ANNUAL REPORT 2015

Year ended March 31, 2015

SHIN NIPPON AIR TECHNOLOGIES CO., LTD.

Profile

Shin Nippon Air Technologies (SNK) is a leading Japanese engineering company and applies its proprietary engineering systems to control not only air, water and heat, but also all other aspects of air conditioning, electrical and sanitary facilities. The Company offers comprehensive engineering solutions centered on air conditioning, ranging from the creation of a better human environment for offices, shopping centers, hospitals, hotels, museums, etc., and the creation of industrial facilities, such as clean rooms, and constant temperature and humidity rooms for semiconductor plants, pharmaceutical plants, R&D centers and similar facilities, to the construction of district heating & cooling systems.

The predecessor of Shin Nippon Air Technologies Co., Ltd. was Toyo Carrier Engineering Co., Ltd., which was established in 1930 as a joint venture between the Mitsui Group and Carrier Corporation of USA, an early pioneer in the field of air conditioning systems. SNK was incorporated and took over the air conditioning construction activities of Toyo Carrier Engineering in 1969. The Company has an outstanding record of achievements, including providing air conditioning systems for Japan's first nuclear reactor at the Japan Atomic Energy Research Institute (1957) and for Japan's first skyscraper, the Kasumigaseki Building (1968); the construction of a district heating and cooling system for Shinjuku's city center (1971) and air conditioning for the Johyoh fast breeder reactor in Ibaraki Prefecture (1974).

Since entering overseas markets in 1973, SNK has executed projects in 36 countries for the provision of air conditioning and electrical facilities as well as for firefighting, water supply, and sewage treatment and sanitary facilities; and has developed into a comprehensive engineering and construction company.

The Company currently has three overseas subsidiaries, based in Shanghai, Sri Lanka and Singapore, which help its customers develop operations in Asia through provision of engineering and construction of facilities.

In recent years, SNK has been placing great emphasis on making proposals for engineering solutions in the energy saving and environmental fields. The Company's solutions have earned it a high reputation in Japan and in those countries throughout the world where it carries on business.

Contents

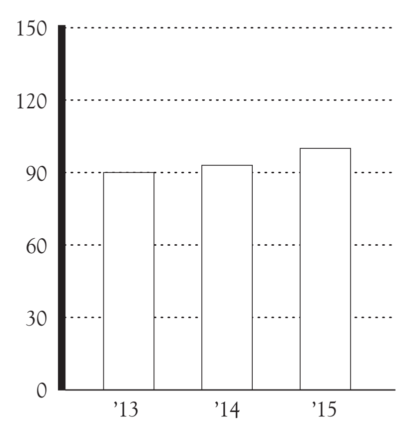
Financial Highlights

Shin Nippon Air Technologies Co., Ltd.
Years ended March 31

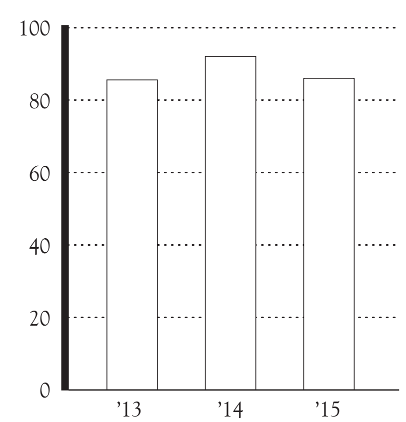
	Millions of Yen			Thousands of U.S. Dollars
	2013	2014	**2015**	**2015**
For the year:				
Orders received	¥ 90,591	¥ 93,230	**¥100,840**	**$ 840,333**
Revenues from construction	85,553	92,035	**86,508**	**720,900**
Operating income	2,231	2,233	**2,143**	**17,859**
Net income	1,323	1,339	**1,443**	**12,025**
At year-end:				
Total assets	¥ 80,370	¥ 85,003	**¥ 83,652**	**$ 697,100**
Current assets	56,859	57,784	**52,349**	**436,242**
Net property, plant and equipment	2,990	3,037	**3,306**	**27,550**
Current liabilities	46,979	47,878	**41,157**	**342,975**
Net shareholders' equity	31,113	34,035	**38,067**	**317,225**

Note: U.S. dollar amounts represent translations of Japanese yen amounts at the exchange rate on March 31, 2015 of ¥120 to US$1.

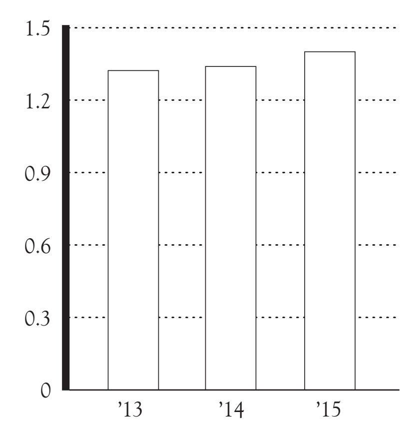
Orders Received
(Billions of yen)



Revenues from Construction
(Billions of yen)



Net Income
(Billions of yen)



Message from the President

Review of Operations

1) Business Operations and Results

During the fiscal year ended March 31, 2015, the Japanese economy was generally robust notwithstanding a temporary slowdown which followed an earlier surge in demand prior to the increase in April 2014 in the rate of consumption tax. This favorable economic situation was attributable to further quantitative easing by the Bank of Japan which led to a gradual recovery in personal consumption. In addition, falls in the price of oil had a positive impact on the manufacturing industry, which led to an increase in corporate earnings.

