Consolidated Financial Statements

Meisei Industrial Co., Ltd.
and Consolidated Subsidiaries

Year ended March 31, 2016
with Independent Auditor's Report

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2016

Contents

Consolidated Financial Statements

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Financial Highlights

(Millions of yen, except for per share amounts)

	2016	2015	2014	2013	2012
For the Year:					
Construction orders awarded	¥ 43,852	¥ 53,979	¥ 45,535	¥ 39,841	¥ 38,755
Net sales	45,413	46,873	43,813	41,629	37,179
Operating income	5,717	5,712	3,685	2,793	1,726
Net income	3,923	4,177	2,241	2,076	2,116
Per Share (yen):					
Net income – basic	73.83	77.68	41.17	37.18	37.36
Net income – diluted	73.73	77.45	41.06	37.17	–
Cash dividends	10.00	8.00	8.00	6.00	6.00
At the Year End:					
Total assets	54,463	53,052	49,777	46,375	44,876
Common stock	6,889	6,889	6,889	6,889	6,889
Net assets	38,402	35,614	32,486	30,110	28,661
Net assets per share (yen)	721.08	666.95	593.14	549.86	503.05
Interest-bearing debt	1,330	1,628	1,676	2,215	2,750
General:					
Number of subsidiaries	12	12	13	13	13
Number of employees	616	629	635	635	650

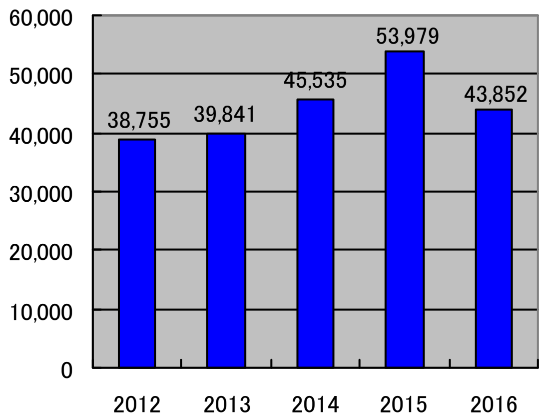
(Thousands of U.S. dollars, except for per share amounts)

	2016	2015	2014	2013	2012
For the Year:					
Construction orders awarded	$ 389,173	$ 479,047	$ 404,109	$ 353,576	$ 343,939
Net sales	403,026	415,983	388,827	369,444	329,952
Operating income	50,737	50,692	32,703	24,787	15,318
Net income	34,815	37,070	19,888	18,424	18,779
Per Share (dollars):					
Net income – basic	0.66	0.69	0.37	0.33	0.33
Net income – diluted	0.65	0.69	0.36	0.33	–
Cash dividends	0.09	0.07	0.07	0.05	0.05
At the Year End:					
Total assets	483,342	470,820	441,755	411,564	398,261
Common stock	61,138	61,138	61,138	61,138	61,138
Net assets	340,806	316,063	288,303	267,217	254,357
Net assets per share (dollars)	6.40	5.92	5.26	4.88	4.46
Interest-bearing debt	11,803	14,448	14,874	19,657	24,405

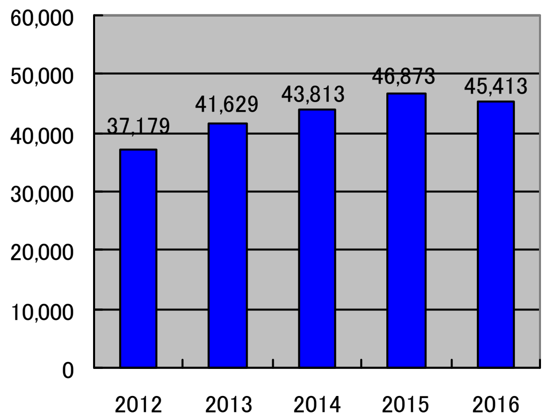
Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Financial Highlights

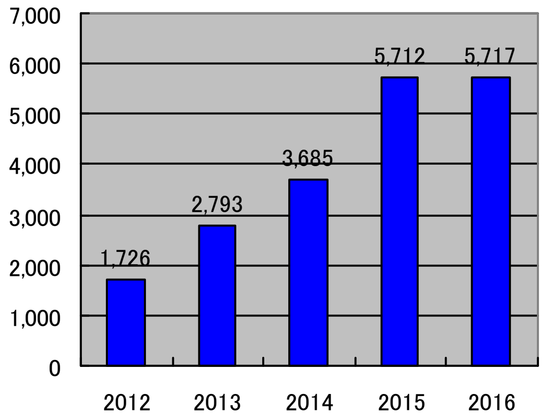
Construction Orders Awarded
Millions of yen



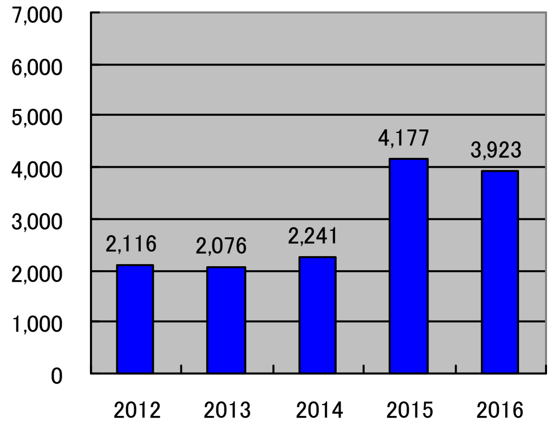
Net Sales
Millions of yen



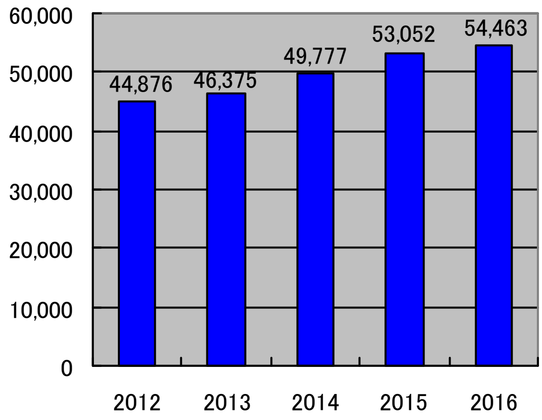
Operating Income
Millions of yen



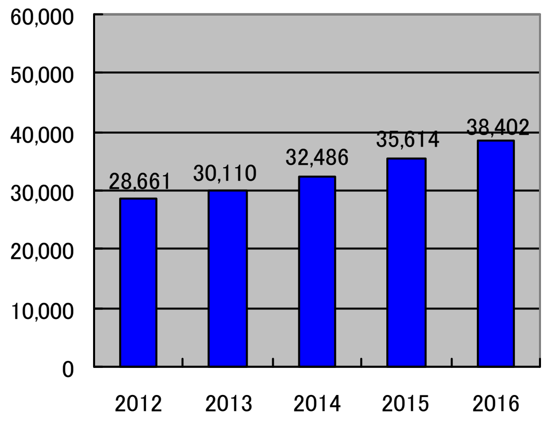
Net Income
Millions of yen



Total Assets
Millions of yen



Net Assets
Millions of yen



Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31, 2016	March 31, 2015	March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and deposits *(Notes 15 and 16)*	¥ 16,246	¥ 16,602	$ 144,178
Trade receivable *(Note 16)*:			
Notes	2,145	1,837	19,036
Electronically recorded monetary claims	1,742	1,035	15,460
Accounts	13,467	13,560	119,515
	17,354	16,432	154,011
Short-term investments *(Notes 3 and 16)*	34	142	302
Inventories *(Note 4)*	1,777	1,661	15,770
Deferred income taxes *(Note 7)*	286	313	2,538
Other current assets	398	126	3,532
Less: Allowance for doubtful receivables	(44)	(49)	(390)
Total current assets	36,051	35,227	319,941
Property, plant and equipment *(Note 5)*:			
Land *(Note 12)*	11,375	11,375	100,950
Buildings and structures	8,200	8,105	72,772
Machinery and vehicles	4,563	4,425	40,495
Tools, furniture and fixtures and construction in progress	1,400	1,027	12,425
	25,538	24,932	226,642
Accumulated depreciation	(10,918)	(10,822)	(96,894)
Property, plant and equipment, net	14,620	14,110	129,748
Investments and other assets:			
Investments in securities *(Notes 3, 9 and 16)*	3,162	3,260	28,062
Deferred income taxes *(Note 7)*	117	66	1,038
Other assets	553	429	4,908
Less: Allowance for doubtful receivables	(40)	(40)	(355)
Total investments and other assets	3,792	3,715	33,653
Total assets *(Note 21)*	¥ 54,463	¥ 53,052	$ 483,342

