## 3. Aichi Prefecture Toll Road Concession

Maeda obtained the first two domestic concession businesses in the airport and toll-road fields. In July 2016, operations began at the Sendai International Airport Co., Ltd., a company invested in by a consortium of individual companies including Maeda. In October 2016, Aichi Road Concession Co., Ltd., (ARC), a consortium led by Maeda, was launched and started operations.

ARC, a Maeda consolidated subsidiary, has obtained the toll-road operating rights to eight roads\* covering 72.5km, which had been under the management of the Aichi Prefecture Public Road Corporation. ARC will be

responsible for daily road operation and facility maintenance on a self-sustaining basis.

In carrying responsibility for the unfamiliar business of road operation, we are deeply aware of both the importance and the challenge of operating the business from a long-term perspective. The roads in question are currently bringing in stable revenues; however, a persistent dedication to efficiency is indispensable to having a stable business with secure earnings. For example, maintenance and improvements to paved surfaces require that great attention be paid to both life-cycle costs and emergencies through the entire period of operations and that the time frame be set as well for planning and execution. These factors constitute know-how that cannot be acquired without being the prime operator. Looking at the future, I see many aspects within the areas of inspections and construction work where Maeda’s deep knowledge and technology can be put to work. However, after the Company absorbs the knowledge that can be earned through operations and management, it is essential, I believe, that Maeda evolve into a new construction company that earns society’s trust.

Furthermore, regional rejuvenation will be a social challenge that is closely connected to road operations. Because these roads have from their beginning enjoyed high frequency use for industry and tourism, we aim to increase tourism to places within the areas south of the airport at Nagoya and will put efforts into development of tourism in collaboration with residents from the region. Looking towards the future, we will launch initiatives for the introduction of new technology including “smart highways.”

\* The period of operations differs by road. There will be four roads over 30 years including the core Chitahanto Road.



Aichi Prefecture Toll Road



Sendai International Airport (Japan’s first concession business)

# Corporate Governance

## Corporate Governance System

The Maeda Group considers it a duty to explain its business activities while aiming for business efficiency, financial health and transparency. 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 2017)

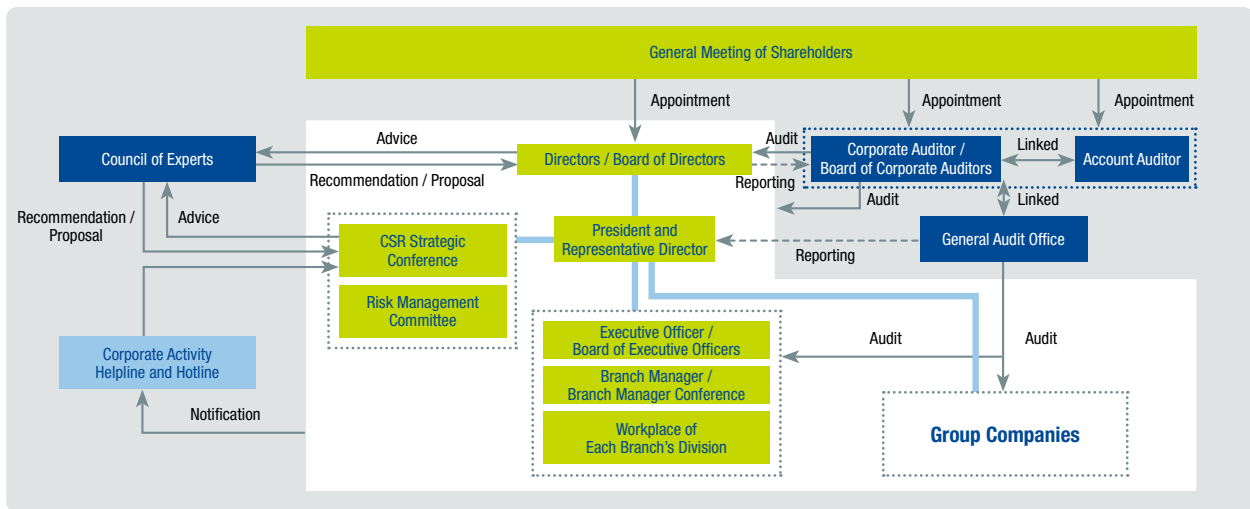
While interest in corporate governance is at a higher level than before, through such actions as the introduction of a Japanese-version Corporate

Governance Code, the Company aims to further improve corporate governance in order to realize “CSV Management No. 1.”

## 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.

### Corporate Governance and Internal Control Framework



## Internal Reporting System (Business-Conduct Helpline and Hotline)

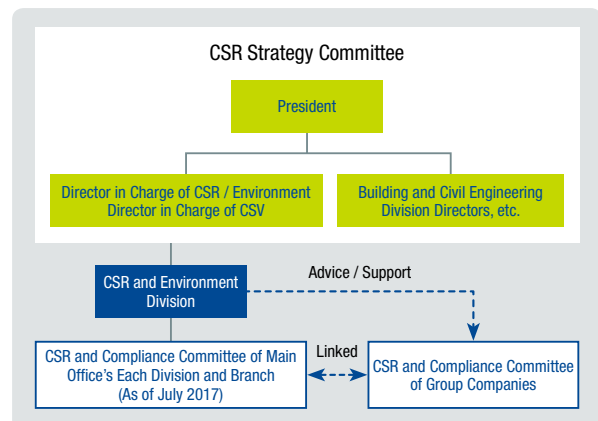
The Internal Reporting System is a very important mechanism for early detection and correction of unethical behavior and for achieving secure and improved compliance and ethics throughout the Company. In addition to the Internal Reporting System, the Company has been established links on its website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

## Excluding Antisocial Forces

The Company aims also to block relationships with antisocial forces as part of its internal controls. This is

also prescribed in the Corporate Code of Conduct and taught and promoted in employee training.

## CSR and Compliance Promotion System



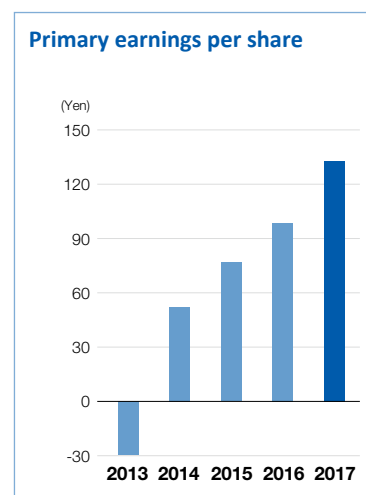
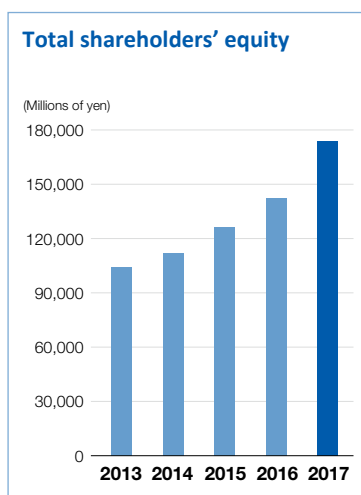
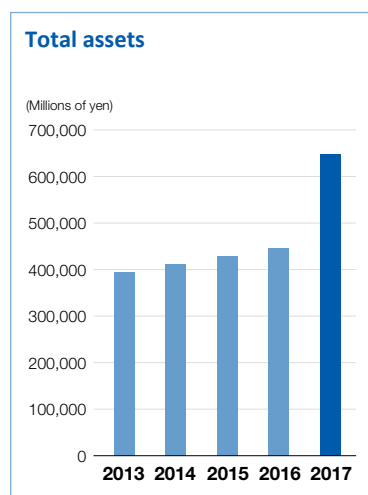
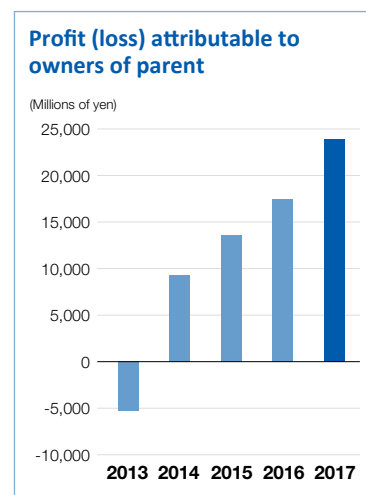
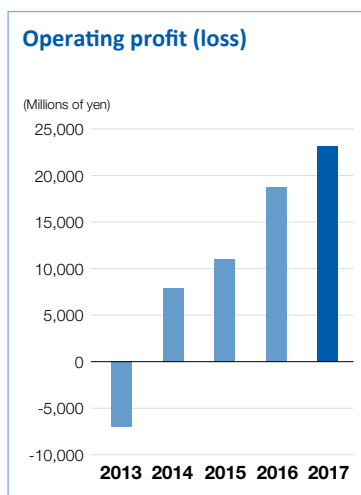
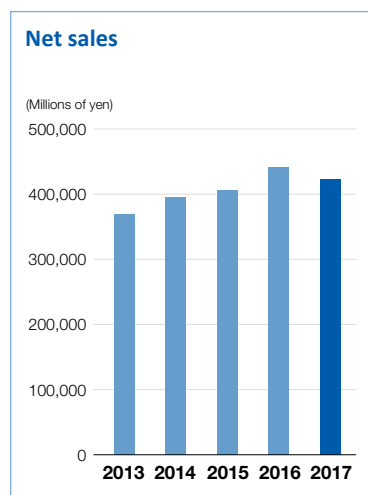
## Consolidated Financial Highlights