In the construction industry, notwithstanding certain positive factors, such as a moderate recovery in private sector capital investment and a quickening pace in Tokyo Olympics related as well as private sector construction projects, a shortage of workers and resulting delays in project schedules have emerged as pressing issues.

In the above circumstances, in this the first year of the Company's new mid-term business plan, the Ultimate Value Plan 2016 (from fiscal 2014 to and including fiscal 2016), SNK and its subsidiaries (together the SNK Group or the Group), worked to achieve the plan's objectives. These objectives are: i) to earn the highest level of customer confidence; ii) to ensure that technologies are handed on to the next generation and to promote cutting-edge technologies; and iii) to strengthen corporate governance and establish a more highly flexible organizational structure. All of the above have the overall aim of achieving the enrichment and evolution of SNK Quality to meet customer needs in pursuit of ultimate value.

In this, the first year of the mid-term business plan, the SNK Group continued its established policy in accepting orders, of striking a balance between profitability on the one hand and the exploitation of the opportunities offered for business growth on the other hand, amid the marked change in the construction industry noted above. As a result, orders received during the current fiscal year increased 8.2% year on year to ¥100,840 million. This result exceeded the Group's forecast of ¥100 billion, and signaled a return to a level of orders above the ¥100 billion level.

Revenues from construction decreased 6.0% year on year to ¥86,508 million, and fell short of the Group forecast of ¥95 billion. This was because the completion of certain projects had to be carried forward to the next fiscal year as a consequence of delays. A certain suspension of nomination

and business imposed on SNK also contributed to this shortfall in revenue. On the other hand, the volume of ongoing construction projects at the end of the fiscal year increased significantly, with the result that revenues carried forward to the next fiscal year increased ¥14,332 million year on year to ¥64,252 million.

With regard to overall profit, the SNK Group strove to minimize the impact of lower revenues from construction by generating profit through reducing the cost of construction projects, and cutting administrative costs and office expenditures. As a result, whereas gross profit decreased 0.4% year on year to ¥8,334 million and operating income decreased 4.1% to ¥2,142 million, ordinary income increased 2.1% to ¥2,567 million.

Extraordinary income was ¥6 million and extraordinary losses were ¥152 million. As a result, net income increased 7.7% year on year to ¥1,442 million.

2) Issues to be Addressed

Construction investment is expected to gain momentum in view of the increase in volume of Tokyo Olympics related infrastructure projects and other private sector construction projects, as well as the tendency for manufacturers to relocate certain operations from abroad back to Japan. On the other hand, while various construction projects will be undertaken in rapid succession, the shortages of workers and engineers, both of which are structural features of the construction industry in Japan, are expected to remain major issues of concern over the medium to long term. Securing an appropriate allocation of human resources, bringing about major improvements in productivity through the elimination of waste, and adopting countermeasures for project delays are all indispensable steps to be taken from the viewpoint of the Group's financial performance, and the SNK Group will vigorously address these issues.

Against the above background, the SNK Group will make every effort to achieve the goals of the Ultimate Value Plan 2016 with the aim of contributing to society and enhancing corporate value while simultaneously improving financial performance.

In these endeavors, Shin Nippon Air Technologies would as always greatly appreciate the continued support of its shareholders.

Examples of recent construction projects undertaken

NAKADORI General Hospital

❶ Akita ❷ Air conditioning system, Plumbing system
❸ 20,988m² ❹ November 2014

Tokyo Bunka Kaikan (Refurbishment)

❶ Tokyo ❷ Air conditioning system, Plumbing system
❸ 22,568m² ❹ December 2014

Shimadzu Corporation E1 Building

❶ Kyoto ❷ Air conditioning system, Plumbing system
❸ 21,000m² ❹ November 2014

hu+g Museum

❶ Osaka ❷ Air conditioning system
❸ 10,377m² ❹ December 2014

❶ Location ❷ Scope of work ❸ Floor area ❹ Completion date

Topics

Development Labo Opens, the Third SNK e-Labo Showroom

As one of the measures to strengthen technological development based on customer and business needs, which is a key objective of its mid-term business plan, the Ultimate Value Plan 2016, SNK has been equipping its laboratories with “showrooms” so as to introduce cutting-edge technologies for achieving ZEB* and meeting energy-saving needs.

SNK refurbished its Research & Development Center (Chino City, Nagano Prefecture), by introducing the latest energy-saving facilities and innovative energy technology using renewables; and in April 2015 opened a showroom, the Development Labo, where visitors can experience the Company’s latest technologies as well as other relevant technologies which SNK has developed.

Development Labo is the latest addition to the SNK e-Labo series, joining the Demonstration Labo (Engineering Center, Yokohama City, Kanagawa Prefecture) and the Analysis Labo (Head Office, Chuo-ku, Tokyo), both of which were opened in October 2014. The Company would like to promote the SNK e-Labo series as venues where customers can experience hands-on what SNK offers. There customers’ needs and SNK’s various engineering seeds will be integrated to promote one-stop solutions.

*ZEB: Zero Energy Building. Buildings the annual primary energy consumption of which is zero or virtually zero on a net basis.