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31, 2016	March 31, 2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities			
Current liabilities:			
Short-term bank loans *(Notes 6 and 16)*	¥ 400	¥ 250	$ 3,550
Current portion of long-term debt *(Notes 6 and 16)*	930	548	8,253
Trade payable *(Note 16)*:			
Notes	2,189	2,944	19,427
Electronically recorded obligations	190	–	1,686
Accounts	4,718	4,256	41,871
	7,097	7,200	62,984
Advances received on uncompleted construction contracts	800	1,014	7,100
Income taxes payable *(Note 7)*	1,138	1,602	10,100
Provision for compensation for completed construction	109	140	967
Accrued bonuses to employees	419	382	3,718
Accrued bonuses to directors	70	64	621
Provision for losses on construction contracts *(Note 13)*	0	18	0
Other current liabilities	1,244	1,383	11,040
Total current liabilities	12,207	12,601	108,333
Long-term liabilities:			
Long-term debt *(Notes 6 and 16)*	–	830	–
Liability for retirement benefits *(Note 8)*	1,058	996	9,389
Accrued retirement benefits for directors and audit and supervisory board members	345	320	3,062
Deferred income taxes *(Note 7)*	2,374	2,616	21,069
Asset retirement obligations	16	24	142
Other long-term liabilities	61	51	541
Total long-term liabilities	3,854	4,837	34,203
Contingent liabilities *(Note 10)*			
Net assets			
Shareholders' equity *(Note 11):*			
Common stock:			
Authorized – 190,000,000 shares			
Issued – 59,386,718 shares at March 31, 2016 and 59,386,718 shares at March 31, 2015	6,889	6,889	61,138
Capital surplus	1,003	1,000	8,901
Retained earnings *(Note 22)*	30,431	26,986	270,066
Less: Treasury stock, at cost	(2,117)	(2,016)	(18,788)
Total shareholders' equity	36,206	32,859	321,317
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	629	881	5,582
Revaluation reserve for land *(Note 12)*	959	933	8,511
Foreign currency translation adjustments	490	748	4,349
Retirement benefits liability adjustments	(121)	(8)	(1,074)
Total accumulated other comprehensive income	1,957	2,554	17,368
Stock acquisition rights *(Note 18)*	19	23	169
Non-controlling interests	220	178	1,952
Total net assets *(Note 19)*	38,402	35,614	340,806
Total liabilities and net assets	¥ 54,463	¥ 53,052	$ 483,342

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

	Year ended March 31,		
	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales *(Note 21)*	¥ 45,413	¥ 46,873	$ 403,026
Cost of sales *(Notes 13 and 14)*	35,503	37,037	315,078
Gross profit	9,910	9,836	87,948
Selling, general and administrative expenses *(Note 14)*	4,193	4,124	37,211
Operating income *(Note 21)*	5,717	5,712	50,737
Other income (expenses):			
Interest and dividend income	110	103	976
Rental income on real estate *(Note 5)*	121	120	1,074
Foreign exchange (loss) gain, net	(67)	343	(595)
Interest expense	(13)	(17)	(115)
Cost of real estate rent *(Note 5)*	(59)	(61)	(524)
Loss on devaluation of investments in securities *(Note 3)*	(10)	(44)	(89)
Other, net	(12)	32	(106)
	70	476	621
Profit before income taxes	5,787	6,188	51,358
Income taxes *(Note 7)*:			
Current	1,873	2,229	16,623
Deferred	(51)	(228)	(453)
	1,822	2,001	16,170
Profit	3,965	4,187	35,188
Profit attributable to:			
Non-controlling interests	42	10	373
Owners of parent *(Note 19)*	¥ 3,923	¥ 4,177	$ 34,815

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	Year ended March 31,		
	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Profit	¥ 3,965	¥ 4,187	$ 35,188
Other comprehensive (loss) income *(Note 20)*:			
Net unrealized holding (loss) gain on securities	(252)	11	(2,237)
Foreign currency translation adjustments	(258)	165	(2,290)
Retirement benefits liability adjustments	(113)	133	(1,003)
Revaluation reserve for land	26	54	231
Other comprehensive (loss) income, net	(597)	363	(5,299)
Comprehensive income	¥ 3,368	¥ 4,550	$ 29,889
Comprehensive income attributable to:			
Owners of parent	¥ 3,327	¥ 4,540	$ 29,526
Non-controlling interests	42	10	373

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2016

		Shareholders' equity				Accumulated other comprehensive income						
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Stock acquisition rights	Non-controlling interests	Total net assets
							(Millions of yen)					
Balance at April 1, 2014, as originally reported	63,386,718	¥ 6,889	¥ 1,003	¥ 24,567	¥ (2,365)	¥ 870	¥ 880	¥ 582	¥(141)	¥ 33	¥168	¥ 32,486
Cumulative effects of change in accounting principle	–	–	–	0	–	–	–	–	–	–	–	0
Balance at April 1, 2014, as adjusted	–	6,889	1,003	24,567	(2,365)	870	880	582	(141)	33	168	32,486
Profit attributable to owners of parent for the year	–	–	–	4,177	–	–	–	–	–	–	–	4,177
Cash dividends	–	–	–	(488)	–	–	–	–	–	–	–	(488)
Purchase of treasury stock	–	–	–	–	(968)	–	–	–	–	–	–	(968)
Disposal of treasury stock	–	–	3	–	35	–	–	–	–	–	–	38
Disposition of treasury stock	(4,000,000)	–	(6)	(1,276)	1,282	–	–	–	–	–	–	–
Change in the scope of consolidation	–	–	–	6	–	–	–	–	–	–	–	6
Other changes	–	–	–	–	–	11	53	166	133	(10)	10	363
Balance at April 1, 2015	59,386,718	¥ 6,889	¥ 1,000	¥ 26,986	¥ (2,016)	¥ 881	¥ 933	¥ 748	¥ (8)	¥ 23	¥178	¥ 35,614
Profit attributable to owners of parent for the year	–	–	–	3,923	–	–	–	–	–	–	–	3,923
Cash dividends	–	–	–	(478)	–	–	–	–	–	–	–	(478)
Purchase of treasury stock	–	–	–	–	(145)	–	–	–	–	–	–	(145)
Disposal of treasury stock	–	–	3	–	44	–	–	–	–	–	–	47
Other changes	–	–	–	–	–	(252)	26	(258)	(113)	(4)	42	(559)
Balance at March 31, 2016	59,386,718	¥ 6,889	¥ 1,003	¥ 30,431	¥ (2,117)	¥ 629	¥ 959	¥ 490	¥(121)	¥ 19	¥ 220	¥ 38,402

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Stock acquisition rights	Non-controlling interests	Total net assets
					(Thousands of U.S. dollars) (Note 2)						
Balance at April 1, 2015	$ 61,138	$ 8,875	$ 239,492	$(17,891)	$ 7,819	$ 8,280	$ 6,639	$ (71)	$ 204	$ 1,579	$ 316,064
Profit attributable to owners of parent for the year	–	–	34,815	–	–	–	–	–	–	–	34,815
Cash dividends	–	–	(4,241)	–	–	–	–	–	–	–	(4,241)
Purchase of treasury stock	–	–	–	(1,287)	–	–	–	–	–	–	(1,287)
Disposal of treasury stock	–	26	–	390	–	–	–	–	–	–	416
Other changes	–	–	–	–	(2,237)	231	(2,290)	(1,003)	(35)	373	(4,961)
Balance at March 31, 2016	$ 61,138	$ 8,901	$ 270,066	$(18,788)	$ 5,582	$ 8,511	$ 4,349	$ (1,074)	$ 169	$ 1,952	$ 340,806