Maeda Corporation and its consolidated subsidiaries  
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2017	2017
<b>For the year:</b>			
Net sales	¥441,723	<b>¥422,587</b>	<b>\$3,766,707</b>
Operating profit	18,703	<b>23,104</b>	<b>205,936</b>
Profit attributable to owners of parent	17,506	<b>23,942</b>	<b>213,406</b>
<b>At year-end:</b>			
Total assets	445,240	<b>648,601</b>	<b>5,781,273</b>
Total shareholders' equity	141,987	<b>173,810</b>	<b>1,549,247</b>

	Yen	U.S. dollars
<b>Per share:</b>		
Primary earnings	98.75	<b>132.59</b>
Cash dividends	11.00	<b>14.00</b>

Note: U.S. dollar amounts in the financial statements are translated from yen, for convenience only, at the rate of at ¥112.19 = U.S.\$1.00, the exchange rate prevailing on March 31, 2017.



## Consolidated Balance Sheets

Maeda Corporation and Subsidiaries  
As of March 31

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2017	2017
<b>Current assets:</b>			
Cash and time deposits (Notes 5 & 10)	¥ 25,789	¥ 66,804	\$ 595,454
Trade receivables: (Notes 5 & 10)			
Notes	5,355	8,977	80,016
Accounts	176,452	156,684	1,396,595
Allowance for doubtful accounts	(80)	(71)	(633)
	181,727	165,590	1,475,978
Marketable securities (Notes 5 & 6)	50	20	178
Inventories (Notes 9 & 10)	14,673	22,293	198,709
Deferred tax assets (Note 13)	346	2,771	24,699
Other current assets (Note 10)	26,116	38,022	338,907
Total current assets	248,701	295,500	2,633,925
<b>Investments and other assets:</b>			
Investments in securities (Notes 5, 6 & 10)	75,164	76,546	682,289
Investments in and advances to unconsolidated subsidiaries and affiliates	50,828	57,029	508,325
Deferred tax assets (Note 13)	126	174	1,551
Rights to operate public facilities, etc. (Note 28)	—	135,116	1,204,350
Assets related to replacement investment in rights to operate public facilities, etc. (Note 28)	—	26,796	238,845
Intangible fixed assets	1,015	1,211	10,794
Long-term loans receivable	2,527	2,553	22,756
Claims provable in bankruptcy and other	4,011	3,374	30,074
Other investments	4,737	4,435	39,531
Allowance for doubtful accounts	(4,933)	(4,683)	(41,742)
Total investments and other assets	133,475	302,551	2,696,773
<b>Property and equipment, at cost:</b> (Notes 10, 20 & 24)			
Buildings and structures	53,691	48,552	432,766
Machinery and equipment	45,268	34,732	309,582
Vehicles	3,670	2,952	26,312
Tools, furniture and fixtures	7,550	7,396	65,924
Land	24,935	22,798	203,209
Construction in progress	92	714	6,364
Leased assets	1,895	2,293	20,439
	137,101	119,437	1,064,596
Accumulated depreciation	(74,275)	(69,733)	(621,562)
Property and equipment, net	62,826	49,704	443,034
<b>Deferred assets</b>	238	846	7,541
<b>TOTAL ASSETS</b>	¥445,240	¥648,601	\$5,781,273

The accompanying notes are an integral part of the statements.



LIABILITIES & NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2017	2017
<b>Current liabilities:</b>			
Electronically recorded monetary claims (Note 5)	¥ —	¥ 9,037	\$ 80,551
Trade payables (Note 5)	82,953	73,553	655,611
Short-term debt (Notes 5 & 10)	46,502	19,275	171,807
Lease obligations	375	523	4,662
Accrued income taxes	2,436	5,449	48,569
Advances on construction work in progress	19,998	41,371	368,758
Allowance for repairs and warranty	885	769	6,854
Accrued bonuses for employees	3,005	3,240	28,880
Accrued bonuses for directors	97	122	1,087
Reserve for defects on completed works	1,323	1,308	11,659
Allowance for loss on construction contracts (Note 18)	1,870	1,855	16,534
Liabilities related to rights to operate public facilities, etc. (Notes 5, 10 & 28)	—	4,295	38,283
Liabilities related to replacement investment in public facilities, etc. operating project (Note 28)	—	3,553	31,670
Other current liabilities	22,609	23,771	211,882
Total current liabilities	182,053	188,121	1,676,807
<b>Long-term liabilities:</b>			
Long-term debt (Notes 5 & 10)	59,917	73,568	655,745
Lease obligations	1,085	1,135	10,117
Liability for retirement benefits (Note 12)	23,853	22,339	199,117
Deferred tax liabilities (Note 13)	10,089	8,640	77,012
Liabilities related to rights to operate public facilities, etc. (Notes 5, 10 & 28)	—	126,093	1,123,924
Liabilities related to replacement investment in public facilities, etc. operating project (Note 28)	—	23,890	212,942
Other long-term liabilities	4,168	3,305	29,459
Total long-term liabilities	99,112	258,970	2,308,316
<b>Commitments &amp; contingent liabilities (Note 15)</b>			
<b>Net Assets (Note 22)</b>			
<b>Shareholders' equity:</b>			
Common stock	23,455	28,463	253,704
Additional paid-in capital	31,718	36,727	327,364
Retained earnings	89,248	111,057	989,901
Treasury stock, at cost	(2,434)	(2,437)	(21,722)
Total shareholders' equity	141,987	173,810	1,549,247
<b>Accumulated other comprehensive income:</b>			
Unrealized gain on investments in securities	26,348	25,651	228,639
Foreign currency translation adjustments	(19)	(11)	(98)
Retirement benefits liability adjustments	(11,196)	(8,921)	(79,517)
Deferred gain on hedges	—	15	134
Total accumulated other comprehensive income	15,133	16,734	149,158
<b>Non-controlling interests</b>	6,955	10,966	97,745
Total net assets	164,075	201,510	1,796,150
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	¥445,240	¥648,601	\$5,781,273

The accompanying notes are an integral part of the statements.

## Consolidated Statements of Income

Maeda Corporation and Subsidiaries  
For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2017	2017
<b>Net sales</b>	¥441,723	<b>¥422,587</b>	<b>\$3,766,707</b>
<b>Cost of sales (Note 18)</b>	400,511	<b>374,924</b>	<b>3,341,866</b>
Gross profit	41,212	<b>47,663</b>	<b>424,841</b>
<b>Selling, general and administrative expenses (Note 16)</b>	22,509	<b>24,559</b>	<b>218,905</b>
Operating profit	18,703	<b>23,104</b>	<b>205,936</b>
<b>Other income (expenses):</b>			
Interest and dividend income	1,494	<b>1,623</b>	<b>14,467</b>
Interest expenses	(1,282)	<b>(1,688)</b>	<b>(15,046)</b>
Gain on sale of fixed assets (Note 19)	49	<b>399</b>	<b>3,556</b>
Gain on sale of investments in securities	60	<b>2</b>	<b>18</b>
Loss on retirement of fixed assets	(520)	<b>(116)</b>	<b>(1,034)</b>
Loss on valuation of investments in securities	(115)	<b>(179)</b>	<b>(1,596)</b>
Foreign exchange gain (loss), net	(423)	<b>4</b>	<b>36</b>
Gain on equity method investments	4,642	<b>4,952</b>	<b>44,139</b>
Impairment loss on fixed assets (Note 8)	(770)	<b>(65)</b>	<b>(579)</b>
Gain on sale of stocks of affiliates	—	<b>1,008</b>	<b>8,985</b>
Loss on sale of stocks of affiliates	—	<b>(258)</b>	<b>(2,300)</b>
Other, net	(273)	<b>(875)</b>	<b>(7,799)</b>
	2,862	<b>4,807</b>	<b>42,847</b>
Profit before income taxes	21,565	<b>27,911</b>	<b>248,783</b>
<b>Income taxes:</b>			
Current	3,531	<b>6,063</b>	<b>54,042</b>
Deferred	(405)	<b>(3,681)</b>	<b>(32,810)</b>
	3,126	<b>2,382</b>	<b>21,232</b>
Profit	18,439	<b>25,529</b>	<b>227,551</b>
Profit attributable to non-controlling interests	933	<b>1,587</b>	<b>14,145</b>
Profit attributable to owners of parent (Note 27)	¥ 17,506	<b>¥ 23,942</b>	<b>\$ 213,406</b>
		Yen	U.S. dollars
<b>Per share: (Note 27)</b>			
Primary earnings	¥ 98.75	<b>¥ 132.59</b>	<b>\$ 1.18</b>