SNK Wins the Third Renewal Award from SHASE and the Third Carbon Neutral Award from JABMEE

A project for the energy-saving refurbishment of the head office building of the Chugoku Electric Power Co., Inc., which was carried out by SNK, won the third annual Renewal Award of the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan (SHASE), and the third annual Carbon Neutral Award of the Japanese Association of Building Mechanical and Electrical Engineers (JABMEE). This is the second successive year that a SNK project has won the SHASE Renewal Award and the third successive year in which such a project has won the JABMEE Carbon Neutral Award.

The above-mentioned refurbishment project ran for 11 years without interruption in the operation of the building. During each year, SNK reviewed the progress and impact of the project and strove to implement the plan efficiently.

In carrying out the refurbishment, SNK assessed and analyzed which portions of the existing facilities should be maintained and which should be changed, based on their degree of deterioration, importance, energy-saving and resource-saving performance. Moreover, while utilizing the existing system to the maximum extent, the Company applied an ice thermal storage and low temperature air supply air-conditioning system. Furthermore, SNK introduced a BEMS* to determine energy consumption status after the refurbishment, in pursuit of energy saving and electricity load leveling.

As a result, electricity consumption for the entire building was reduced by about 36% compared with that before the refurbishment. Considered particularly noteworthy was the well planned and meticulous execution of this long-term project under strict restrictions specific to projects executed without interrupting the operation of the building.

Looking to the future, and in order to contribute to society through energy saving, power saving, and reduction in CO_2 emissions, SNK will continue to offer its proprietary technologies, including Energy Quest® heat source optimum control system.

The Chugoku Electric Power Co., Inc. Head Office Building (Hiroshima City, Hiroshima Prefecture)

*BEMS: Building Energy Management System. A system that accumulates and analyzes energy consumption and indoor environmental data of a building and makes use of such data to achieve efficient operation and control of the building and to save energy.

Consolidated Balance Sheet

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 7,507	¥ 6,093	$ 62,558
Short-term investments (Notes 3, 11 and 13)	207	302	1,725
Receivables (Note 13):			
Notes receivable – trade	2,070	1,812	17,250
Accounts receivable – trade	39,459	46,938	328,825
Allowance for doubtful accounts	(208)	(241)	(1,733)
Inventories (Note 4)	836	719	6,967
Deferred tax assets (Note 9)	1,090	1,243	9,083
Other current assets	1,388	918	11,567
Total current assets	52,349	57,784	436,242
PROPERTY AND EQUIPMENT:			
Land	628	618	5,233
Buildings and structures	6,499	6,224	54,158
Machinery, equipment, tools, furniture, and fixtures	1,013	1,009	8,442
Lease assets (Note 12)	81	73	675
Construction in progress	5	44	42
Total property and equipment	8,226	7,968	68,550
Accumulated depreciation	(4,920)	(4,931)	(41,000)
Net property and equipment	3,306	3,037	27,550
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	24,572	20,213	204,767
Rental deposits	992	1,040	8,267
Investments in insurance contracts	1,727	2,222	14,392
Deferred tax assets (Note 9)	58	61	483
Other assets	974	965	8,116
Allowance for doubtful accounts	(326)	(319)	(2,717)
Total investments and other assets	27,997	24,182	233,308
TOTAL	¥83,652	¥85,003	$697,100

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term borrowings (Notes 5 and 13)	¥ 3,810	¥ 4,710	$ 31,750
Current maturities of long-term debt (Notes 5 and 13)	78	92	650
Payables (Note 13):			
Notes payable – trade	1,620	1,899	13,500
Accounts payable – trade (Note 11)	30,900	35,281	257,500
Income taxes payable (Notes 9 and 13)	225	767	1,875
Advances received on construction work in progress (Note 6)	907	1,784	7,558
Accrued expenses	1,870	1,816	15,583
Allowance for loss on construction contracts	1,045	885	8,708
Other current liabilities	702	644	5,851
Total current liabilities	41,157	47,878	342,975
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 13)	79	126	658
Deferred tax liabilities (Note 9)	3,500	2,324	29,167
Liability for employees' retirement benefits (Note 7)	796	595	6,633
Other long-term liabilities (Note 12)	53	45	442
Total long-term liabilities	4,428	3,090	36,900
EQUITY (Notes 8 and 17):			
Common stock – authorized, 84,252,100 shares; issued, 25,282,225 shares in 2015 and 2014	5,159	5,159	42,992
Capital surplus	6,888	6,888	57,400
Retained earnings	17,231	16,585	143,594
Treasury stock – at cost, 41,844 shares and 39,648 shares in 2015 and 2014, respectively	(26)	(25)	(217)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	8,104	5,014	67,533
Foreign currency translation adjustments	609	360	5,075
Defined retirement benefit plans	102	54	850
Total	8,815	5,428	73,458
Total equity	38,067	34,035	317,225
TOTAL	¥83,652	¥85,003	$697,100

Consolidated Statement of Income

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
REVENUES FROM CONSTRUCTION	¥86,508	¥92,035	$720,900
COSTS OF CONSTRUCTION CONTRACTS (Note 7)	78,173	83,666	651,441
Gross profit	8,335	8,369	69,459
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 7 and 10)	6,192	6,136	51,600
Operating income	2,143	2,233	17,859
OTHER INCOME (EXPENSES):			
Interest and dividend income	326	266	2,716
Interest expense	(26)	(20)	(216)
Foreign exchange gain – net	23	39	191
Gain on sales of investment securities (Note 3)	5	254	41
Insurance profit	51		425
Loss on devaluation of investment securities (Note 3)		(216)	
Impairment loss		(3)	
Loss on Anti-Monopoly Act	(140)		(1,166)
Other – net	38	(14)	316
Other income – net	277	306	2,307
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,420	2,539	20,166
INCOME TAXES (Note 9):			
Current	690	980	5,750
Deferred	287	220	2,391
Total income taxes	977	1,200	8,141
NET INCOME BEFORE MINORITY INTERESTS	1,443	1,339	12,025
NET INCOME	¥ 1,443	¥ 1,339	$ 12,025