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Year ended March 31,		
	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Cash flows from operating activities			
Profit before income taxes	¥ 5,787	¥ 6,188	$ 51,358
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	316	309	2,804
(Decrease) increase in allowance for losses on construction contracts	(18)	9	(160)
Increase in accrued retirement benefits for directors and audit and supervisory board members	25	27	222
Decrease in liability for retirement benefits, net	(101)	(10)	(896)
Decrease in allowance for doubtful receivables	(5)	(13)	(44)
Interest and dividend income	(110)	(103)	(976)
Interest expense	13	17	115
Foreign exchange loss (gain), net	97	(359)	861
Loss on devaluation of investments in securities	10	44	89
Changes in operating assets and liabilities:			
Trade receivable	(921)	1,339	(8,174)
Inventories	(115)	418	(1,021)
Trade payable	(352)	295	(3,124)
Advances received on uncompleted construction contracts	(214)	(525)	(1,899)
Other, net	(511)	688	(4,535)
Subtotal	3,901	8,324	34,620
Interest and dividends received	110	102	976
Interest paid	(13)	(17)	(115)
Income taxes paid	(2,365)	(1,723)	(20,989)
Net cash provided by operating activities	1,633	6,686	14,492
Cash flows from investing activities			
Decrease in time deposits, net	636	513	5,644
Purchases of investments in securities	(599)	(490)	(5,316)
Proceeds from sales or redemptions of investments in securities	396	136	3,514
Purchases of property, plant and equipment	(494)	(297)	(4,384)
Other, net	(20)	18	(177)
Net cash used in investing activities	(81)	(120)	(719)
Cash flows from financing activities			
Increase in short-term bank loans, net	150	250	1,331
Proceeds from long-term debt	100	800	887
Repayment of long-term debt	(548)	(1,098)	(4,863)
Purchases of treasury stock	(145)	(968)	(1,287)
Cash dividends paid	(479)	(488)	(4,251)
Proceeds from exercise of stock options	35	28	311
Other, net	17	–	151
Net cash used in financing activities	(870)	(1,476)	(7,721)
Effect of exchange rate changes on cash and cash equivalents	(238)	271	(2,112)
Increase in cash and cash equivalents	444	5,361	3,940
Cash and cash equivalents at beginning of year	14,882	9,530	132,073
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(9)	–
Cash and cash equivalents at end of year *(Note 15)*	¥ 15,326	¥ 14,882	$ 136,013

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Preparation of Consolidated Financial Statements

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

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as additional information.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements and related notes for the year ended March 31, 2015 to the 2016 presentation. Such reclassifications had no effect on profit or total net assets.

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 12 majority-owned subsidiaries for the year ended March 31, 2016. All significant intercompany transactions and accounts have been eliminated in consolidation.

The overseas consolidated subsidiaries are consolidated on the basis of the year ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year end of these overseas subsidiaries and the year end of the Company.

(c) Cash and Cash Equivalents

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

(d) Short-term Investments and Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities, or other securities. Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain or loss, both realized and unrealized, is charged or credited to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

Investments in limited partnerships are stated at the share of net equity based on the financial statements as of and for the most recent fiscal period ended using the respective balance sheet dates specified in the partnership agreements.

(e) Inventories

Uncompleted construction contracts are stated at the lower of cost or net selling value, cost being determined on an individual project basis.

Materials and supplies as well as merchandise and finished goods are mainly stated at the lower of cost or net selling value, cost being determined by the moving average method.

(f) Property, Plant and Equipment (other than leased assets)

Property, plant and equipment are stated at cost. For the Company and its domestic consolidated subsidiaries, depreciation is computed at rates based on the estimated useful lives of the respective assets by the declining-balance method, except for buildings (other than structures attached to the buildings) acquired on or subsequent to April 1, 1998 to which the straight-line method is applied.

For the overseas consolidated subsidiaries, property, plant and equipment are depreciated at rates based on their respective estimated useful lives by the straight-line method.

(g) Leased Assets

Leased assets are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

1. Summary of Significant Accounting Policies (continued)

(h) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful receivables at the estimated aggregate amount of probable specific bad debts plus an amount calculated based on their historical experience with bad debts. The overseas consolidated subsidiaries provide an allowance for doubtful receivables at the estimated aggregate amount of probable specific bad debts.

(i) Allowance for Compensation for Completed Construction

Allowance for compensation for completed construction is provided for anticipated future costs arising from warranties on completed construction.

(j) Accrued Bonuses to Employees

The Company and its domestic consolidated subsidiaries provide for accrued bonuses to employees at an estimate of the amounts to be paid.

(k) Accrued Bonuses to Directors

The Company and certain domestic consolidated subsidiaries provide for accrued bonuses to directors at an estimate of the amounts to be paid.

(l) Allowance for Losses on Construction Contracts

Allowance for losses on construction contracts is provided based on an estimate of the losses expected to be incurred subsequent to the balance sheet date, for which amounts can be estimated rationally.

(m) Retirement Benefits

Accrued retirement benefits for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized in the years following the year in which the gain or loss is recognized by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees. Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at year-end.

In addition, accrued retirement benefits for directors and corporate auditors are provided at the amount payable at year-end in accordance with the Company's internal regulations or certain domestic consolidated subsidiaries' internal regulations.

(n) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rates of exchange in effect at the balance sheet date and the resulting gain or loss is credited or charged to income. Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates in effect at the respective transaction dates.

The financial statements of the overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date of the respective overseas consolidated subsidiaries except that the components of net assets excluding non-controlling interests are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas consolidated subsidiaries are not included in the determination of profit but are reported as foreign currency translation adjustments in separate components of accumulated other comprehensive income.

(o) Revenue Recognition and Construction Contracts

The Company and its subsidiaries recognize revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at year-end. To estimate the progress of such construction projects, the Company and its subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

1. Summary of Significant Accounting Policies (continued)

(p) Derivatives and Hedge Accounting

Derivatives are carried at fair value with any changes in unrealized gain or loss credited or charged to income, except for those which meet the criteria for hedge accounting.

Gain or loss on derivatives positions designated as hedges is deferred until the loss or gain on the respective underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt (special accounting treatment).

The Company and certain consolidated subsidiaries utilize derivative transactions to hedge the risk arising from future fluctuations in exchange rates and interest rates in relation to receivables and payables denominated in foreign currencies and borrowings, respectively. The Company and certain consolidated subsidiaries enter into derivative transactions to the extent of their risk exposure on the outstanding receivables, payables and borrowings, and the amounts of forecasted transactions. Furthermore, the Company and certain consolidated subsidiaries do not enter into derivative transactions for speculative or short-term trading purposes.

In entering into derivative transactions, the Company sets up risk management policies and establishes risk management structures and management process. The Company follows predetermined internal procedures when conducting derivative transactions.
In addition, each derivative transaction carried out by consolidated subsidiaries are reported to the Company in advance and in accordance with the Company's instructions.

The Company and certain consolidated subsidiaries evaluate the effectiveness of their hedges by comparing the accumulated fluctuations in cash flows or changes in market value of the hedging instruments and those of the corresponding underlying hedged items under the internal management rules. However, the evaluation of the effectiveness of interest-rate swaps accounted for by the special accounting treatment is omitted.

(Accounting Change)

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21 of September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 of September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 of September 13, 2013) and other standards. These revised accounting standards are applied from the fiscal year ended March 31, 2016. Accordingly, differences resulting from changes in ownership interests in subsidiaries when control over the subsidiaries is retained are recognized under capital surplus, and acquisition-related costs are recorded as expenses for the period in which they arise. For business combinations conducted from the beginning of the year ended March 31, 2016, the accounting method has been changed to reflect adjustments of the allocation of acquisition costs on the finalization of provisional accounting treatments in the consolidated financial statements for the year in which the business combination occurs. In addition, the presentation method of profit attributable to owners of parent was amended, and the reference to "minority interests" was changed to "non-controlling interests." Certain reclassifications were made to the previous year's consolidated financial statements to reflect these changes in presentation.

From the beginning of the year ended March 31, 2016, these revised standards are applied prospectively in accordance with Article 58 - 2 (4) of ASBJ Statement No.21, Article 44 - 5 (4) of ASBJ Statement No.22 and Article 57 - 4 (4) of ASBJ Statement No.7.