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2017	2017
<b>Profit</b>	¥18,439	¥25,529	\$227,551
<b>Other comprehensive income:</b>			
Unrealized gain (loss) on investments in securities	¥ (5,029)	¥ (679)	\$ (6,052)
Foreign currency translation adjustments	(116)	18	161
Retirement benefits liability adjustments	(5,208)	984	8,771
Share of other comprehensive income (loss) of companies accounted for by equity method	(1,254)	1,569	13,985
Deferred gain on hedges	—	31	276
Total other comprehensive income (loss) (Note 21)	(11,607)	1,923	17,141
<b>Total comprehensive income</b>	¥ 6,832	¥27,452	\$244,692
<b>Total comprehensive income attributable to:</b>			
Owners of parent	¥ 6,189	¥25,544	\$227,685
Non-controlling interests	643	1,908	17,007

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, 2016 and 2017

Millions of yen

	Shareholders' equity				Total 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 22)		Unrealized gain on investments in securities	Deferred gain on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 12)	Total accumulated other comprehensive income		
<b>Balance at April 1, 2015</b>	¥23,455	¥31,715	¥ 73,606	¥(2,432)	¥126,344	¥31,541	¥ —	¥ 35	¥ (5,126)	¥26,450	¥ 5,684	¥158,478
<b>Restated balance at April 1, 2015</b>	¥23,455	¥31,715	¥ 73,606	¥(2,432)	¥126,344	¥31,541	¥ —	¥ 35	¥ (5,126)	¥26,450	¥ 5,684	¥158,478
Changes during the year:												
Cash dividends paid at ¥9.0 per share	—	—	(1,596)	—	(1,596)	—	—	—	—	—	—	(1,596)
Profit attributable to owners of parent	—	—	17,506	—	17,506	—	—	—	—	—	—	17,506
Acquisition of treasury stock	—	—	—	(2)	(2)	—	—	—	—	—	—	(2)
Change in equity attributable to parent arising from transactions with non-controlling interests	—	3	—	—	3	—	—	—	—	—	—	3
Change in scope of consolidation	—	—	(268)	—	(268)	—	—	—	—	—	505	237
Net changes other than shareholders' equity	—	—	—	—	—	(5,193)	—	(54)	(6,070)	(11,317)	766	(10,551)
Total changes during the year	—	3	15,642	(2)	15,643	(5,193)	—	(54)	(6,070)	(11,317)	1,271	5,597
<b>Balance at April 1, 2016</b>	¥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
<b>Balance at March 31, 2017</b>	¥28,463	¥36,727	¥111,057	¥(2,437)	¥173,810	¥25,651	¥15	¥(11)	¥ (8,921)	¥16,734	¥10,966	¥201,510

Thousands of U.S. dollars (Note 4)

	Shareholders' equity				Total 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 22)		Unrealized gain on investments in securities	Deferred gain on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 12)	Total accumulated other comprehensive income		
<b>Balance at April 1, 2016</b>	\$209,065	\$282,717	\$795,507	\$(21,695)	\$1,265,594	\$234,852	\$ —	\$(169)	\$(99,795)	\$134,888	\$61,993	\$1,462,475
Changes during the year:												
Conversion of zero coupon convertible bonds	44,639	44,639	—	—	89,278	—	—	—	—	—	—	89,278
Cash dividends	—	—	(17,381)	—	(17,381)	—	—	—	—	—	—	(17,381)
Profit attributable to owners of parent	—	—	213,406	—	213,406	—	—	—	—	—	—	213,406
Acquisition of treasury stock	—	—	—	(36)	(36)	—	—	—	—	—	—	(36)
Sale of treasury stock	—	—	—	9	9	—	—	—	—	—	—	9
Change in equity attributable to parent arising from transactions with non-controlling interests	—	8	—	—	8	—	—	—	—	—	—	8
Change in scope of consolidation	—	—	(1,631)	—	(1,631)	—	—	—	—	—	19,529	17,898
Net changes other than shareholders' equity	—	—	—	—	—	(6,213)	134	71	20,278	14,270	16,223	30,493
Total changes during the year	44,639	44,647	194,394	(27)	283,653	(6,213)	134	71	20,278	14,270	35,752	333,675
<b>Balance at March 31, 2017</b>	\$253,704	\$327,364	\$989,901	\$(21,722)	\$1,549,247	\$228,639	\$134	\$(98)	\$(79,517)	\$149,158	\$97,745	\$1,796,150

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2017	2017
<b>Cash Flows from Operating Activities:</b>			
Profit before income taxes	¥ 21,565	¥ 27,911	\$ 248,783
Depreciation	5,776	8,364	74,552
Impairment loss on fixed assets	770	65	579
Increase (decrease) in allowance for doubtful accounts	80	(258)	(2,299)
Increase (decrease) in allowance for losses on construction contracts	(1,930)	(15)	(134)
Increase (decrease) in liability for retirement benefits	(1,736)	(1,670)	(14,885)
Interest and dividend income	(1,494)	(1,623)	(14,467)
Interest expenses	1,282	1,688	15,046
Foreign exchange loss (gain)	418	31	276
Equity in losses (earnings) of affiliates	(4,642)	(4,952)	(44,139)
Loss (gain) on sales of short-term and long-term investment securities	(54)	(752)	(6,703)
Loss (gain) on valuation of short-term and long-term investment securities	115	179	1,596
Loss (gain) on sale of fixed assets	(49)	(362)	(3,226)
Increase (decrease) in trade receivables	(37,875)	16,067	143,212
Increase (decrease) in construction work in progress	888	(7,958)	(70,933)
Increase (decrease) in project costs for development and others	9,351	(69)	(615)
Increase (decrease) in other inventories	(512)	406	3,619
Increase (decrease) in consumption tax receivables	1,680	3,519	31,366
Increase (decrease) in trade payables	(3,192)	(367)	(3,271)
Increase (decrease) in advances on construction work in progress	(3,777)	21,366	190,445
Increase (decrease) in deposits	2,856	3,257	29,031
Other	1,923	(304)	(2,710)
Sub-total	(8,557)	64,523	575,123
Receipt of interest and dividend income	2,455	3,022	26,936
Payment of interest expenses	(1,263)	(1,647)	(14,681)
Payment of income taxes	(3,944)	(3,569)	(31,812)
Cash flows provided by (used in) operating activities	(11,309)	62,329	555,566
<b>Cash Flows from Investing Activities:</b>			
Proceeds from sale and redemption of marketable securities	100	50	446
Acquisition of property and equipment and intangible assets	(4,561)	(4,748)	(42,321)
Proceeds from sale of property and equipment and intangible assets	5,450	1,656	14,761
Proceeds from subsidy income	509	5	45
Acquisition of investments in securities	(3,171)	(2,340)	(20,857)
Proceeds from sale of investments in securities	976	107	954
Acquisition of stocks of subsidiaries	(2,481)	(2,072)	(18,469)
Proceeds from sales of stocks of subsidiaries and affiliates	909	606	5,401
Lending of long-term loans receivable	(863)	(3,793)	(33,809)
Collection of long-term loans receivable	51	1,830	16,312
Acquisition of concession-based private finance initiative right	—	(16,971)	(151,270)
Sale of subsidiaries' stocks resulting in a change in scope of consolidation	—	(234)	(2,086)
Proceeds from sale of subsidiaries' stocks resulting in change in scope of consolidation	—	772	6,881
Other	45	(1,044)	(9,306)
Cash flows provided by (used in) investing activities	(3,036)	(26,176)	(233,318)
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term loans	23,308	(30,397)	(270,942)
Increase in long-term loans	—	10,500	93,591
Repayment of long-term loans	(425)	(3,589)	(31,990)
Increase in non-recourse loans	4,865	18,888	168,357
Repayment of non-recourse loans	(1,459)	(632)	(5,633)
Proceeds from issuance of bonds	—	14,916	132,953
Repayment of bonds	(10,000)	(5,000)	(44,567)
Payment of finance lease obligations	(302)	(380)	(3,387)
Payment from non-controlling shareholders	180	2,400	21,392
Payment of cash dividends	(1,595)	(1,950)	(17,381)
Acquisition of treasury stock	(2)	(3)	(27)
Payment of cash dividends to non-controlling shareholders	(65)	(121)	(1,079)
Others	7	—	—
Cash flows provided by (used in) financing activities	14,512	4,632	41,287
<b>Exchange difference of cash and cash equivalents</b>	(418)	—	—
<b>Increase (decrease) in cash and cash equivalents</b>	(251)	40,785	363,535
<b>Cash and cash equivalents at beginning of the year</b>	25,979	25,469	227,017
<b>Increase due to inclusion in consolidation</b>	451	—	—
<b>Decrease due to inclusion in consolidation</b>	(710)	—	—
<b>Cash and cash equivalents at end of the year (Note 23)</b>	¥ 25,469	¥ 66,254	\$ 590,552