	Yen		U.S. Dollars
	2015	2014	2015
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income	¥57.15	¥53.05	$0.48
Cash dividends applicable to the year	25.00	20.00	0.21

	Thousands of Shares	
Weighted-average number of shares	25,241	25,243

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥1,443	¥1,339	$12,025
OTHER COMPREHENSIVE INCOME (Note 15):			
Net unrealized gain on available-for-sale securities	3,090	1,699	25,750
Foreign currency translation adjustments	249	336	2,071
Defined retirement benefit plans	48		400
Total other comprehensive income	3,387	2,035	28,221
COMPREHENSIVE INCOME	¥4,830	¥3,374	$40,246
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO—			
Owners of the parent	¥4,830	¥3,374	$40,246

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2015

	Thousands	Millions of Yen							
						Accumulated Other Comprehensive Income			
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2013	25,282	¥5,159	¥6,888	¥15,751	¥(24)	¥3,315	¥ 24		¥31,113
Net income				1,339					1,339
Cash dividends, ¥20 per share				(505)					(505)
Net unrealized gain on available-for-sale securities						1,699			1,699
Net increase in treasury stock (1,325 shares)					(1)				(1)
Foreign currency translation adjustments							336		336
Defined retirement benefit plans								¥ 54	54
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	25,282	5,159	6,888	16,585	(25)	5,014	360	54	34,035
Cumulative effect of accounting change				(227)					(227)
BALANCE, APRIL 1, 2014 (as restated)	25,282	5,159	6,888	16,357	(25)	5,014	360	54	33,807
Net income				1,443					1,443
Cash dividends, ¥22.5 per share				(568)					(568)
Net unrealized gain on available-for-sale securities						3,090			3,090
Net increase in treasury stock (2,196 shares)					(1)				(1)
Foreign currency translation adjustments							249		249
Defined retirement benefit plans								48	48
BALANCE, MARCH 31, 2015	25,282	¥5,159	¥6,888	¥17,231	¥(26)	¥8,104	¥609	¥102	¥38,067

	Thousands of U.S. Dollars (Note 1)							
					Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$42,992	$57,400	$138,204	$(208)	$41,783	$3,003	$450	$283,621
Cumulative effect of accounting change			(1,896)					(1,896)
BALANCE, APRIL 1, 2014 (as restated)	42,992	57,400	136,308	(208)	41,783	3,003	450	281,726
Net income			12,025					12,025
Cash dividends, $0.19 per share			(4,737)					(4,737)
Net unrealized gain on available-for-sale securities					25,750			25,750
Net increase in treasury stock (2,196 shares)				(9)				(9)
Foreign currency translation adjustments						2,071		2,071
Defined retirement benefit plans							400	400
BALANCE, MARCH 31, 2015	$42,992	$57,400	$143,594	$(217)	$67,533	$5,075	$850	$317,225

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 2,420	¥ 2,539	$ 20,166
Adjustments for:			
Income taxes – paid	(1,229)	(247)	(10,241)
Depreciation and amortization	341	319	2,841
Impairment loss		3	
Loss on devaluation of investment securities		216	
Gain on sales of investment securities	(5)	(254)	(41)
Changes in assets and liabilities:			
Decrease (increase) in receivables – trade	7,364	(721)	61,366
(Increase) decrease in inventories	(103)	36	(858)
Decrease in payables – trade	(4,773)	(100)	(39,775)
(Decrease) increase in advances received on construction work in progress	(877)	758	(7,308)
(Decrease) increase in allowance for doubtful accounts	(26)	91	(216)
Decrease in liability for employees' retirement benefits	(82)	(66)	(683)
Increase (decrease) in allowance for losses on construction contracts	160	(837)	1,333
Other – net	(414)	(46)	(3,449)
Net cash provided by operating activities	2,776	1,691	23,135
INVESTING ACTIVITIES:			
Increase in time deposits	(1)	(4)	(8)
Purchases of property and equipment	(422)	(187)	(3,516)
Purchases of intangible fixed assets	(128)	(102)	(1,066)
Purchases of short-term investments and investment securities	(307)	(693)	(2,558)
Proceeds from sales and redemptions of short-term investments and investment securities	287	760	2,391
Decrease in loan receivables – net	16	27	133
Decrease (increase) in other assets	551	(935)	4,591
Net cash used in investing activities	(4)	(1,134)	(33)
FORWARD	¥ 2,772	¥ 557	$ 23,102

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
FORWARD	¥ 2,772	¥ 557	$ 23,102
FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings – net	(900)	420	(7,500)
Repayment of long-term debt – net	(60)	(360)	(500)
Dividends paid	(568)	(505)	(4,733)
Repayment of lease obligations	(37)	(37)	(308)
Purchases of treasury stock	(1)	(1)	(9)
Net cash used in financing activities	(1,566)	(483)	(13,052)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	209	228	1,738
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,415	302	11,788
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,093	5,791	50,771
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,507	¥ 6,093	$ 62,558
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Finance lease assets and debt	¥ 33	¥ 64	$ 275