There were no effects on the consolidated financial statements for the year ended and as of March 31, 2016 as a result of application of the revised standards.

2. U.S. Dollar Amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥112.68 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2016. This translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Short-term Investments and Investments in Securities

Securities classified as held-to-maturity debt securities and other securities at March 31, 2016 and 2015 were summarized as follows:

Held-to-maturity debt securities

	2016		
	Carrying value	Estimated fair value	Unrealized gain
		(Millions of yen)	
Securities whose estimated fair value exceeds their carrying value:			
National and municipal government bonds	¥ 9	¥ 10	¥ 1
Total	¥ 9	¥ 10	¥ 1

	2015		
	Carrying value	Estimated fair value	Unrealized gain
		(Millions of yen)	
Securities whose estimated fair value exceeds their carrying value:			
National and municipal government bonds	¥ 10	¥ 10	¥ 0
Total	¥ 10	¥ 10	¥ 0

	2016		
	Carrying value	Estimated fair value	Unrealized gain
		(Thousands of U.S. dollars)	
Securities whose estimated fair value exceeds their carrying value:			
National and municipal government bonds	$ 79	$ 89	$ 10
Total	$ 79	$ 89	$ 10

Other securities

	2016		
	Acquisition cost	Carrying value	Unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 935	¥ 1,798	¥ 863
Corporate bonds	200	201	1
Other bonds	65	67	2
Other	54	81	27
Subtotal	1,254	2,147	893
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	134	123	(11)
Corporate bonds	203	201	(2)
Other bonds	25	23	(2)
Other	39	37	(2)
Subtotal	401	384	(17)
Total	¥ 1,655	¥ 2,531	¥ 876

	2015		
	Acquisition cost	Carrying value	Unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 860	¥ 2,105	¥ 1,245
Corporate bonds	100	100	0
Other bonds	99	103	4
Other	66	106	40
Subtotal	1,125	2,414	1,289
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	100	88	(12)
Corporate bonds	204	201	(3)
Other bonds	108	107	(1)
Other	20	20	(0)
Subtotal	432	416	(16)
Total	¥ 1,557	¥ 2,830	¥ 1,273

3. Short-term Investments and Investments in Securities (continued)

	2016		
	Acquisition cost	Carrying value	Unrealized gain (loss)
		(Thousands of U.S. dollars)	
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	$ 8,298	$ 15,957	$ 7,659
Corporate bonds	1,775	1,784	9
Other bonds	577	595	18
Other	479	719	240
Subtotal	11,129	19,055	7,926
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,189	1,092	(97)
Corporate bonds	1,802	1,784	(18)
Other bonds	222	204	(18)
Other	346	328	(18)
Subtotal	3,559	3,408	(151)
Total	$ 14,688	$ 22,463	$ 7,775

Because no quoted market price was available and it was extremely difficult to determine the fair value, the unlisted securities were not included in investments in securities in the preceding tables. The carrying values of such unlisted equity securities amounted to ¥282 million ($2,503 thousand) and ¥290 million at March 31, 2016 and 2015, respectively. Investments in limited partnerships amounted to ¥374 million ($3,319 thousand) and ¥272 million at March 31, 2016 and 2015, respectively.

The proceeds from sales of, and gross realized gain on, other securities for the year ended March 31, 2016 were summarized as follows:

	2016	2016
	(Millions of yen)	*(Thousands of U.S. dollars)*
Proceeds from sales	¥ 15	$ 133
Gross realized gain	3	27

The redemption schedules for held-to-maturity debt securities and debt securities classified as other securities with maturities at March 31, 2016 and 2015 were summarized as follows:

	2016		
	Millions of yen		
	National government bonds	Corporate bonds	Other
Due in one year or less	¥ –	¥ –	¥ 34
Due after one year but within five years	10	23	34
Due after five years but within ten years	–	400	–
Due after ten years	–	–	–

	2015		
	Millions of yen		
	National government bonds	Corporate bonds	Other
Due in one year or less	¥ –	¥ –	¥ 144
Due after one year but within five years	10	–	72
Due after five years but within ten years	–	300	–
Due after ten years	–	–	–

	2016		
	Thousands of U.S. dollars		
	National government bonds	Corporate bonds	Other
Due in one year or less	$ –	$ –	$ 302
Due after one year but within five years	89	204	302
Due after five years but within ten years	–	3,550	–
Due after ten years	–	–	–

The Company recorded a loss on devaluation of investments in securities of ¥10 million ($89 thousand) and ¥44 million for the years ended March 31, 2016 and 2015, respectively.

For investments in securities, the Company has a policy that loss on devaluation is recorded for securities whose fair value has declined by 50% or more, or whose fair value has declined by 30% or more, but less than 50%, if the decline is deemed to be irrecoverable.

4. Inventories

Inventories at March 31, 2016 and 2015 were as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Uncompleted construction contracts	¥ 1,376	¥ 1,276	$ 12,212
Materials and supplies	148	136	1,313
Merchandise and finished goods	253	249	2,245
	¥ 1,777	¥ 1,661	$ 15,770

5. Investment and Rental Properties

The Company owns office buildings for lease in Osaka and Tokyo. The Company also owns houses for lease in Osaka.

Rental income, net of related expenses corresponding to these real estate properties, amounted to ¥62 million ($550 thousand) and ¥59 million for the years ended March 31, 2016 and 2015, respectively.

The movements of carrying value for the investment and rental properties and corresponding fair value of those properties at the balance sheet date were as follows:

Carrying value			Fair value
2015	Net change	2016	2016
	(Millions of yen)		
¥ 1,570	¥ (12)	¥ 1,558	¥ 1,474

Carrying value			Fair value
2014	Net change	2015	2015
	(Millions of yen)		
¥ 1,612	¥ (42)	¥ 1,570	¥ 1,401

Carrying value			Fair value
2015	Net change	2016	2016
	(Thousands of U.S. dollars)		
$ 13,933	$ (106)	$ 13,827	$ 13,081

(a) The carrying value represented the acquisition cost less accumulated depreciation.

(b) The fair value was mainly estimated in accordance with appraisal standards for valuing real-estate.

(c) Net change mainly comprises of depreciation on investment and rental properties amounting to ¥20 million ($177 thousand) and ¥20 million for the years ended March 31, 2016 and 2015, respectively.

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

The average interest rate on short-term bank loans outstanding at March 31, 2016 was 0.54%.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from banks payable in yen, at rate of 0.86%	¥ 930	¥ 1,378	$ 8,253
Less current portion	(930)	(548)	(8,253)
	¥ –	¥ 830	$ –

The aggregate annual maturities of long-term debt subsequent to March 31, 2016 were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2016	¥ 930	$ 8,253
2017	–	–
	¥ 930	$ 8,253

At March 31, 2016, the Company had a line-of-credit commitment for short-term financing arrangements of ¥4,000 million ($35,499 thousand), which was unutilized.

7. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rates in Japan for the years ended March 31, 2016 and 2015 were, in the aggregate, approximately 33.0% and 35.6%, respectively.