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, 2016 and 2017 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-seven (27) subsidiaries ("controlled companies", wherein the decision-making body of entity is controlled) as of March 31, 2017. 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, 2017	
			Thousands of Millions of yen	U.S. dollars
Maeda Seisakusho Co., Ltd.	Manufacturing (Manufacturing, sales and rental of construction machinery and others)	43.0% *{0.7} **[9.8]	¥3,160	\$28,167
Aichi Road Concession Co., Ltd.	Infrastructure operation (Maintenance and management of roads)	50.0 *{—}	480	4,278
Anonymous Association-Aichi Road Concession	Infrastructure operation (Maintenance and management of roads)	— *{—}	—	—
JM Corporation	Building	100.0 *{—}	350	3,120
Fujimi Koken Co., Ltd.	Manufacturing (Production and sales of construction materials)	50.0 *{—}	250	2,228
FBS Inc.	Building	75.0 *{25.0}	100	891
Miyama Kogyo Co., Ltd.	Civil engineering	74.2 *{24.2}	25	223
Thai Maeda Corporation Ltd.	Building	45.0 *{—}	***20	581
Anonymous Association—Goyozan 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: Seiyu Estate Co., Ltd. and Fukkoshidaichi Wind Development Co., Ltd., subsidiaries of the Company, were excluded from consolidation because the Company sold all the securities.

The accounts of the other eighteen (18) 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, 2017, the Company has twenty one (21) 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, 2017, 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.

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## 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, 2017 include ¥337,262 million (\$3,006,168 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.

Finance lease contracts that do not transfer ownership to the lessee, which had commenced prior to the adoption of the “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan (ASBJ) Statement No. 13), out of the finance lease contracts without title-transfer are accounted for as ordinary operating lease contracts.

### (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.

## Notes to the Consolidated Financial Statements

### 03 Accounting Changes

As a result of revisions to the Corporate Tax Act of Japan, the Company and its domestic subsidiaries adopted the "Practical Solution on Accounting for Changes in Depreciation Method" (ASBJ Statement No. 32). As a result, the depreciation method of facilities annexed to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method over the estimated useful life to the straight-line method. The impact of this change on operating profit, ordinary profit, profit before income taxes and additional paid-in capital for the year ended and as of March 31, 2017 was immaterial.

### 04 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 ¥112.19 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2017. 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.

### 05 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 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, 2016 and 2017 are summarized as follows:

March 31, 2016	Millions of yen		
	Book value	Fair value	Difference
(a) Cash and time deposits	¥ 25,789	¥ 25,789	¥ —
(b) Trade receivables	181,807	181,751	(56)
(c) Marketable securities and investment in securities	117,199	118,318	1,119
<b>Total assets</b>	<b>¥324,795</b>	<b>¥325,858</b>	<b>¥1,063</b>
(a) Electronically recorded monetary claims	¥ —	¥ —	¥ —
(b) Trade payables	82,953	82,953	—
(c) Short-term loans	40,497	40,497	—
(d) Short-term non-recourse loans	1,005	1,005	—
(e) Current liabilities related to rights to operate public facilities, etc.	—	—	—
(f) Corporate bonds*	15,000	14,803	(197)
(g) Non-recourse corporate bonds	20	29	9
(h) Long-term loans	28,703	28,999	296
(i) Long-term non-recourse loans	11,169	11,071	(98)
(j) Long-term liabilities related to rights to operate public facilities, etc.	—	—	—
<b>Total liabilities</b>	<b>¥179,347</b>	<b>¥179,357</b>	<b>¥ 10</b>
(a) Derivative transactions**	¥ —	¥ —	¥ —

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 investments in securities	123,482	120,069	(3,414)
<b>Total assets</b>	<b>¥355,947</b>	<b>¥352,461</b>	<b>¥(3,486)</b>
(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
<b>Total liabilities</b>	<b>¥305,820</b>	<b>¥309,475</b>	<b>¥ 3,655</b>
(a) Derivative transactions**	¥ 33	¥ 33	¥ —

## Notes to the Consolidated Financial Statements

March 31, 2017	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(a) Cash and time deposits	\$ 595,454	\$ 595,454	\$ —
(b) Trade receivables	1,476,611	1,475,961	(650)
(c) Marketable securities and investments in securities	1,100,651	1,070,229	(30,422)
Total assets	\$3,172,716	\$3,141,644	\$(31,072)
(a) Electronically recorded monetary claims	\$ 80,551	\$ 80,551	\$ —
(b) Trade payables	655,602	655,602	—
(c) Short-term loans	163,268	163,268	—
(d) Short-term non-recourse loans	8,539	8,539	—
(e) Current liabilities related to rights to operate public facilities, etc.	38,283	38,283	—
(f) Corporate bonds*	222,836	221,669	(1,167)
(g) Non-recourse corporate bonds	178	196	18
(h) Long-term loans	231,152	232,062	909
(i) Long-term non-recourse loans	201,578	202,308	731
(j) Long-term liabilities related to rights to operate public facilities, etc.	1,123,924	1,156,012	32,088
Total liabilities	\$2,725,911	\$2,758,490	\$ 32,579
(a) Derivative transactions**	\$ 294	\$ 294	\$ —

\* "(f) Corporate bonds" includes those to be redeemed within one year.

\*\* 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.

The fair values of bonds without market value are evaluated by the present value of the principals and interests discounted by the rate in consideration of the remaining period of bonds and credit risks of issuers.

(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 ¥8,843 million as of March 31, 2016 at book value were not included in "Investments in securities" since their fair values were recognized as extremely difficult to determine without market value and their future cash flows could not be estimated.

Zero coupon convertible bonds of ¥10,025 million, issued during the fiscal year ended March 31, 2016, were not included since their fair values were recognized as extremely difficult to determine without market value.

Unlisted stocks and others of ¥10,113 million (\$90,142 thousand) as of March 31, 2017 at book value are not included in "Marketable securities and 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, 2016	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	¥ 25,789	¥ —	¥ —	¥ —
(2) Trade receivables—Notes and accounts	170,902	10,716	126	64
(3) Investments in securities:				
Held-to-maturity securities				
National/Municipal bonds	—	20	—	—
Corporate bonds	—	—	—	—
Other securities w/maturities				
National/Municipal bonds	50	351	—	—
Corporate bonds	—	130	—	97
Total	¥196,741	¥11,217	¥126	¥161

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, 2017	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	\$ 595,454	\$ —	\$ —	\$ —
(2) Trade receivables—Notes and accounts	1,430,172	43,783	1,533	1,114
(3) Investments in securities:				
Held-to-maturity securities				
National/Municipal bonds	—	178	—	—
Corporate bonds	—	—	—	—
Other securities w/maturities				
National/Municipal bonds	178	2,950	—	—
Corporate bonds	—	268	—	838
Total	\$2,025,804	\$47,179	\$1,533	\$1,952

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

- 06 Fair Value Information on Marketable Securities and Investments in Securities** Fair value information on marketable securities and investments in securities as of March 31, 2016 and 2017 are summarized as follows:
- (1) Held-to-maturity securities**

March 31, 2016	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, 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, 2017	Thousands of U.S. dollars		
	Book value	Fair value	Unrealized gain (loss)
Securities with fair value that exceeds book value			
National/Municipal bonds	\$178	\$187	\$ 9
Corporate bonds	—	—	—
Sub-total	\$178	\$187	\$ 9
Securities with fair value that does not exceed book value			
National/Municipal bonds	\$ —	\$ —	\$—
Corporate bonds	—	—	—
Sub-total	\$ —	\$ —	\$—
Total	\$178	\$187	\$ 9