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2015

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Shin Nippon Air Technologies Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to US$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** – The consolidated financial statements as of March 31, 2015, include the accounts of the Company and all subsidiaries (together, the "Group"). The Company has five consolidated subsidiaries: SNK Service Co., Ltd. in Japan; Shin Nippon Air Technologies (Shanghai) Co., Ltd. in China; Shin Nippon Lanka (Private) Limited in Sri Lanka; Shin Nippon Airtech (Singapore) Pte. Ltd. in Singapore; and SNK INDUSTRIAL TRADING (SHANGHAI) CO., LTD. in China.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** – In May 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss on pensions that has been recorded in equity through other comprehensive income; (c) expense capitalized development costs of research and development; (d) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. ***Cash Equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, which mature or become due within three months of the date of acquisition.

d. ***Inventories*** – Construction work in progress is stated at cost, determined using the specific identification method.

e. ***Short-Term Investments and Investment Securities*** – Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined using the moving-average method.

Investments in limited partnerships are recorded under the equity method and based on the latest consolidated financial statements available on the reporting date as prescribed by the partnership contracts.

For other-than-temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

f. ***Property and Equipment*** – Property and equipment are carried at cost. Depreciation of property and equipment of the Company and its domestic subsidiary, except for buildings, is computed substantially using the declining-balance method. The straight-line method is principally applied to buildings of the Company and its domestic subsidiary, and property and equipment of the foreign subsidiaries.

The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery, equipment, tools, furniture, and fixtures. The useful lives for leased assets are the terms of the respective leases.

g. ***Long-Lived Assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Research and Development Costs – Research and development costs are charged to income as incurred.

i. Allowance for Doubtful Accounts – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

j. Retirement Benefits and Pension Plan – The Group has a defined contribution pension plan, cash balance pension plan, and unfunded retirement plans substantially covering all of its employees. The Group accounts for the liability for employees' retirement benefits based on the defined benefit obligations and plan assets at the consolidated balance sheet date.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for employees' retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 15).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for employees' retirement benefits as of April 1, 2014, increased by ¥352 million ($2,933 thousand) and retained earnings as of April 1, 2014, decreased by ¥227 million ($1,896 thousand) and the influence that operating income and income before income taxes and minority interests for the year ended March 31, 2015, is minimal.

In addition, basic net income per share for the year ended March 31, 2015, increased by ¥0.42 ($0.0035).

k. Allowance for Losses on Construction Contracts – The Group provides an allowance for losses on construction contracts which are probable and estimable at the consolidated balance sheet date.

l. Construction Contracts – Revenues and related costs are recognized using the percentage-of-completion method (the estimate of the progress rate of construction is a cost proportion method) if the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method is applied.

In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be recognized using the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the consolidated balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2015 and 2014, were ¥72,012 million ($600,100 thousand) and ¥76,789 million, respectively.

m. Bonuses to Directors and Audit & Supervisory Board Members – Bonuses to directors and Audit & Supervisory Board members are accrued at the year-end to which such bonuses are attributable.

n. Foreign Currency Transactions – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements – The consolidated balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the average exchange rate.

p. Income Taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

q. Per Share Information – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share for the years ended March 31, 2015 and 2014, is not disclosed because the Group did not have any convertible bonds, bonds with warrants, or stock options.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r. Accounting Changes and Error Corrections – In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies – When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation – When the presentation of consolidated financial statements is changed, prior-period consolidated financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors – When an error in prior-period consolidated financial statements is discovered, those statements are restated.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Current:			
Time deposits which mature beyond three months from acquisition	¥ 207	¥ 202	$ 1,725
Debt securities		100	
Total	¥ 207	¥ 302	$ 1,725
Noncurrent:			
Equity securities	¥20,830	¥16,924	$173,583
Debt securities	3,274	2,821	27,283
Investments in limited partnerships and other	468	468	3,900
Total	¥24,572	¥20,213	$204,767

The carrying amounts and aggregate fair values of marketable securities included in short-term investments and investment securities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Equity securities	¥ 8,226	¥11,857	¥67	¥20,016
Debt securities	3,217	61	4	3,274
Total	¥11,443	¥11,918	¥71	¥23,290
March 31, 2014				
Securities classified as available for sale:				
Equity securities	¥ 8,229	¥7,777	¥ 72	¥15,934
Debt securities	3,018	10	106	2,922
Total	¥11,247	¥7,787	¥178	¥18,856

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Equity securities	$68,550	$98,808	$558	$166,800
Debt securities	26,808	508	33	27,283
Total	$95,358	$99,316	$591	$194,083

The information for available-for-sale securities which were sold during the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale – Equity securities	¥10	¥5	
Total	¥10	¥5	
March 31, 2014			
Available-for-sale – Equity securities	¥460	¥254	
Total	¥460	¥254	

	Thousands of U.S. Dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale – Equity securities	$83	$41	
Total	$83	$41	

Loss on devaluation of available-for-sale securities for the year ended March 31, 2014, was ¥216 million.

4. INVENTORIES

Inventories as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Construction work in progress	¥756	¥696	$6,300
Materials and supplies	80	23	666
Total	¥836	¥719	$6,967

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings represent borrowings under bank overdraft agreements and notes due within one year, bearing interest ranging from 0.310% to 1.475% at March 31, 2015 and 2014.