Reconciliations of the statutory tax rates to the effective tax rates for the years ended March 31, 2016 and 2015 were presented as follows:

	2016	2015
Statutory tax rates	33.0 %	35.6 %
Effect of:		
Expenses not deductible from taxable income	0.5	0.4
Per capita portion of inhabitants' taxes	1.0	0.7
Change in valuation allowance	(3.2)	(0.7)
Decrease of deferred tax assets, net of liabilities at year-end due to change of tax rate	(1.2)	(2.3)
Other	1.4	(1.4)
Effective tax rates	31.5 %	32.3 %

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. Significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2016 and 2015 were summarized as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Tax loss carry forwards	¥ 168	¥ 264	$ 1,491
Allowance for doubtful receivables	25	26	222
Accrued bonuses	129	126	1,145
Liability for retirement benefits	324	320	2,875
Accrued retirement benefits for directors and corporate auditors	106	103	941
Loss on impairment	124	139	1,100
Other	455	541	4,038
Gross deferred tax assets	1,331	1,519	11,812
Less valuation allowance	(723)	(907)	(6,416)
Total deferred tax assets	608	612	5,396
Deferred tax liabilities:			
Difference on revaluation of land	(1,780)	(1,875)	(15,797)
Revaluation reserve for land	(484)	(509)	(4,295)
Net unrealized holding gain on securities	(277)	(418)	(2,458)
Other	(38)	(47)	(339)
Total deferred tax liabilities	(2,579)	(2,849)	(22,889)
Net deferred tax liabilities	¥ (1,971)	¥ (2,237)	$ (17,493)

The "Act to Partially Revise the Income Tax Act and Others" (Act No.15 of 2016) and the "Act to Partially Revise the Local Tax Act and Others" (Act No.13 of 2016) were enacted during the Japanese Diet session on March 29, 2016. In line with these revisions, the Company changed the statutory tax rate used to calculate deferred tax assets and liabilities from 32.2% to 30.8% and to 30.6% for the temporary differences expected to be realized or settled in the years beginning April 1, 2016 and 2017, and for the temporary differences expected to be realized or settled from April 1, 2018, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities after offsetting deferred tax assets, by ¥79 million ($701 thousand) and decrease income taxes-deferred by ¥68 million ($603 thousand) and to increase net unrealized holding gain on securities by ¥14 million ($124 thousand) and retirement benefits liability adjustments by ¥3 million ($27 thousand) as of and for the year ended March 31, 2016.

Additionally, revaluation reserve for land increased by ¥25 million ($222 thousand) and its related deferred tax liability decreased by ¥25 million ($222 thousand) and as of March 31, 2016.

8. Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined-benefit corporate pension plans, retirement benefit plans and a small-and medium-sized enterprise mutual aid plan. The retirement benefit plans included lump-sum payment plans which provide for a lump-sum payment to employees upon retirement. In addition, the Company participates in a welfare pension plan as a member of a multi-employer pension plan. The contributions to the welfare pension plan are charged to expense since the proportional portion of plan assets attributable to the Company cannot be reasonably determined. One overseas consolidated subsidiary also has retirement lump-sum payment plan. Additional employee retirement benefits, which are not included in the calculation of the projected benefit obligations, may be paid in certain circumstances.

One consolidated subsidiary adopts the simplified method in the calculation of its retirement benefit obligation.

(a) Information on the multi-employer pension plans was as follows:

The required contributions to the welfare pension plan by the Company as a member of a multi-employer pension plan for the years ended March 31, 2016 and 2015 amounted to ¥98 million ($870 thousand) and ¥99 million, respectively.

(i) Funded status of pension plans as of March 31, 2015 and 2014, the most recent dates on which such data was available:

	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Plan assets	¥ 13,318	¥ 11,886	$ 118,193
Total amount of actuarial obligations under pension financing and the minimum reserve	(13,864)	(13,123)	(123,039)
Net balance	¥ (546)	¥ (1,237)	$ (4,846)

(ii) The contribution ratios of the Company to the multi-employer plans were 13.78% for the year ended March 31, 2015 and 13.93% for the year ended March 31, 2014. This percentage is not the same as the Company's percentage of obligation.

(iii) Supplementary information

The main factors of net balance as of March 31, 2015 and 2014 in Note (i) were prior service costs of ¥1,543 million ($13,694 thousand) and ¥1,588 million, respectively, under pension financing. Prior service costs of the multi-employer pension plans are amortized by straight-line method over periods of 18 years and 19 years for the years ended March 31, 2016 and 2015, respectively. In addition, the Company charged special pension fund contributions of ¥16 million ($142 thousand) and ¥15 million for such amortization to income for the years ended March 31, 2016 and 2015, respectively.

The board of representatives of the Japan Hoon Horei Industrial Welfare Pension Fund in which the Company was participating decided to dissolve the Fund at the meeting held on September 18, 2014 and the Fund was dissolved under approval of the Japanese Health, Labour and Welfare Minister on March 30, 2016.

(b) Defined benefit pension plans (except plans for which the simplified method is applied.)

(1) The changes in retirement benefit obligation for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year, as originally reported	¥ 1,448	¥ 1,582	$ 12,851
Cumulative effect of changes in accounting principle	–	0	–
Balance at the beginning of the year, as adjusted	1,448	1,582	12,851
Service cost	96	96	852
Interest cost	13	20	115
Actuarial loss (gain)	116	(52)	1,029
Benefit paid	(63)	(198)	(559)
Balance at the end of the year	¥ 1,610	¥ 1,448	$ 14,288

(2) The changes in plan assets at fair value for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 688	¥ 590	$ 6,107
Expected return on plan assets	14	12	124
Actuarial (loss) gain	(64)	114	(568)
Contributions to the pension plan	170	170	1,509
Benefit paid	(47)	(198)	(417)
Balance at the end of the year	¥ 761	¥ 688	$ 6,755

8. Retirement Benefits (continued)

(3) Reconciliations of the ending balance of the retirement benefit obligation and plan assets to liability for retirement benefits recognized in the consolidated balance sheets as of March 31, 2016 and 2015 were as follows:

	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 1,610	¥ 1,448	$ 14,288
Plan assets at fair value	(761)	(688)	(6,753)
Liability recognized in the consolidated balance sheet	¥ 849	¥ 760	$ 7,535
Liability for retirement benefits	849	760	7,535
Net liability recognized in the consolidated balance sheet	¥ 849	¥ 760	$ 7,535

(4) The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 96	¥ 97	$ 853
Interest cost	13	20	115
Expected return on plan assets	(14)	(12)	(124)
Amortization of actuarial loss	12	36	106
Amortization of prior service cost	6	5	53
Retirement benefit expenses	¥ 113	¥ 146	$ 1,003

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	¥ 5	¥ 5	$ 44
Actuarial (gain) loss	(167)	202	(1,482)
Total	¥ (162)	¥ 207	$ (1,438)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 were as follows:

	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥ 4	¥ 9	$ 35
Unrecognized actuarial loss	170	2	1,509
Total	¥ 174	¥ 11	$ 1,544

(7) The components of plan assets at March 31, 2016 and 2015 were summarized as follows:

	As of March 31, 2016	As of March 31, 2015
Debt securities	39%	41%
Equity securities	52	55
Others	9	4
Total	100%	100%

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

(8) The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015
Discount rates	0.3%	0.9%
Expected rate of return on plan assets	2.0	2.0
Expected rate of salary increase	3.8	3.8

8. Retirement Benefits (continued)

(c) Defined benefit pension plans for retirement benefits calculated by the simplified method

(1) The changes in liability for retirement benefits for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 235	¥ 220	$ 2,086
Retirement benefit expenses	32	75	283
Benefit paid	(5)	(13)	(44)
Contributions	(53)	(47)	(470)
Balance at the end of the year	¥ 209	¥ 235	$ 1,855

(2) 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 2015 for consolidated subsidiaries' defined benefit pension plans:

	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 366	¥ 383	$ 3,248
Plan assets at fair value	(252)	(240)	(2,236)
	114	143	1,012
Unfunded retirement benefit obligation	95	92	842
Liability recognized in the consolidated balance sheet	209	235	1,854
Liability for retirement benefits	209	235	1,854
Net liability recognized in the consolidated balance sheet	¥ 209	¥ 235	$ 1,854

(3) The retirement benefit expenses for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit expenses for retirement benefits calculated by the simplified method	¥ 33	¥ 75	$ 293

(d) Contributions required to be paid to defined contribution plans of consolidated subsidiaries for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Contributions required to be paid to defined contribution plans	¥ 19	¥ 18	$ 169

9. Pledged Assets

Investments in securities in the amount of ¥0 million ($0 thousand) are pledged as collateral for loans of a third-party as of March 31, 2016.

10. Contingent Liabilities

(1) PT. TERAS TEKNIK PERDANA and a consolidated subsidiary, PT. Meisei Indonesia Jo, undertook a joint operation for construction contracts. Both companies have provided a certain customer a guarantee for the execution of their obligations under the contract as well as for the refund of an advance received from this customer. A bank issued the customer the letter of guarantee for the execution of the contract and for the refund of the advance received. The Company was contingently liable for the letter of guarantee issued by the bank in the amount of ¥49 million ($435 thousand) as of March 31, 2016.