## (2) Other securities

March 31, 2016	Millions of yen		
	Book value	Acquisition cost	Unrealized gain (loss)
Other securities with book value that exceeds acquisition cost			
Stocks	¥68,019	¥30,676	¥37,343
Securities			
National/Municipal bonds	384	351	33
Other	104	100	4
Other	—	—	—
Sub-total	¥68,507	¥31,127	¥37,380
Other securities with book value that does not exceed acquisition cost			
Stocks	¥ 1,918	¥ 2,350	¥ (432)
Securities			
National/Municipal bonds	50	50	(0)
Other	—	—	—
Other	495	506	(11)
Sub-total	¥ 2,463	¥ 2,906	¥ (443)
Total	¥70,970	¥34,033	¥36,937

Note: Unlisted stocks and others of ¥4,224 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, 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
Securities			
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)
Securities			
National/Municipal bonds	—	—	—
Other	—	—	—
Other	738	745	(7)
Sub-total	¥ 3,865	¥ 4,104	¥ (239)
Total	¥72,184	¥36,215	¥35,969

March 31, 2017	Thousands of U.S. dollars		
	Book value	Acquisition cost	Unrealized gain (loss)
Other securities with book value that exceeds acquisition cost			
Stocks	\$605,553	\$283,091	\$322,462
Securities			
National/Municipal bonds	3,405	3,129	276
Other	—	—	—
Other	—	—	—
Sub-total	\$608,958	\$286,220	\$322,738
Other securities with book value that does not exceed acquisition cost			
Stocks	\$ 27,873	\$ 29,940	\$ (2,068)
Securities			
National/Municipal bonds	—	—	—
Other	—	—	—
Other	6,578	6,641	(62)
Sub-total	\$ 34,451	\$ 36,581	\$ (2,130)
Total	\$643,409	\$322,801	\$320,608

Note: Unlisted stocks and others of ¥4,342 million (\$38,702 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, 2016	Millions of yen		
	Proceeds	Gain	Loss
Stocks	¥278	¥60	¥ (2)
Securities			
National/Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	198	—	(4)
Total	¥476	¥60	¥ (6)

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

Year ended March 31, 2017	Thousands of U.S. dollars		
	Proceeds	Gain	Loss
Stocks	\$ —	\$ —	\$ —
Securities			
National/Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	909	18	—
Other	—	—	—
Total	\$909	\$18	\$ —

### (4) Impairment loss on other securities

Impairment loss on securities amounted to ¥115 million, including ¥14 million of stocks with market value in other securities, and ¥101 million of affiliates’ stocks for the year ended March 31, 2016.

Impairment loss on securities amounted to ¥179 million (\$1,596 thousand), including ¥0 million (\$0 thousand) of stocks without market value in other securities and ¥179 million (\$1,596 thousand) of affiliates’ stocks for the year ended March 31, 2017.

## 07 Derivative Financial Instruments

Derivative financial instruments as of March 31, 2016 and 2017 are summarized as follows:

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

Currency-related transactions

For the year ended March 31, 2016: Not applicable

For the year ended March 31, 2017: Not applicable

### (2) Derivative transactions designated as “hedging instruments”

Interest-rate-related transactions

March 31, 2016	Millions of yen			
	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	¥32,364	¥28,670	See Note 1



March 31, 2017	Millions of yen			
	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	¥30,184	¥19,859	See Note 1
Interest rate swap transactions —Variable interest received and fixed interest paid	Non-recourse loans	¥9,444	¥9,128	33 See Note 2

March 31, 2017	Thousands of U.S. dollars			
	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	\$269,044	\$177,012	See Note 1
Interest rate swap transactions —Variable interest received and fixed interest paid	Non-recourse loans	\$84,179	\$81,362	294 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 is evaluated based on the price etc. provided by financial institutions etc. that counterparties to the transactions.

## 08 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 ¥770 million for the year ended March 31, 2016 was recorded since the book values of the properties had 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 were 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, 2016. Some recoverable amounts were also determined to be zero when future cash flows were negative.

Impairment loss of ¥65 million (\$579 thousand) 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 losses on fixed assets for the years ended March 31, 2016 and 2017 are summarized as follows:

Years ended March 31			Millions of yen		Thousands of U.S. dollars
			2016	2017	2017
Location	Type of assets	Use			
Saitama	Land	For rent	¥ —	¥53	\$472
Shizuoka	Land	Idle assets	¥ —	¥11	\$ 98
Tokyo	Land, building and other	For rent	¥666	¥—	\$ —
Ibaraki	Building and other	For rent	¥103	¥—	\$ —
Niigata, and other	Land	Idle assets	¥ 1	¥ 1	\$ 9
Total			¥770	¥65	\$579

## Notes to the Consolidated Financial Statements

### 09 Inventories

Inventories as of March 31, 2016 and 2017 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Real estate held for sale	¥ 2,252	¥ 2,093	\$ 18,656
Merchandise and finished products	1,158	821	7,318
Construction work in progress	10,443	18,402	164,026
Project costs for development and others	—	68	606
Materials in stock	820	909	8,103
<b>Total</b>	<b>¥14,673</b>	<b>¥22,293</b>	<b>\$198,709</b>

Notes: 1. Inventories are written down based on the decreased profitability and ¥50 million and ¥95 million (\$847 thousand) of losses on write-downs of inventories for the years ended March 31, 2016 and 2017, 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 ¥160 million and ¥20 million (\$178 thousand) for the years ended March 31, 2016 and 2017, respectively.

### 10 Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt and lease obligations due within one year as of March 31, 2016 and 2017 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Bank loans bearing interest with an average rate of 0.7% per annum	¥37,097	¥ 6,700	\$ 59,720
Current portion of long-term loans	8,400	11,617	103,548
Current portion of non-recourse loans	1,005	958	8,539
Liabilities related to rights to operate public facilities, etc.	—	4,295	38,283
<b>Total short-term debt</b>	<b>¥46,502</b>	<b>¥23,570</b>	<b>\$210,090</b>
Lease obligations due within one year	¥ 375	¥ 523	\$ 4,662
<b>Total</b>	<b>¥46,877</b>	<b>¥24,093</b>	<b>\$214,752</b>

Long-term debt and lease obligations as of March 31, 2016 and 2017 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Corporate bonds			
—Issued by Maeda Corporation			
1.42% 20th series bonds due in 2016	¥ 5,000	¥ —	\$ —
0.43% 22nd series bonds due in 2019	10,000	10,000	89,135
Yen zero coupon convertible bonds due in 2018	10,025	—	—
0.28% 23rd series bonds due in 2023	—	10,000	89,135
0.15% 24th series bonds due in 2021	—	5,000	44,567
Corporate bonds			
—Issued by Anonymous Association			
—Goyozan Solar Power			
3.00% 1st series bonds due in 2035	20	20	178
<b>Sub-total</b>	<b>¥25,045</b>	<b>¥ 25,020</b>	<b>\$ 223,015</b>
Long-term loans due in between 2016–2020 bearing interest with an average rate of 1.06% per annum	¥32,102	¥ 37,550	\$ 334,700
Long-term non-recourse loans	12,175	23,572	210,108
	¥69,322	¥ 61,122	\$ 544,808
Less—Portion due within one year	(9,405)	(12,575)	(112,087)
<b>Total</b>	<b>¥59,917</b>	<b>¥ 48,547</b>	<b>\$ 432,721</b>
Lease obligations due after one year	¥ 1,085	¥ 1,135	\$ 10,117
Liabilities related to rights to operate public facilities, etc. due after one year	¥ —	¥126,093	\$1,123,924
<b>Total</b>	<b>¥61,002</b>	<b>¥175,775</b>	<b>\$1,566,762</b>

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, 2016 and 2017 are as follows:

Millions of yen					
March 31, 2016					
Year ending March 31	Short-term debt	Corporate bonds	Long-term debt	Non-recourse debt	Liabilities related to rights to operate public facilities, etc.
2017	¥37,097	¥ 5,000	¥ 3,400	¥ 1,005	¥—
2018	—	10,025	11,125	716	—
2019	—	—	10,114	742	—
2020	—	10,000	6,000	754	—
2021	—	—	—	748	—
2022 and thereafter	—	20	1,463	8,210	—
Total	¥37,097	¥25,045	¥32,102	¥12,175	¥—

Millions of yen					
March 31, 2017					
Year ending March 31	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

Thousands of U.S. dollars					
March 31, 2017					
Year ending March 31	Short-term debt	Corporate bonds	Long-term debt	Non-recourse debt	Liabilities related to rights to operate public facilities, etc.
2018	\$59,720	\$ —	\$103,547	\$ 8,539	\$ 38,283
2019	—	—	94,536	16,116	38,738
2020	—	89,135	57,866	15,964	39,193
2021	—	—	3,735	18,442	39,656
2022	—	44,567	73,536	13,593	40,128
2023 and thereafter	—	89,313	1,480	137,454	966,200
Total	\$59,720	\$223,015	\$334,700	\$210,108	\$1,162,198

Note: Corporate bonds as of March 31, 2017 include ¥20 million (\$178 thousand) of non-recourse corporate bonds.