Long-term debt as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Unsecured loans from banks, maturing serially through 2016, with an interest rate of 0.65% for 2015 and 2014	¥ 45	¥105	$ 375
Obligations under finance leases	112	113	933
Less current portion	(78)	(92)	(650)
Total long-term debt, less current portion	¥ 79	¥126	$ 658

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥45	$375
Total	¥45	$375

6. ADVANCES RECEIVED ON CONSTRUCTION WORK IN PROGRESS

The Group normally receives payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

7. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, or caused by death.

Years Ended March 31, 2015 and 2014

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥3,020	¥3,036	$25,166
Cumulative effect of accounting change	352		2,933
Balance at beginning of year (as restated)	3,372	3,036	28,099
Current service cost	233	203	1,942
Interest cost	24	60	200
Actuarial gains	(5)	(13)	(41)
Benefits paid	(225)	(266)	(1,875)
Balance at end of year	¥3,399	¥3,020	$28,325

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥2,596	¥2,453	$21,633
Expected return on plan assets	65	61	542
Actuarial losses	80	43	667
Contributions from the employer	182	242	1,516
Benefits paid	(141)	(203)	(1,175)
Balance at end of year	¥2,782	¥2,596	$23,183

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Defined benefit obligation	¥ 3,399	¥ 3,020	$ 28,325
Plan assets	(2,782)	(2,596)	(23,183)
Total	617	424	5,142
Unfunded defined benefit obligation	179	171	1,491
Net liability arising from defined benefit obligation	¥ 796	¥ 595	$ 6,633

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for employees' retirement benefits	¥796	¥595	$6,633
Net liability arising from defined benefit obligation	¥796	¥595	$6,633

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥232	¥224	$1,933
Interest cost	24	60	200
Expected return on plan assets	(65)	(61)	(542)
Amortization of prior service cost	3	3	25
Recognized actuarial (gains) losses	(20)	19	(166)
Net periodic benefit costs	¥174	¥245	$1,450

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ 3		$ 25
Actuarial losses	64		533
Total	¥67		$558

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (10)	¥(14)	$ (83)
Unrecognized actuarial gains	161	97	1,341
Total	¥151	¥ 83	$1,258

(7) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	10%	27%
Equity investments	22	13
Cash and cash equivalents	57	59
Others	11	1
Total	100%	100%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.7%	2.0%
Expected rate of return on plan assets	2.5	2.5
Future salary increase rate	5.8	5.8

(9) The changes in liability for retirement benefits, which have been calculated by a simplified method for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥170	¥156	$1,416
Net periodic benefit costs	24	21	200
Benefits paid	(15)	(7)	(125)
Balance at end of year	¥179	¥170	$1,491

(10) Defined contribution pension plan
The main contributions to the defined contribution plans of the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014, were ¥108 million ($900 thousand) and ¥111 million, respectively.

(11) The Company and some subsidiaries participate in a multiemployer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is accounted for using the same method as a defined contribution plan.
The contributions to such multiemployer plan, which are accounted for using the same method as a defined contribution plan, were ¥324 million ($2,700 thousand) and ¥369 million for the years ended March 31, 2015 and 2014, respectively.
(a) The funded status of the multiemployer plan as of March 31, 2014 and 2013, was as follows:

	Millions of Yen	
	March 31	
	2014	2013
Plan assets	¥ 37,500	¥ 34,135
Sum of actuarial liabilities of pension plan and minimum actuarial reserve*	(50,287)	(47,934)
Net balance	¥(12,787)	¥(13,799)

*This item was presented as “Amount of benefit obligation on pension plan” as of March 31, 2014.

March 31, 2014
The net balance in (a) above is the prior service liabilities of ¥13,216 million ($110,133 thousand) and one year surplus of ¥162 million ($1,350 thousand) and general reserve of ¥267 million ($2,225 thousand) as of March 31, 2014, which are being amortized over 17 years.

March 31, 2013
The net balance in (a) above consists of prior service liabilities of ¥13,978 million as of March 31, 2013, which are being amortized over 18 years.

(b) The contribution ratio of the Group in the multiemployer plan for the years ended March 31, 2014 and 2013, was as follows:

	2014	2013
The contribution ratio of the Group in the multiemployer plan	18.1%	17.8%

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. ***Dividends***
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. ***Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus***
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. ***Treasury Stock and Treasury Stock Acquisition Rights***
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its domestic subsidiary are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.4% and 37.8% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful accounts	¥ 169	¥ 183	$ 1,408
Employee accrued bonuses	497	517	4,141
Liability for employees' retirement benefits	308	240	2,567
Loss on devaluation of golf club memberships	89	97	742
Loss on devaluation of investment securities	113	297	942
Loss on devaluation of land	200	218	1,667
Allowance for loss on construction contracts	344	313	2,867
Other	281	431	2,341
Valuation allowance	(464)	(691)	(3,867)
Total	1,537	1,605	12,808
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(3,743)	(2,595)	(31,191)
Other	(144)	(30)	(1,200)
Total	(3,887)	(2,625)	(32,391)
Net deferred tax liabilities	¥(2,350)	¥(1,020)	$(19,583)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014 is as follows:

	2015	2014
Normal effective statutory tax rate	35.4%	37.8%
Expenses not deductible permanently for income tax purposes	5.4	4.1
Income not taxable permanently for income tax purposes	(1.6)	(1.4)
Inhabitant tax	2.7	2.6
Difference in statutory tax rates of overseas subsidiaries	(0.7)	(1.7)
Valuation allowance	(7.6)	3.2
Change of effective tax rate by tax reform	4.8	3.5
Other – net	2.0	(0.8)
Actual effective tax rate	40.4%	47.3%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.2% and for the fiscal year beginning on or after April 1, 2016, to 32.4%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, in the consolidated balance sheet as of March 31, 2015, by ¥232 million ($1,933 thousand), increase income taxes – deferred in the consolidated statement of income for the year then ended by ¥114 million ($950 thousand) and increase net unrealized gain on available-for-sale securities in the consolidated balance sheet as of March 31, 2015, by ¥346 million ($2,883 thousand) and defined retirement benefit plans in the consolidated balance sheet as of March 31, 2015, by ¥4 million ($33 thousand).

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥315 million ($2,625 thousand) and ¥348 million for the years ended March 31, 2015 and 2014, respectively.

11. ASSETS PLEDGED

At March 31, 2015, a time deposit of ¥27 million ($225 thousand) was pledged as collateral for accounts payable of ¥0 million ($0 thousand).

12. LEASES

The Group leases certain cars, software, and other assets.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2015		2015	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 33	¥466	$275	$3,883
Due after one year	80	267	666	2,225
Total	¥113	¥733	$941	$6,108

The minimum rental commitments under noncancelable operating leases as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Due within one year	**¥466**	¥462	**$3,883**
Due after one year	**267**	526	**2,225**
Total	**¥733**	¥988	**$6,108**

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group purchases or issues financial instruments in order to finance its operations and to manage its surplus cash efficiently according to the Group policy of safe and secure asset management. Mainly short-term bank loans are used to fund its operations considering the cash flow projections. Derivatives, if any, are used only for hedging currency, interest rate, and other risks and not for speculation.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates. Short-term investments in securities and investment securities are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Short-term borrowings are used mainly for funding the Company's operations and long-term debt was used for business investments in the past. Such borrowings are exposed to market risks from changes in variable interest rates.

(3) *Risk Management for Financial Instruments*

Credit risk (risk of default of contract) management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which

include performing credit checks when receiving orders and monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Foreign exchange risk is hedged principally by borrowings in foreign currency (impact loan) for more than 50% of the position of receivables in foreign currency, net of payables in foreign currencies.

Investment securities are managed by purchasing mainly high-grade bonds and securities from reliable financial institutions according to internal policies and monitoring the market values and financial position of issuers on a quarterly basis at management meetings.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the corporate treasury department. The Group has established credit lines with banks to respond flexibly to demands for funding.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and short-term investments	¥7,715	¥7,715	
Receivables	41,476	41,476	
Investment securities	23,290	23,290	
Total	¥72,481	¥72,481	
Payables	¥32,520	¥32,520	
Short-term borrowings	3,810	3,810	
Income taxes payable	225	225	
Long-term debt and current maturities of long-term debt, excluding finance lease	45	45	
Total	¥36,600	¥36,600	
March 31, 2014			
Cash and cash equivalents and short-term investments	¥ 6,395	¥ 6,395	
Receivables	47,689	47,689	
Investment securities	18,755	18,755	
Total	¥72,839	¥72,839	
Payables	¥37,180	¥37,180	
Short-term borrowings	4,710	4,710	
Income taxes payable	767	767	
Long-term debt and current maturities of long-term debt, excluding finance lease	105	105	
Total	¥42,762	¥42,762	

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and short-term investments	$ 64,292	$ 64,292	
Receivables	345,633	345,633	
Investment securities	194,083	194,083	
Total	$604,008	$604,008	
Payables	$271,000	$271,000	
Short-term borrowings	31,750	31,750	
Income taxes payable	1,875	1,875	
Long-term debt and current maturities of long-term debt, excluding finance lease	375	375	
Total	$305,000	$305,000	

Cash and Cash Equivalents and Receivables
The carrying values of cash and cash equivalents and receivables approximate fair value because of their short maturities.

Short-Term Investments and Investment Securities
The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from financial institutions for certain debt instruments. Information on the fair value of short-term investments and investment securities by classification is included in Note 3.

Payables, Short-Term Borrowings, and Income Taxes Payable
The carrying values of payables, short-term borrowings, and income taxes payable approximate fair value because of their short maturities.

Long-Term Debt and Current Maturities of Long-Term Debt, Excluding Finance Lease
The fair values of long-term debt and current maturities of long-term debt are determined by the variable rate reflecting the market interest rate in the short term.

Derivatives
As discussed in Note 14, the Group had no derivative contracts at March 31, 2015.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Investments in equity instruments that do not have a quoted market price in an active market	¥ 813	¥ 990	$ 6,775
Investments in limited partnerships	468	468	3,900
Total	¥1,281	¥1,458	$10,675

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2015	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 7,715			
Receivables	41,476			
Investment securities – Available-for-sale securities with contractual maturities		¥1,200	¥500	¥1,500
Total	¥49,191	¥1,200	¥500	¥1,500

March 31, 2015	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 64,292			
Receivables	345,633			
Investment securities – Available-for-sale securities with contractual maturities		$10,000	$4,166	$12,500
Total	$409,925	$10,000	$4,166	$12,500

Please see Note 5 for annual maturities of long-term debt and Note 12 for obligations under finance leases.