(2) The board of representatives of the Japan Hoon Horei Industrial Welfare Pension Fund, which the Company joined, decided to dissolve the Fund at the meeting held on September 18, 2014 and the Fund was dissolved under approval of the Japanese Health, Labour and Welfare Minister on March 30, 2016. As a result of the dissolution, additional costs are expected to be incurred. However, the costs cannot be reliably estimated because many related factors remain uncertain.

11. Shareholders' Equity

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

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

Movements in common stock and treasury stock during the years ended March 31, 2016 and 2015 were summarized as follows:

	Number of shares			
	2016			
	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock	59,386,718	–	–	59,386,718
Treasury stock	6,290,935	309,101	138,051	6,461,985

The increase in treasury stock (309,101 common shares) for the year ended March 31, 2016 was due to the purchase of 308,500 shares of common stock and the purchase of 601 shares of less than one voting unit.
The decrease in treasury stock (138,051 common shares) for the year ended March 31, 2016 was due to the exercise of stock options of 138,000 shares and the sale of 51 shares of less than one voting unit.

	Number of shares			
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Common stock	63,386,718	–	4,000,000	59,386,718
Treasury stock	8,956,494	1,446,441	4,112,000	6,290,935

The decrease in total number of shares issued (4,000,000 common shares) for the year ended March 31, 2015 was due to the disposition of common stock based on the resolution of the Board of Directors.
The increase in treasury stock (1,446,441 common shares) for the year ended March 31, 2015 was due to the purchase of 1,434,000 shares of common stock and the purchase of 12,441 shares of less than one voting unit.
The decrease in treasury stock (4,112,000 common shares) for the year ended March 31, 2015 was due to the disposition of 4,000,000 shares of treasury stock and the exercise of stock options of 112,000 shares.

12. Land Revaluation

Effective March 31, 2002, the Company revalued its land held for business use in accordance with the "Land Revaluation Law" and the "Amended Land Revaluation Law." As a result, the Company recognized a gain on land revaluation and recorded deferred income tax liabilities related to this gain. The resulting gain, net of the relevant tax effect, has been accounted for under accumulated other comprehensive income as revaluation reserve for land. The method followed for this land revaluation was determined in accordance with the "Land Valuation Tax Law" as stipulated in the "Enforcement Act Concerning Land Revaluation" and other regulations. The fair values of the revalued land at March 31, 2016 and 2015 were less than its corresponding carrying value by ¥1,096 million ($9,727 thousand) and ¥1,174 million, respectively.

13. Provision for Losses on Construction Contracts

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2016 and 2015 amounted to ¥0 million ($0 thousand) and ¥18 million, respectively.

14. Research and Development Expenses

Research and development expenses, which were included in cost of sales and selling, general and administrative expenses, for the years ended March 31, 2016 and 2015 amounted to ¥146 million ($1,296 thousand) and ¥136 million, respectively.

15. Supplemental Information on Statements of Cash Flows

Reconciliations between cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of March 31, 2016 and 2015 were presented as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 16,246	¥16,602	$ 144,178
Time deposits with original maturities in excess of three months	(920)	(1,720)	(8,165)
Cash and cash equivalents	¥ 15,326	¥14,882	$ 136,013

16. Financial Instruments

Description of financial instruments

(a) Policy for financial instruments

The Company and its consolidated subsidiaries raise necessary capital mainly by bank borrowings, which were used in capital expenditures and operating funds. The Company and its consolidated subsidiaries manage surplus capital by investing only in short-term deposits and similarities, or by low-risk financial assets in accordance with cash management plans. The Company utilizes derivatives transactions related to foreign currencies and interest rates primarily as a way of hedging the risk of future fluctuation in exchange rates and interest rates. The Company does not enter into derivative transactions for speculative or short-term trading purposes.

(b) Types of financial instruments and related risk

Trade receivables, which are notes receivable, electronically recorded monetary claims and accounts receivable, are exposed to credit risk of customers. Certain trade receivables denominated in foreign currencies resulting from the operation of construction works and other activities overseas are exposed to market risk of fluctuation in foreign currencies. In principle, the foreign currency exchange rate fluctuation risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts and currency option agreements.

Investments in securities are mainly composed of held-to-maturity debt securities and stocks of the companies with which the Company and its consolidated subsidiaries have business relationships and they are exposed to fluctuation risk of market prices.

Trade payables, which are notes payable, electronically recorded obligations and accounts payable, are due within one year. Certain trade payables denominated in foreign currencies resulting from the operation of construction works overseas and the purchase of raw materials are exposed to fluctuation risk of foreign currencies. In principle, the foreign currency exchange rate fluctuation risks deriving from the trade payables denominated in foreign currencies are mitigated by using foreign currency deposits on hand or hedging by forward foreign exchange contracts and others.

Short-term bank loans are utilized for the purpose of operating funds. Long-term debt is mainly utilized for capital investments and due dates are, in principle, within principally 3 years.

Regarding derivative transactions, the Company enters into forward foreign exchange contracts and currency option agreements to mitigate the foreign currency exchange risk arising from the trade receivables and payables denominated in foreign currencies. The Company also enters into interest swap agreements to mitigate the interest rate risk for loans payable at variable rates. In addition, further information regarding the hedge accounting was disclosed to “(p) Derivatives and Hedge Accounting” in Note 1 “Summary of Significant Accounting Policies” in the notes to consolidated financial statements.

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

Pursuant to the credit control policy, the Company and its consolidated subsidiaries timely monitor the financial conditions of major customers, manage credit balances of each customer on a monthly basis and try to identify credit risk of customers with worsening financial conditions at the early stage and mitigate the risk.

Pursuant to the securities control policy, the credit risk of held-to-maturity debt securities is controlled and is quite low because the Company and its consolidated subsidiaries only acquire held-to-maturity debt securities with high credit ratings and limit the trading amounts. To minimize the credit risk of non-performance by the counterparties to derivative transactions, creditors are limited to financial institutions with high credit ratings.

16. Financial Instruments (continued)

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)
The Company mainly utilizes forward foreign currency exchange contracts and currency option agreements based on settlement plans of trade receivables and payables for hedging of the foreign currency exchange risk. In addition, the Company enters into interest swap transactions in order to mitigate the interest rate risk for loans payable at variable rates.

For investments in securities, the Company and certain consolidated subsidiaries continuously review their securities holdings by monitoring periodically the market value or financial conditions of the securities' issuers (companies with business relationships with the Company and certain consolidated subsidiaries).

Derivative transactions are carried out after acceptance based on the derivative control policy and the transaction conditions, balances and others all monitored periodically.

(iii) Monitoring of liquidity risk (the risk that the Company and its consolidated subsidiaries may not be able to meet their obligations on due dates)
The Company manages liquidity risk of the Company and its consolidated subsidiaries with the finance department of the Company timely preparing and updating cash flow plans, and keeping necessary funds as well as controlling the level of liquidity in hand based on reports from each department or each consolidated subsidiary.

(d) Supplementary explanation of the fair value of financial instruments
The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated based on certain assumptions. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 17 "Derivative Financial Instruments" are not necessarily indicative of the actual market risk involved in the derivative transactions.

Fair Value of Financial Instruments

The carrying value, fair value and their differences of financial instruments as of March 31, 2016 and 2015 were shown in the following tables. The tables did not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to below).

	2016		
	Carrying value	Fair value	Difference
		(Millions of yen)	
Assets:			
(1) Cash and deposits	¥ 16,246	¥ 16,246	¥ –
(2) Trade receivable	17,354	17,354	–
(3) Short-term investments and investments in securities	2,540	2,540	0
Total	¥ 36,140	¥ 36,140	¥ 0
Liabilities:			
(1) Short-term bank loans	400	400	–
(2) Trade payable	7,097	7,097	–
(3) Long-term debt, including current portion of long-term debt	930	930	–
Total	¥ 8,427	¥ 8,427	¥ –
Derivatives (*1)	¥ –	¥ –	¥ –

	2015		
	Carrying value	Fair value	Difference
		(Millions of yen)	
Assets:			
(1) Cash and deposits	¥ 16,602	¥ 16,602	¥ –
(2) Trade receivable	16,432	16,432	–
(3) Short-term investments and investments in securities	2,840	2,840	0
Total	¥ 35,874	¥ 35,874	¥ 0
Liabilities:			
(1) Short-term bank loans	250	250	–
(2) Trade payable	7,200	7,200	–
(3) Long-term debt, including current portion of long-term debt	1,378	1,375	(3)
Total	¥ 8,828	¥ 8,825	¥ (3)
Derivatives (*1)	¥ (1)	¥ (1)	¥ –

16. Financial Instruments (continued)

	2016		
	Carrying value	Fair value	Difference
		(Thousands of U.S. dollars)	
Assets:			
(1) Cash and deposits	$ 144,178	$ 144,178	$ –
(2) Trade receivable	154,011	154,011	–
(3) Short-term investments and investments in securities	22,542	22,542	0
Total	$ 320,731	$ 320,731	0
Liabilities:			
(1) Short-term bank loans	3,550	3,550	–
(2) Trade payable	62,984	62,984	–
(3) Long-term debt, including current portion of long-term debt	8,253	8,253	–
Total	$ 74,787	$ 74,787	–
Derivatives (*1)	$ –	$ –	$ –

*1 Assets and liabilities arising from derivatives are shown at net value with the amount in parentheses representing net liability position.