The assets pledged as collateral for short-term debt and long-term debt as of March 31, 2016 and 2017 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Securities	¥ 50	¥ 20	\$ 178
Buildings and structures	722	502	4,474
Land	389	61	544
Investments in securities	1,697	2,235	19,922
Other investments	—	50	446
Total	¥2,858	¥2,868	\$25,564

## Notes to the Consolidated Financial Statements

The secured liabilities as of March 31, 2016 and 2017 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Short-term loans	¥6,500	¥4,717	\$42,045
Trade payables	9	—	—
Long-term loans	240	1,933	17,229
Other long-term liabilities	227	—	—
Total	¥6,976	¥6,650	\$59,274

The assets pledged as collateral for non-recourse debt as of March 31, 2016 and 2017 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and bank deposits	¥ 1,204	¥ 9,442	\$ 84,161
Trade receivables	241	1,524	13,584
Other current assets	297	—	—
Buildings and structures	932	122*	1,087
Other fixed assets	13,578	4,685*	41,760
Land	103	—	—
Rights to operate public facilities, etc.	—	135,116	1,204,350
Investments in securities	175	32	285
Total	¥16,530	¥150,921	\$1,345,227

\*¥122 million (\$1,087 thousand) of the buildings and structures and ¥4,654 million (\$41,483 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 (\$178,269 thousand) with 5 banks. There is no outstanding balance under those agreements as of March 31, 2017.

### 11 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
	2016	2017	2017
(As lessee)			
Minimum lease payments			
Within one year	¥ 161	¥ 51	\$ 455
Over one year	258	218	1,943
Total	¥ 419	¥ 269	\$ 2,398
(As lessor)			
Minimum lease payments			
Within one year	¥ 518	¥ 519	\$ 4,626
Over one year	1,165	672	5,990
Total	¥1,683	¥1,191	\$10,616

## 12 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, 2017, the Company and its consolidated subsidiaries, as a group, have a single corporate pension fund and a single employees' pension fund, and 7 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, 2016 and 2017 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at the beginning of the year	¥50,462	¥54,354	\$484,482
Service cost	1,429	1,668	14,868
Interest cost	334	52	463
Actuarial gain and loss	4,561	388	3,458
Retirement benefit paid	(2,432)	(2,333)	(20,795)
Balance at the end of the year	¥54,354	¥54,129	\$482,476

The changes in plan assets for the years ended March 31, 2016 and 2017 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at the beginning of the year	¥31,216	¥30,501	\$271,869
Expected return on plan assets	312	305	2,719
Actuarial gain and loss	(1,756)	230	2,050
Contributions by the Company	2,477	2,522	22,480
Retirement benefit paid	(1,748)	(1,768)	(15,759)
Balance at the end of the year	¥30,501	¥31,790	\$283,359

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligation	¥42,511	¥42,039	\$374,712
Plan assets at fair value	(30,501)	(31,790)	(283,359)
	12,010	10,249	91,353
Unfunded retirement benefit obligation	11,843	12,090	107,764
Net liability for retirement benefits in the balance sheets	23,853	22,339	199,117
Liability for retirement benefits	23,853	22,339	199,117
Net liability for retirement benefits in the balance sheets	¥23,853	¥22,339	\$199,117

The components of retirement benefit expense for the years ended March 31, 2016 and 2017 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥1,429	¥1,667	\$14,859
Interest cost	334	52	463
Expected return on plan assets	(312)	(305)	(2,718)
Amortization of actuarial gain and loss	2,092	2,126	18,950
Amortization of prior service cost	(983)	(983)	(8,762)
Retirement benefit expense	¥2,560	¥2,557	\$22,792

## Notes to the Consolidated Financial Statements

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2017 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Prior service cost	¥ (983)	¥ (983)	\$ (8,762)
Actuarial gain and loss	(4,225)	1,967	17,533
Total	¥(5,208)	¥ 984	\$ 8,771

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2017 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized prior service cost	¥ 2,981	¥ 1,998	\$ 17,809
Unrecognized actuarial gain and loss	(12,310)	(10,342)	(92,183)
Total	¥ (9,329)	¥ (8,344)	\$(74,374)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2017 are as follows:

March 31	2016	2017
Bonds	52.5%	55.5%
Stocks	27.9%	27.2%
Cash on hand in banks	9.1%	5.5%
Other	10.5%	11.8%
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 were as follows:

March 31	2016	2017
Discount rates*1	0.1%	0.02%
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%	5.2%
Expected rates of salary increase of a subsidiary	1.5%–2.0%	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, 2016 and 2017 were ¥494 million and ¥499 million (\$4,448 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, 2016 and 2017, 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, 2016 and 2017 were ¥32 million and ¥ 24 million (\$214 thousand), respectively.

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Fair value of plan assets	¥270,328	¥252,968	\$2,254,818
Total amount of actuarial loss on past service liability and minimum actuarial reserve*	260,102	242,429	2,160,879
Difference	¥ 10,226	¥ 10,539	\$ 93,939

Note: This item was presented as policy reserve for the year ended March 31, 2015.

The subsidiary's contribution ratios for the multi-employer pension plan for the years ended March 31, 2016 and 2017 were 1.03% and 1.06%, respectively.

The above difference for the year ended March 31, 2016 was due to the actuarial loss on past service liability of ¥10,364 million and the voluntary reserve of ¥20,590 million, and 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 ¥16 million and ¥8 million (\$71 thousand) for the years ended March 31, 2016 and 2017, respectively, 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".

## 13 Income Taxes

Significant components of deferred tax assets and liabilities as of March 31, 2016 and 2017 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Net loss carried forward	¥ 3,994	¥ 1,039	\$ 9,261
Liability for retirement benefits	4,566	4,409	39,299
Write-down of inventories and other	4,102	4,324	38,542
Impairment loss on fixed assets	3,256	3,054	27,222
Allowance for doubtful accounts	1,530	1,450	12,925
Allowance for losses on construction contracts	579	557	4,965
Unrealized inter-company profit of fixed assets	589	397	3,539
Other	4,238	6,193	55,200
Total	22,854	21,423	190,953
Less—Valuation allowance	(21,388)	(16,445)	(146,582)
Deferred tax assets	1,466	4,978	44,371
Deferred tax liabilities:			
Unrealized gain on investment	(10,666)	(10,368)	(92,415)
Other	(418)	(305)	(2,718)
Total deferred tax liabilities	(11,084)	(10,673)	(95,133)
Net deferred tax liabilities	¥ (9,618)	¥ (5,695)	\$ (50,762)

## Notes to the Consolidated Financial Statements

The details of the difference between the statutory tax rate and effective income tax rate for the years ended March 31, 2016 and 2017 are as follows:

March 31	2016	2017
Statutory tax rate	33.1%	<b>30.9%</b>
Changes in the tax rate resulting from:		
Non-deductible expenses	1.9	<b>1.3</b>
Non-taxable income	(0.6)	<b>(0.5)</b>
Per capita levy	0.9	<b>0.7</b>
Special deductible income taxes	(0.6)	<b>(1.7)</b>
Investment profit on equity method	(7.1)	<b>(5.5)</b>
Less-Valuation allowance and other	(13.2)	<b>(16.7)</b>
Effective income tax rate	14.5%	<b>8.5%</b>

Since the impact of “Special deductible income taxes,” which was included in “Less-Valuation allowance and others” for the fiscal year ended March 31, 2016, has become more significant, the Company presented this item separately for the fiscal year ended March 31, 2017. As a result, “Less-Valuation allowance and others,” which was 13.8% for the fiscal year ended March 31, 2016, is re-classified by 0.6% as “Special deductible income taxes” and 13.2% of “Less-Valuation allowance and others.”

