

HAZAMA ANDO CORPORATION

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ANNUAL REPORT 2015

Year ended March 31, 2015



**HAZAMA ANDO CORPORATION**

HAZAMA ANDO CORPORATION was launched on April 1, 2013, through the merger of HAZAMA CORPORATION and ANDO Corporation. Amid a difficult business environment for the construction industry, the new company is seeking to realize an expanded business scale, a streamlined and more effective management structure, and greater earning capacity.

ANDO Corporation was founded in 1873, and HAZAMA CORPORATION in 1889. As general contractors, each with well over a century of history and possessing industry-leading technological capabilities built on experience with numerous projects, these two companies have contributed to the development of Japan and the creation of today's enriched lifestyle. The business scope extends beyond Japan to 30 countries and territories around the world.

The merger brings together ANDO Corporation's strength in building construction, and HAZAMA CORPORATION's established reputation in civil engineering. In addition to expanding the business scale and enhancing management efficiency, the integrated company will draw on the complementarity effect of their respective achievements, and by generating synergies in terms of technology, marketing, and cost competitiveness, establish a more solid management foundation, and realize further business development and growth.

HAZAMA ANDO CORPORATION aspires to be a "good company" for all of its stakeholders. With solid technology and passion we will meet expectations, and contribute to the development of society through building and manufacture. Further, by looking beyond the present, continually seeking to create new value, and enhancing sustainable corporate development, we will seek to realize a prosperous future, and to build a new history as HAZAMA ANDO CORPORATION.

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# Financial Highlights

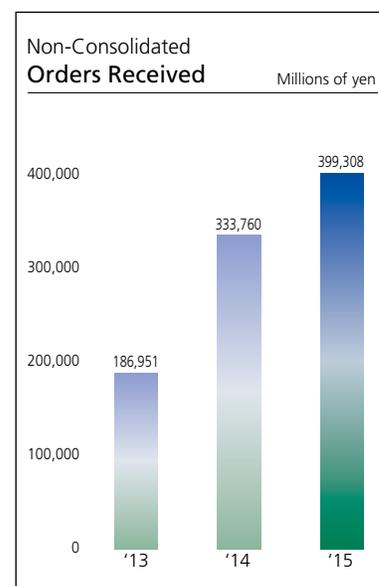
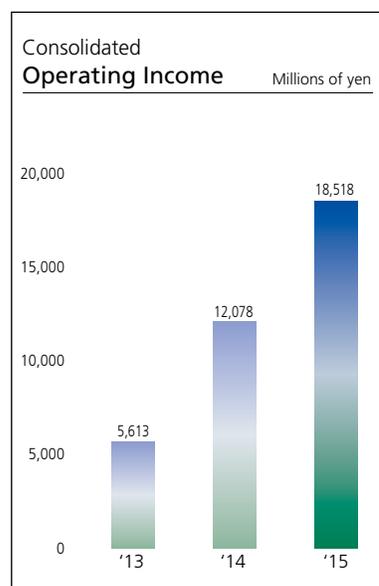
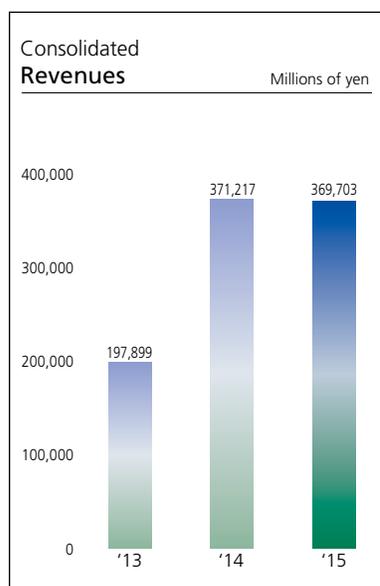
HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 2015, 2014 and 2013

Consolidated	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Revenues	<b>¥369,703</b>	¥371,217	¥197,899	<b>\$3,073,942</b>
Operating income	<b>18,518</b>	12,078	5,613	<b>153,971</b>
Net income	<b>7,240</b>	16,414	2,293	<b>60,198</b>
Total assets	<b>269,720</b>	260,646	141,880	<b>2,242,621</b>
Net assets	<b>64,621</b>	54,381	32,844	<b>537,300</b>

	Yen			U.S. dollars
Net income per share	<b>¥ 39.17</b>	¥ 96.47	¥ 20.69	<b>\$ 0.33</b>
Net assets per share	<b>345.56</b>	290.96	212.75	<b>2.87</b>

- Notes: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥120.27 to US\$1.00 for convenience.  
2. The main reason for significant changes in the management indicators of 2014 due to the merger with ANDO Corporation.  
3. On this page and subsequent pages, figures for the fiscal year ended March 2013 is for the former HAZAMA CORPORATION.