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

Assets

(1) Cash and deposits and (2) Trade receivable

Since these items are settled in a short time period, their carrying value approximates fair value.

(3) Short-term investments and investments in securities

The fair value of equity securities was based on quoted market prices and the fair value of debt securities was based on quoted market prices or prices provided by financial institutions.

Liabilities

(1) Short-term bank loans and (2) Trade payable

Since these items are settled in a short time period, their carrying value approximates fair value.

(3) Long-term debt

Since current portion of long term debt is settled in a short time period, their carrying value approximates fair value.

The fair value of long-term debt, exclusive of the current portion, was based on the present value of the total of principals and interests, discounted by the interest rates to be applied assuming new loans under similar conditions were made.

Derivatives Transactions

Please refer to Note 17 "Derivative Financial Instruments" in the notes to consolidated financial statements.

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

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted equity securities	¥ 282	¥ 290	$ 2,503
Investments in limited partnerships	374	272	3,319
Total	¥ 656	¥ 562	$ 5,822

Because no quoted market price was available and it was extremely difficult to determine the fair value, the above financial instruments were not included in investments in securities of the preceding tables.

The redemption schedules for held-to-maturity debt securities, debt securities classified as other securities and long-term debt were disclosed in Note 3 "Short-term investments and Investments in Securities" and Note 6 "Short-Term Bank Loans and Long-Term Debt" in the notes to consolidated financial statements.

17. Derivative Financial Instruments

At March 31, 2016 and 2015, the outstanding derivatives positions were as follows:

(a) Outstanding derivatives positions to which hedge accounting has not been applied

Currency-related derivatives

There were no outstanding derivative positions to which hedge accounting has not been applied as of March 31, 2016.

Outstanding derivative positions to which hedge accounting has not been applied as of March 31, 2015 were as follows:

	2015			
	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value	Unrealized loss
	(Millions of yen)			
Deposits incorporating derivatives	¥ 120	¥ –	¥ (1)	(1)
Total	¥ 120	¥ –	¥ (1)	¥ (1)

The estimated fair value of the above deposits incorporating derivatives was determined based on the prices provided by financial institutions.

The estimated fair value of the above deposits incorporating derivatives has been obtained by separating the embedded derivatives from the compound financial instruments.

The contract value of the above deposits incorporating derivatives represents the principal amount of the deposits, and the amount itself does not indicate the market risk pertaining to derivative transactions.

(b) Outstanding derivatives positions to which hedge accounting has been applied

Interest-rate-related derivatives

Outstanding derivative positions to which hedge accounting has been applied as of March 31, 2016 and 2015 were as follows

		2016		
		Millions of yen		
	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Interest-rate swaps:				
Receive floating / pay fixed	Long-term debt	¥ 400	¥ –	(*1)

		2015		
		Millions of yen		
	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Interest-rate swaps:				
Receive floating / pay fixed	Long-term debt	¥ 400	¥ 400	(*1)

		2016		
		Thousands of U.S. dollars		
	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Interest-rate swaps:				
Receive floating / pay fixed	Long-term debt	$ 3,550	¥ –	(*1)

(*1) Because interest-rate swap agreements were accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term debt, their fair values were included in the fair values of the long-term debt. Refer to Note 1(p) about special accounting treatment applied for interest-rate swaps.

18. Stock Options

Stock option expenses were not recognized for the years ended March 31, 2016 and 2015.

Stock options plans

A stock option plan (the 2015 plan) for certain directors, certain officers and employees of the Company and certain directors of subsidiaries was approved at the annual general meeting of the shareholders of the Company on June 25, 2015. The exercise price was ¥583 ($5.17) per share at March 31, 2016. The options become exercisable on July 1, 2016 and are scheduled to expire on June 30, 2019.

Exercise conditions for the 2015 plan are as follows:

1. 30% of the total number of the stock options may be exercised in the event that net sales equals ¥44,000 or more, and operating income equals ¥4,100 or more for the year ended March 31, 2016.
2. 30% of the total number of the stock options may be exercised in the event that the total amount of net sales for the year ended March 31, 2016 and for the year ending 2017 equals ¥92,000 or more, and operating income for the year ending March 31, 2017 equals ¥4,300 or more.
3. 40% of the total number of the stock options may be exercised in the event that the total amount of net sales for the year ended March 31, 2016 and for the years ending March 31, 2017 and 2018 equals ¥142,000 or more, and operating income for the year ending March 31, 2018 equals ¥4,700 or more.

The method for estimating the fair value of stock options of the 2015 plan granted during the fiscal year is as follows:

1. Method used: Monte Carlo simulation.
2. Primary assumptions and estimation method:

	The 2015 plan
Stock price volatility *(Note 1)*	25.75%
Estimated remaining period *(Note 2)*	1.8 years
Estimated dividend per share *(Note 3)*	¥10 per share
Risk-free interest rate *(Note 4)*	0.016%

Note: 1. Stock price volatility was calculated based on the actual stock prices of the past 3 years and 6 months as of November 5, 2015.
2. Estimated remaining period is based on the assumption that the stock options are exercised evenly and dispersedly throughout the period from July 1, 2016 to June 30, 2019.
3. Estimated dividend per share was calculated based on the actual dividend payments for the year ended March 31, 2016.
4. Risk-free interest rate was determined based on the interest rate of a national government bond maturing on June 30, 2019 as of November 5, 2015.

A stock option plan (the 2010 plan) for certain employees of the Company was approved at the annual general meeting of the shareholders of the Company on June 29, 2010. The exercise price was ¥247 ($2.19) per share at March 31, 2016. The options became exercisable on August 11, 2012 and are scheduled to expire on August 10, 2018.

A stock option plan (the 2009 plan) for certain directors, a corporate auditor and certain officers and employees of the Company was approved at the annual general meeting of the shareholders of the Company on June 26, 2009. The exercise price was ¥255 ($2.26) per share at March 31, 2016. The options became exercisable on August 11, 2011 and are scheduled to expire on August 10, 2017.

Information regarding the Company's stock option plans was summarized as follows:

	The 2015 plan	**The 2010 plan**	**The 2009 plan**
Number of stock options			
Not vested:			
Outstanding at March 31, 2015	–	–	–
Granted	442,000	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at March 31, 2016	442,000	–	–
Vested			
Outstanding at March 31, 2015	–	85,000	183,000
Granted	–	–	–
Exercised	–	15,000	123,000
Forfeited	–	–	–
Outstanding at March 31, 2016	–	70,000	60,000
Estimated fair value of unit price at the grant date	¥ 18	¥ 87	¥ 86

19. Amounts per Share

	2016	2015	2016
	(Yen)		(U.S. dollars)
Basic profit attributable to owners of parent	¥ 73.83	¥ 77.68	$ 0.66
Diluted profit attributable to owners of parent	73.73	77.45	0.65
Net assets	721.08	666.95	6.40

Basic profit attributable to owners of parent per share has been computed based on profit attributable to owners of parent and the weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share has been computed based on profit available for distribution to the shareholders of the Company and the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of the shares of common stock issuable upon the exercise of stock options issued by the Company. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at year-end.