### 14 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.

### 15 Commitments and Contingent Liabilities

The contingent liabilities of the Company as of March 31, 2016 and 2017 are summarized as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Endorsed trade notes receivable	¥1,306	<b>¥1,338</b>	<b>\$11,926</b>
Guarantees on securitized trade notes receivable	2,566	<b>1,801</b>	<b>16,053</b>
Loan guarantee for Asai Construction Co., Ltd.	1,370	<b>1,290</b>	<b>11,498</b>
Letters of guarantee for affiliates			
Toyo Construction Co., Ltd.	2,553	<b>1,985</b>	<b>17,693</b>
Maeda Vietnam Co., Ltd.	459	<b>67</b>	<b>597</b>
Down payment guarantee for condominium-purchaser Global L-Seed Co., Ltd	133	—	—
Total	¥8,387	<b>¥6,481</b>	<b>\$57,767</b>



## 16 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, 2016 and 2017 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Salaries to employees	¥9,435	¥9,873	\$88,002
Experimental research costs	2,262	2,344	20,893
Retirement benefit expenses	878	844	7,523
Provision for bonuses for employees	1,242	1,368	12,194
Provision for doubtful accounts	(1,192)	(218)	(1,943)
Provision for bonuses for directors	98	123	1,096

## 17 Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2016 and 2017 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Research and development expenses	¥1,997	¥2,056	\$18,326

## 18 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, 2016 and 2017 amounted to ¥1,267 million and ¥939 million (\$8,370 thousand), respectively.

## 19 Gain on Sale of Fixed Assets

The details of gain on sale of fixed assets for the years ended March 31, 2016 and 2017 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Building	¥11	¥ —	\$ —
Land	29	396	3,530
Others	9	3	26
Total	¥49	¥399	\$3,556

## 20 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, 2016 and 2017 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Machinery, equipment, vehicles, tools, furniture, and fixtures	¥1,259	¥559	\$4,983
Land	43	—	—
Total	¥1,302	¥559	\$4,983

## Notes to the Consolidated Financial Statements

### 21 Consolidated Statements of Comprehensive Income

The reclassification adjustments and tax effects associated with other comprehensive income for the years ended March 31, 2016 and 2017 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrealized gain (loss) on investments in securities			
Recognized amount for the year	¥ (8,219)	¥ (978)	\$ (8,717)
Amount of reclassification adjustments	(5)	(2)	(18)
Before tax effect adjustment	¥ (8,224)	¥ (980)	\$ (8,735)
Amount of tax effect	3,195	300	2,674
Sub-total	¥ (5,029)	¥ (680)	\$ (6,061)
Deferred gain (loss) on hedges			
Recognized amount for the year	¥ —	¥ 33	\$ 294
Amount of reclassification adjustments	—	—	—
Before tax effect adjustment	¥ —	¥ 33	\$ 294
Amount of tax effect	—	(2)	(18)
Sub-total	¥ —	¥ 31	\$ 276
Foreign currency translation adjustment			
Recognized amount for the year	(116)	18	160
Amount of reclassification adjustments	—	—	—
Sub-total	¥ (116)	¥ 18	\$ 160
Liability for retirement benefits adjustment			
Recognized amount for the year	¥ (6,317)	¥ (158)	\$ (1,408)
Amount of reclassification adjustments	1,109	1,142	10,179
Before tax effect adjustment	¥ (5,208)	¥ 984	\$ 8,771
Amount of tax effect	—	—	—
Sub-total	¥ (5,208)	¥ 984	\$ 8,771
Share of other comprehensive income (loss) of the companies accounted for by equity method			
Recognized amount for the year	¥ (1,469)	¥1,349	\$12,024
Amount of reclassification adjustments	215	221	1,971
Sub-total	¥ (1,254)	¥1,570	\$13,995
Total other comprehensive income (loss)	¥(11,607)	¥1,923	\$17,141

### 22 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, 2015	185,214	7,944
Increase during the year	—	4
Decrease during the year	—	—
Number of shares as of March 31, 2016	185,214	7,948

Note: The increase in treasury stock of 3,000 shares of common stock 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.

	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

Notes: 1. The increase in outstanding stock is due to the transfer of zero coupon convertible bonds.  
2. The increase in treasury stock of 3,000 shares of common stock is 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.

## (2) Zero coupon convertible bonds

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

	Thousands of shares	
	Type	Common stock
Number of shares as of March 31, 2015		12,706
Increase during the year		—
Decrease during the year		—
Number of shares as of March 31, 2016		12,706

Notes: 1. Yen zero coupon convertible bonds were not accounted for separately.  
2. The number of shares reserved for yen zero coupon convertible bonds was based on the number of shares that would have been transferred in the event that conversion options had been exercised.

	Thousands of shares	
	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.

## (3) Dividends

### Cash dividends distributed during the year ended March 31, 2016

Cash dividends of ¥9.0 per common share at March 31, 2015 in a total amount of ¥1,595 million out of retained earnings were distributed to shareholders subject to the resolution of the general shareholders meeting held on June 24, 2015.

### Cash dividends distributed during the year ended March 31, 2017

Cash dividends of ¥11.0 (\$0.10) per common share at March 31, 2016 in a total amount of ¥1,950 million (\$17,381 thousand) out of retained earnings were distributed to shareholders subject to the resolution of the general shareholders meeting held on June 24, 2016.

### Cash dividends to be distributed during the year ending March 31, 2018

Cash dividends of ¥14.0 (\$0.12) per common share at March 31, 2017 in a total amount of ¥2,660 million (\$23,710 thousand) out of retained earnings are to be distributed to shareholders subject to the resolution of the general shareholders meeting held on June 23, 2017.

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

## 23 Consolidated Statements of Cash Flows

### (1) 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, 2016 and 2017 as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
“Cash and time deposits”	¥25,789	¥66,804	\$595,454
Less—Time deposits over 3 months	(320)	(550)	(4,902)
Cash and cash equivalents at end of the year	¥25,469	¥66,254	\$590,552

## Notes to the Consolidated Financial Statements

### 24 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 are ¥641 million and ¥725 million (\$6,462 thousand), gain on sale of fixed assets are ¥39 million, and impairment loss on fixed assets are ¥770 million and ¥65 million (\$579 thousand) for the years ended March 31, 2016 and 2017, 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, 2016 and 2017 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Book value as of March 31, 2015	¥18,009		
Increase (decrease) during the year	(5,458)		
Book value as of March 31, 2016	¥12,551	¥12,551	\$111,873
Increase (decrease) during the year		(2,783)	(24,806)
Book value as of March 31, 2017		¥ 9,768	\$ 87,067
Fair value as of the year end	¥22,236	¥20,232	\$180,337

Notes: 1. Book value represents the acquisition cost less accumulated depreciation cost and cumulative impairment loss.  
 2. Decrease in book value resulted mainly from the sale of rental building in the amount of ¥5,270 million, and impairment loss in the amount of ¥770 million for the year ended March 31, 2016.  
 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 (\$19,904 thousand) for the year ended March 31, 2017.  
 3. Fair values of main properties are based on real property appraisal from independent real estate appraisers.

### 25 Segment Information

#### (1) 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, 2016	Millions of yen						Consolidated statements of income
	Building	Civil engineering	Manufacturing	Infrastructure management	Other	Adjustment	
<b>Net sales</b>							
Sales to outside customers	¥253,027	¥131,965	¥34,994	¥1,292	¥20,445	¥ —	¥441,723
Inter-segment sales	512	16,498	2,396	—	28	(19,434)	—
Total	253,539	148,463	37,390	1,292	20,473	(19,434)	441,723
<b>Profit (loss) by segment</b>							
	¥ 10,885	¥ 6,691	¥ 1,433	¥ 337	¥ 459	¥ (1,102)	¥ 18,703
<b>Other</b>							
Depreciation	¥ 1,758	¥ 1,249	¥ 1,925	¥ 769	¥ 206	¥ (131)	¥ 5,776

Notes: 1. "Other", which represented real estate, was not included in reportable segments.  
2. "Adjustment" of "Profit (loss) by segment" included ¥1,102 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, 2017	Millions of yen						Consolidated statements of income
	Building	Civil engineering	Manufacturing	Infrastructure management	Other	Adjustment	
<b>Net sales</b>							
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
<b>Profit (loss) by segment</b>							
	¥ 13,800	¥ 5,225	¥ 2,024	¥ 2,085	¥ 455	¥ (485)	¥ 23,104
<b>Other</b>							
Depreciation	¥ 1,662	¥ 1,168	¥ 1,939	¥ 3,523	¥ 23	¥ (83)	¥ 8,232

Year ended March 31, 2017	Thousands of U.S. dollars						Consolidated statements of income
	Building	Civil engineering	Manufacturing	Infrastructure management	Other	Adjustment	
<b>Net sales</b>							
Sales to outside customers	\$2,135,288	\$1,209,938	\$330,805	\$75,693	\$14,984	\$ —	\$3,766,708
Inter-segment sales	10,705	12,176	21,936	—	294	(45,111)	—
Total	2,145,993	1,222,114	352,741	75,693	15,278	(45,111)	3,766,708
<b>Profit (loss) by segment</b>							
	\$ 123,006	\$ 46,573	\$ 18,041	\$ 18,585	\$ 4,056	\$ (4,325)	\$ 205,936
<b>Other</b>							
Depreciation	\$ 14,814	\$ 10,411	\$ 17,283	\$ 31,402	\$ 205	\$ (739)	\$ 73,376

Notes: 1. "Other", which represents real estate, is not included in reportable segments.  
2. "Adjustment" of "Profit (loss) by segment" includes ¥485 million (\$4,325 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, 2016 and 2017 exceeds 90% of the sales in the Consolidated Statements of Income.