## Message from the Chairman & the President



*Toshio Ono,  
Representative Director and  
Chairman of the Board of Directors*

*Toshiaki Nomura,  
Representative Director and President*

HAZAMA ANDO CORPORATION exceeded its plan targets for order volume, completed construction contracts, and earnings in the fiscal year ended March 2015. This was the result of the gradual recovery in the economy stemming from the government's economic growth policies and reconstruction-related demand, along with our focus on measures emphasizing profitability. We would like to express our sincere appreciation to all stakeholders for their understanding and support.

For the fiscal year ending March 2016, the business environment for construction continues to exhibit areas for concern. Although we expect the economy to continue to recover on the positive effects of government policies and measures, we need to remain cautious regarding supply-demand trends for construction engineers and materials.

Under such circumstances, in order to take advantage of the shifts in the business environment

and further enhance our enterprise value, we concluded the medium-term management plan adopted at the time of the merger a year ahead of schedule, and launched a new business plan for the fiscal year ending March 2016 to the fiscal year ending March 2018.

In the new medium-term management plan, HAZAMA ANDO CORPORATION has adopted the strategic theme of "Transformation to an Engaging Corporate Group" to be a company able to achieve sustainable growth, and will maintain a stable management and financial foundation, adhere to our basic management policy of "Safe, Reliable, High-Quality Manufacturing", and aim to establish a relationship of mutual growth with all stakeholders, including society, customers, shareholders, business partners, and employees. We ask for your continuous understanding and support.

## 1 Summary of Business Activities

The Japanese economy during the fiscal year ended March 2015, despite the rebound decline from the demand rush preceding the April 2014 consumption tax hike, continued to recover at a moderate pace with signs of improvement in corporate earnings and employment conditions amid the government's steady implementation of measures for overcoming deflation and long-term economic growth. Looking ahead, while there are continued risks that an overseas downturn could depress the Japanese economy, we anticipate moderate recovery in the economy overall.

In the construction industry, the principal business of HAZAMA ANDO CORPORATION Group, demand remained firm on a steady rise in public sector construction investment with disaster recovery-related projects firmly under way, along with a recovery in private-sector capital investment. However, the supply-demand trends for construction engineers and materials continue to require close attention, with the business environment presenting areas for concern.

Under such conditions, HAZAMA ANDO CORPORATION Group recorded consolidated revenues of ¥369.7 billion (-0.4% year on year) for the fiscal year ended March 2015, with operating income of ¥18.5 billion (+53.3%), ordinary income of ¥18.1 billion (+60.9%), and net income of ¥7.2 billion (-55.9%).

Results by business segment are as follows.

- **Civil Engineering**  
Revenues amounted to ¥121.5 billion (+9.6% year on year), with operating income of ¥9.5 billion (+7.2%).
- **Building Construction**  
Revenues amounted to ¥225.9 billion (-4.3% year on year), with operating income of ¥10.3 billion (+125.6%).
- **Group Business**  
Revenues amounted to ¥18.4 billion (-11.6% year on year), with operating income of ¥1.3 billion (-1.3%).
- **Other**  
Revenues amounted to ¥3.7 billion (+10.7% year on year), with operating income of ¥0.7 billion (-7.5%).

## 2 Outlook for the Next Fiscal Year (ending March 2016)

The Japanese economy is expected to remain on a recovery track amid continued improvement in corporate earnings and employment conditions, stemming from the positive effects of government policies and measures. In the construction industry, we expect reconstruction-related business and other public sector construction investment to remain firm, along with a steady rise in private sector investment with the economic recovery.

Under such circumstances, HAZAMA ANDO CORPORATION implemented its medium-term management plan for the fiscal year ending March 2014 to the fiscal year ending March 2016, and achieved results that exceeded plan figures. We formulated a new business plan for the fiscal year ending March 2016 to the fiscal year ending March 2018 in response to changes in the market environment, and to further enhance our enterprise value.

### 2nd Medium-Term Management Plan

#### Summary of the Medium-Term Management Plan

##### 1. Period

The fiscal year ending March 2016 through the fiscal year ending March 2018

##### 2. Strategic Theme

"Transformation to an Engaging Corporate Group"

##### 3. Priority Measures

###### 1) Measures for sustainable growth

- a. Enhance construction capabilities
- b. Expand business scope
- c. Procurement measures
- d. Secure management resources

###### 2) Measures for work satisfaction and personal growth

- a. Improve the work environment
- b. Promote career formation with a sense of satisfaction

##### 3) Measures for coexistence with society

- a. Measures for safety and quality
- b. Measures to address issues in the construction industry
- c. Measures to respond to changes in the social environment

##### 4) Measures to stabilize and strengthen management and financial foundations

- a. Stabilize and strengthen management and financial foundation
- b. Returns to shareholders

##### 4. Target Figures

The fiscal year ending March 2018 (the fiscal year end of final plan year)

	Non-consolidated	Consolidated
Construction orders received	Around ¥400bn	—
Revenues	Around ¥380bn	Around ¥400bn
Operating income	Around ¥19bn	Around ¥20bn
Operating profit margin	Stably above 5%	
ROE	—	Over 10%
Payout ratio	—	Around 20%

## "HAZAMA ANDO-Style" BIM Workflow

Building Information Modeling (BIM) is a new method of construction management that utilizes design and construction information in 3D computer modelling to simulate the construction of an actual building.