The financial data utilized in the computation of profit attributable to owners of parent per share for the years ended March 31, 2016 and 2015 were summarized as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Information on profit attributable to owners of parent – basic:			
Profit attributable to owners of parent	¥ 3,923	¥ 4,177	$ 34,815
Deductions from profit attributable to owners of parent	–	–	–
Adjusted profit attributable to owners of parent	¥ 3,923	¥ 4,177	$ 34,815
Weighted-average number of shares of common stock outstanding during the year	53,141 thousand shares	53,768 thousand shares	53,141 thousand shares

There were 70 thousand shares and 160 thousand shares of common stock with dilutive potential effect for the years ended March 31, 2016 and 2015, respectively.

	2016	2015	2016
	(Yen)		(U.S. dollars)
Cash dividends applicable to the year	¥ 10.00	¥ 8.00	$ 0.09

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

20. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects on components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015.

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	¥ (392)	¥ 73	$ (3,479)
Reclassification adjustments for gain realized in the statement of income	–	–	–
Before tax effect	(392)	73	(3,479)
Tax effect	140	(62)	(1,242)
Net unrealized holding (loss) gain on securities	(252)	11	(2,237)
Foreign currency translation adjustments:			
Amount arising during the year	(258)	165	(2,290)
Foreign currency translation adjustments	(258)	165	(2,290)
Retirement benefits liability adjustments:			
Amount arising during the year	(180)	166	(1,597)
Reclassification adjustments for loss realized in the statement of income	17	41	151
Before tax effect	(163)	207	(1,446)
Tax effect	50	(74)	(443)
Retirement benefits adjustments	(113)	133	(1,003)
Revaluation reserve for land:			
Tax effect	26	54	231
Revaluation reserve for land	26	54	231
Total other comprehensive (loss) income	¥ (597)	¥ 363	$ 5,299

21. Segment Information

1. Outline of the reportable segments

The reportable segments of the Company and its consolidated subsidiaries are determined on the basis that separate financial information of such segments is available and examined periodically by the Board of Directors of the Company to make decisions regarding the allocation of management resources and assess the business performances of such segments.

The Company and its consolidated subsidiaries have divided business operations into two segments: the construction segment and the boiler segment.

The construction segment comprises construction, manufacturing, sales, other operations related to insulation work, interior decorating work and other activities. The boiler segment comprises installation operation of boiler facilities and industrial machinery.

2. Calculation methods used for sales, income, assets and the other items on each reportable segment

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1. Inter-segment sales and transfer are recorded based on market prices.

The amount of segment income is based on operating income.

3. Information on sales, income, assets and other items on each reportable segment

	2016				
	Reportable segments			Adjustments (*1, 2 and 3)	Consolidated (*4)
	Construction	Boiler	Total		
			(Millions of yen)		
Sales:					
Sales to third parties	¥ 39,077	¥ 6,336	¥ 45,413	¥ –	¥ 45,413
Inter-segment sales or transfers	74	142	216	(216)	–
Net sales	¥ 39,151	¥ 6,478	¥ 45,629	¥ (216)	¥ 45,413
Segment income	¥ 4,779	¥ 843	¥ 5,622	¥ 95	¥ 5,717
Segment assets	33,415	6,564	39,979	14,484	54,463
Other items:					
Depreciation and amortization	264	32	296	20	316
Increase in property, plant and equipment and intangible assets	820	25	845	3	848

	2015				
	Reportable segments			Adjustments (*1, 2 and 3)	Consolidated (*4)
	Construction	Boiler	Total		
			(Millions of yen)		
Sales:					
Sales to third parties	¥ 37,384	¥ 9,489	¥ 46,873	¥ –	¥ 46,873
Inter-segment sales or transfers	144	223	367	(367)	–
Net sales	¥ 37,528	¥ 9,712	¥ 47,240	¥ (367)	¥ 46,873
Segment income	¥ 4,362	¥ 1,256	¥ 5,618	¥ 94	¥ 5,712
Segment assets	32,368	7,343	39,711	13,341	53,052
Other items:					
Depreciation and amortization	266	23	289	20	309
Increase in property, plant and equipment and intangible assets	218	62	280	4	284

	2016				
	Reportable segments			Adjustments (*1, 2 and 3)	Consolidated (*4)
	Construction	Boiler	Total		
			(Thousands of U.S. dollars)		
Sales:					
Sales to third parties	$ 346,796	$ 56,230	$ 403,026	$ –	$ 403,026
Inter-segment sales or transfers	657	1,260	1,917	(1,917)	–
Net sales	$ 347,453	$ 57,490	$ 404,943	$ (1,917)	$ 403,026
Segment income	$ 42,412	$ 7,482	$ 49,894	$ 843	$ 50,737
Segment assets	296,548	58,253	354,801	128,541	483,342
Other items:					
Depreciation and amortization	2,343	284	2,627	177	2,804
Increase in property, plant and equipment and intangible assets	7,277	222	7,499	27	7,526

21. Segment Information (continued)

*1: Adjustment for segment income represents eliminations of inter-segment sales or transfers.

*2: Adjustment for segment assets represents eliminations of inter-segment transfers amounted to ¥205 million ($1,819 thousand) and ¥288 million and corporate assets amounted to ¥14,689 million ($130,360 thousand) and ¥13,629 million, which are not associated with any reportable segments as of March 31, 2016 and 2015, respectively.

*3: Adjustments for other items represents the amounts of adjustments related to corporate assets which are not associated with any reportable segments.

*4: Segment income is adjusted to be consistent with operating income in the consolidated statements of income.

4. Related information

(1) Sales information by products and service

	2016		
	Construction	Boiler	Total
		(Millions of yen)	
Net sales	¥ 39,077	¥ 6,336	¥ 45,413

	2015		
	Construction	Boiler	Total
		(Millions of yen)	
Net sales	¥ 37,384	¥ 9,489	¥ 46,873

	2016		
	Construction	Boiler	Total
		(Thousands of U.S. dollars)	
Net sales	$ 346,796	$ 56,230	$ 403,026

(2) Sales information by geographical segment

	2016				
	Japan	Asia	Oceania	Other	Total
			(Millions of yen)		
Net sales	¥ 41,922	¥ 1,435	¥ 1,995	¥ 61	¥ 45,413

	2015				
	Japan	Asia	Oceania	Other	Total
			(Millions of yen)		
Net sales	¥ 41,828	¥ 4,172	¥ 830	¥ 43	¥ 46,873

	2016				
	Japan	Asia	Oceania	Other	Total
			(Thousands of U.S. dollars)		
Net sales	$ 372,045	$ 12,735	$ 17,705	$ 541	$ 403,026

Note: Net sales are categorized by country or region based on where the sale originated.

Disclosure of property, plant and equipment by geographical area as of March 31, 2016 and 2015 has been omitted as the amount of property, plant and equipment located in Japan was in excess of 90% of property, plant and equipment in the consolidated balance sheets.

(3) Information by major customers

Disclosure of information by major customers for the years ended March 31, 2016 and 2015 has been omitted as sales to individual customers were less than 10% of net sales in the consolidated statements of income.

22. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2016, was approved at the annual meeting of shareholders held on June 29, 2016.

	Millions of yen	*Thousands of U.S. dollars*
Year-end cash dividends (¥5.0 (U.S.$0.04) per share)	¥ 265	$ 2,352

Independent Auditor’s Report

The Board of Directors
Meisei Industrial Co., Ltd.

We have audited the accompanying consolidated financial statements of Meisei Industrial Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meisei Industrial Co., Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

June 29, 2016
Osaka, Japan

Outline of Meisei Industrial Co., Ltd.

(As of March 31, 2016)

Established	*July 2, 1947*
Capital	*¥6,889,326,595*
Number of Employees	*311*
Head Office	*1-8-5 Kyomachibori, Nishi-ku, Osaka, 550-0003 Japan* *Tel : 81-6-6447-0271* *Fax : 81-6-6448-5321*
Stock Listing	*Tokyo Securities Exchange*

Main Consolidated Subsidiaries

(Domestic)

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1-8-5 Kyomachibori, Nishi-ku, Osaka, 550-0003 Japan

Meisei Kenko Co., Ltd.

2-13-22 Nagata, Joutou-ku, Osaka, 536-0022 Japan

Nippon Keikal Limited

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