14. DERIVATIVES
The Group had no derivative contracts outstanding at March 31, 2015 and 2014.

15. OTHER COMPREHENSIVE INCOME
The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Net unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 4,243	¥2,859	$35,358
Reclassification adjustments to profit	(5)	(254)	(42)
Amount before income tax effect	4,238	2,605	35,316
Income tax effect	(1,148)	(906)	(9,566)
Total	¥ 3,090	¥1,699	$25,750
Foreign currency translation adjustments – Gain arising during the year	¥ 249	¥ 336	$ 2,071
Total	¥ 249	¥ 336	$ 2,071
Defined retirement benefit plans:			
Gain arising during the year	¥ 85		$ 708
Reclassification adjustments to profit	(17)		(141)
Amount before income tax effect	68		566
Income tax effect	(20)		(166)
Total	¥ 48		$ 400
Total other comprehensive income	¥ 3,387	¥2,035	$28,221

16. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Segment information about sales, profit (loss), assets, liabilities, and other items is not shown because the Group operates entirely in the equipment construction segment.

17. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's shareholders' meeting held on June 19, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.0 ($0.125) per share	¥378	$3,150

b. Repurchase of Treasury Stock

The Board of Directors resolved to purchase the Company's treasury stock on June 8, 2015, based on the Companies Act.

(1) *Reason for the repurchase of treasury stock*
Improvement of capital efficiency and implementation of flexible capital policies in response to changes in the business environment

(2) *Acquisition method*
The Company performed the purchase consignment through off-auction purchase transactions (ToSNet-3) at the Tokyo Stock Exchange on June 9, 2015 at 8:45 a.m. at the rate of ¥1,123 ($9) per share, which was the closing price on June 8, 2015 (including the final quotes). This purchase order is valid only at this transaction time.

(3) *Summary of repurchase*

(a) Class of shares:	Common stock issued by the Company
(b) Total number of shares:	Up to 830 thousand shares (3.28% of total shares outstanding, excluding treasury stock)
(c) Total purchase cost:	Up to ¥932 million ($7,767 thousand)

(4) *Results of purchase*
The Company completed a purchase of 733,300 shares of its treasury stock (purchase cost: ¥823 million ($6,858 thousand)) based on the resolution on June 9, 2015.

* * * * * *

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shin Nippon Air Technologies Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Shin Nippon Air Technologies Co., Ltd. and its subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, 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 such internal control as management determines is necessary to enable the preparation of 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. In making those risk assessments, the auditor considers internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Shin Nippon Air Technologies Co., Ltd. and its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 19, 2015

Member of
Deloitte Touche Tohmatsu Limited

Board of Directors

(As of June 19, 2015)

Chairman
Kaoru Takahashi*

President
Hiroshi Natsui*

Managing Director
Takeshi Usami
Satoshi Fuchino

Directors
Morio Kusuda
Keiichi Akamatsu
Yoshimitsu Omiya
Satoshi Shimomoto
Kiyoshi Endo

Outside Director
Masahisa Ichimiya
Shigeki Morinobu

Standing Audit & Supervisory Board Member
Isao Yamada
Toru Ikio

Audit & Supervisory Board Member
Takakazu Tsuruno
Tatsumi Jounoo

*Representative Directors

Corporate Data

(As of March 31, 2015)

Date of Establishment
October 1, 1969

Paid-in Capital
¥5,159 millions

Number of Shares Outstanding
25,282,225 shares

Number of Shareholders
5,165

Number of Employees
996

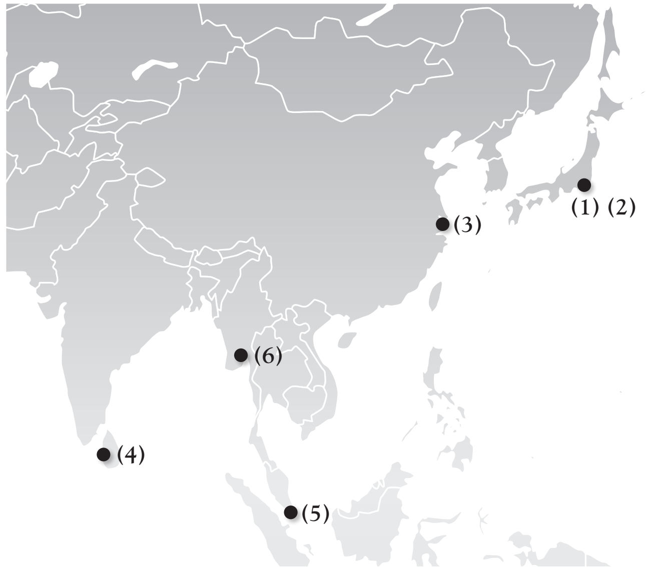
Stock Exchange Listing
Tokyo Stock Exchange, 1st Section

Transfer Agent of Common Stock
Sumitomo Mitsui Trust Bank, Limited

By Type of Shareholder	
Financial institutions	22.83%
Individuals & Others	26.03%
Foreign Shareholders	6.69%
Other domestic companies	44.45%

By Number of Shares Held	
500,000 shares or more	44.53%
100,000 – 499,999 shares	32.66%
10,000 – 99,999 shares	9.68%
1,000 – 9,999 shares	10.51%
Fewer than 1,000 shares	2.62%

Network



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