#### (b) Fixed assets

The disclosure of geographic segment information is omitted since the amount of fixed assets in Japan as of March 31, 2016 and 2017 exceeds 90% of fixed assets in the Consolidated Balance Sheets.

## Notes to the Consolidated Financial Statements

### 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, 2016 and 2017 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
	2016	2017	2017
Building	¥ —	¥—	\$ —
Civil engineering	—	—	—
Manufacturing	1	1	9
Infrastructure management	—	—	—
Other	769	64	570
Adjustment	—	—	—
Total	¥770	¥65	\$579

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.

## 26 Related Party Information

### (1) Related party transactions

Transactions with a related party for the years ended March 31, 2016 and 2017 are as follows:

For the year ended March 31, 2016;

Not applicable

For the year ended March 31, 2017;

Not applicable

### (2) Major affiliate

Maeda Road Construction Co., Ltd. is a major affiliate as of March 31, 2016 and 2017, and a summary of its financial statements as of March 31, 2016 and 2017 and for the years then ended is as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Total current assets	¥140,165	¥143,456	\$1,278,688
Total non-current assets	94,496	105,125	937,026
Total current liabilities	¥ 46,067	¥ 44,761	\$ 398,975
Total long-term liabilities	12,662	13,266	118,246
Total net assets	¥175,932	¥190,554	\$1,698,494
Net sales	¥221,141	¥221,034	\$1,970,176
Profit before income taxes	25,900	25,729	229,334
Net profit	16,248	17,579	156,690

## 27 Per Share Information

March 31	Yen		U.S. dollars
	2016	2017	2017
Net assets per share	¥886.35	<b>¥1,002.83</b>	<b>\$8.94</b>
Earnings per share	98.75	<b>132.59</b>	<b>1.18</b>
Diluted earnings per share	92.11	<b>125.98</b>	<b>1.12</b>

The above information is calculated based on the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Profit attributable to owners of parent	¥17,506	<b>¥23,942</b>	<b>\$213,406</b>
Amount not attributable to common shareholders	—	—	—
Net profit attributable to common shareholders	¥17,506	<b>¥23,942</b>	<b>\$213,406</b>

	Thousands of shares	
	For the years ended March 31	
	2016	2017
Average number of shares	177,268	<b>180,564</b>

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Adjustment to diluted earnings per share	¥ 6	<b>¥ 5</b>	<b>\$ 45</b>
Interest received	(6)	<b>(5)</b>	<b>(45)</b>

	Thousands of shares	
	For the years ended March 31	
	2016	2017
Increase in number of shares	12,706	<b>9,444</b>
Zero coupon convertible bonds	(12,706)	<b>(9,444)</b>
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

### 28 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	Sanage Green Road	Kinuura Tunnel	Kinuura Toyota Road	Nagoya Seto Road
	Rights are established on above-mentioned roads respectively				
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
	End	March 31, 2046	June 22, 2029	November 29, 2029	March 5, 2034
Remaining duration of rights	Start	April 1, 2017	April 1, 2017	April 1, 2017	April 1, 2017
	End	March 31, 2046	June 22, 2029	November 29, 2029	March 5, 2034
Summary of profit-share clause	<p>Increases or decreases in revenues are apportioned as follows, provided that the revenue amounts of each fiscal-year end increase or decrease compared to the scheduled revenue amounts;</p> <ul style="list-style-type: none"> <li>· Increase or decrease of 6% or less Allocated Aichi Road Concession Co., Ltd.</li> <li>· Increase of more than 6% Increase of more than 6% allocated to Aichi Prefectural Road Public Corporation</li> <li>· Decrease of more than 6% Decrease of more than 6% allocated to Aichi Prefectural Road Public Corporation</li> </ul>				

#### 2. Amortization method of rights to operate public facilities

Unit-of-production method based on traffic volume

#### 3. Issues related to 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, 2018
	March 31, 2029 thru March 31, 2032
Lanes for Ordinary Toll Collection Machines	March 31, 2018 thru March 31, 2021
	March 31, 2033 thru March 31, 2036
Main computer system of ETC	March 31, 2022
	March 31, 2031
	March 31, 2041
Guardrails	March 31, 2019 thru March 31, 2021
	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 total expenditure under liabilities when rights to operate the public facilities are acquired. In addition, the Company allocates the same amount of the present value of total expenditures under assets.

##### (3) Amortization method of assets in replacement investment

Unit-of-production method based on traffic volume





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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, 2017 and 2016, 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, 2017 and 2016, 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 4.

*Ernst & Young ShinNihon LLC*

June 22, 2017  
Tokyo, Japan

## Directory

### Directory Overseas

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#### Hong Kong Office

Rooms 1602-1605 New East Ocean  
Centre, 9 Science Museum Road,  
T.S.T. East, Kowloon, Hong Kong,  
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#### Taiwan Office

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#### Phnom Penh Office

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#### Bangkok Office

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#### Yangon Office

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Aguascalientes, Ags. Cp20235, Mexico  
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### Principal Subsidiaries and Affiliates

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#### Overseas:

##### THAI MAEDA CORPORATION LTD.

18th Floor Thaniya Plaza Building,  
52 Silom Road, Suriyawong, Bangrak,  
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##### MAEDA VIETNAM CO., LTD.

Room 9 (Area B), 19th Floor,  
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##### MAEDA CORPORATION INDIA PRIVATE LTD.

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Fax: 91-11-4973-8899

##### MAEDA (SHENZHEN)

##### CONSTRUCTION TECHNOLOGY CO., LTD.

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Tel: 86-755-8278-4910  
Fax: 86-755-8278-4920

##### GKMC CONSTRUCTION AND CONSULTING INC.

Tekstilkent Koza Plaza A Blok K:34  
34235 Esenler/Istanbul, Turkey  
Tel: 90-212-467-2901/2902  
Fax: 90-212-438-2409/2410

##### MAEDA THIEN DUC CO., LTD.

Floor 9, Block 6, Vista Building 628C  
Hanoi Highway Residential Zone 4,  
An Phu Ward, Dist. 2, Ho Chi Minh City,  
Vietnam  
Tel: 84-8-6258-6611  
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, 2017)

<b>Name in English</b> Maeda Corporation	<b>Registered Address</b> 2-10-2, Fujimi, Chiyoda-ku, Tokyo 102-8151, Japan Tel: (81)-3-3265-5551 Fax: (81)-3-5276-5220 URL: <a href="http://www.maeda.co.jp/">http://www.maeda.co.jp/</a>	<b>Number of Employees</b> 2,945 (Non-consolidated)
<b>Establishment</b> In January 1919	<b>Company Registration No.</b> 40100-01-008789 (With Tokyo Legal Affairs Bureau)	<b>Paid-in Capital</b> ¥28,463 million
<b>Incorporation</b> In November 1946		<b>Stock Listing</b> On the First Section of the Tokyo Stock Exchange

### Board of Directors

(As of June 23, 2017)



**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

### Board of Auditors

(As of June 23, 2017)

#### Corporate Auditors

Yutaka Tokui (Outside Auditor)  
Yoshitaka Ooshima  
Shiro Ogasahara  
Masaru Matsuzaki (Outside Auditor)  
Motohiro Sato (Outside Auditor)

### Executive Officers

(As of June 23, 2017)

#### Senior Managing Officer

Yuji Hatakama

#### Managing Officers

Tadayuki Kozakai  
Shigemi Shoji  
Takao Nakanishi  
Youichi Kawashima  
Katsuzo Kamikuri

#### Executive Officers

Tetsuji Nishimoto  
Akira Fujiwara  
Masamori Nagashige  
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



**M A E D A**

## Maeda Corporation

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