Up to now, design and construction has generally utilized two-dimensional drawings with lines and text to express the shape and size of a building, materials, and other aspects. The ability to understand the three-dimensional composition and details of a building from two-dimensional drawings relied on an imaginative power developed through many years of experience.

However, utilizing BIM from the initial design stage provides a 3D model integrating not only design and construction but also facilities, allowing even non-specialists to visualize the totality of the design, just as if they were looking at the actual building with their own eyes.

Design and construction using BIM also allows a wide range of information regarding the building to be linked to the 3D model, including the interior and exterior design, the steel frame and other structural aspects, as well as electricity, air conditioning, sanitation, and other facilities. As a result, in addition to producing a visual 3D model, previously separate information such as the finishing and reinforcement bar arrangement can be integrated into the BIM model, allowing it to function as a sort of "building database." These advantages are broadening the utilization of BIM at various stages of the construction process.

## Tunnel Face Tester Face Front Exploration System Using Blasting Excavation System for quick face front exploration and selection of optimal timbering

HAZAMA ANDO CORPORATION has developed the Tunnel Face Tester (Patent No. 5587960, Fig.1), a device that utilizes the explosive blasts in ordinary mining operations as the seismic source of elastic waves to allow for safe and quick seismic prospecting and face front exploration inside the tunnel, without impacting the construction cycle.

In the construction of mountain tunnels, boring explorations and seismic prospecting are conducted as part of the advance geological survey, and the design for the tunnel timbering pattern is determined based on the results. However, such geological surveys are generally conducted from the surface, with a limited number of locations and tests. Further, the precision of seismic prospecting is known to decline in areas with large earth cover, or with complex geological structures. Accordingly, visual observation-based front face evaluations are ordinarily conducted during the tunnel excavation to confirm the suitability of the timbering pattern design.

However, face observations have up to now been qualitative evaluations, and results vary depending on the experience of the observer. Further, for projects with insufficient

HAZAMA ANDO CORPORATION is focusing on the development of a BIM Estimation System to maximize the effectiveness of the visualization and database functions of BIM. The distinctive feature of this system is the link between the cost estimation database and the BIM database. This enhances quantitative response and precision at the design stage, and allows for a cost-optimized design. We are making preparations to begin utilizing the BIM Estimation System from the fiscal year ending March 2016.

HAZAMA ANDO CORPORATION is working to enhance customer satisfaction by providing "HAZAMA ANDO-Style" BIM workflow based on this BIM Estimation System.

## Overview of the Estimation System

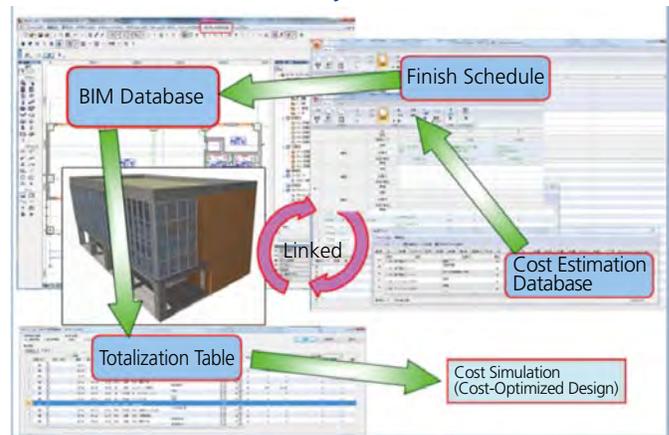


Fig.1 Overview of the Tunnel Face Tester

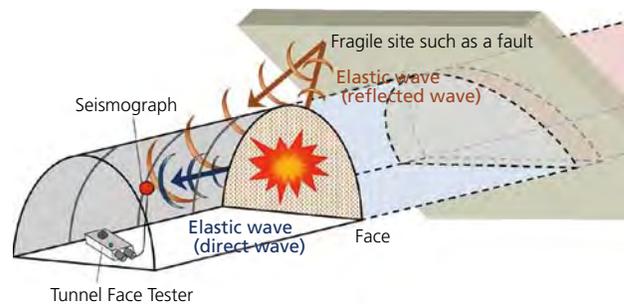


Fig.2 System Configuration



advance surveys and reduced precision noted previously, face front explorations conducted during the excavation become important. Survey boring has been the most reliable method for conducting face front explorations, but when the boring is particularly long the excavation was suspended for considerable time.

The Tunnel Face Tester (Fig.2) is an inexpensive and compact system in which the blast signal (trigger) received from the current sensor (1) attached to the leading wire, and the elastic wave data received from the seismograph (2), are passed through a collector (3) to a synchronizing recorder (4). Analysis of

the continuously received data allows engineers to grasp the velocity of the elastic wave of the working face, and estimate the fault locations in the front face, without stopping construction work.

HAZAMA ANDO CORPORATION is currently implementing this system as a standard construction management tool for the numerous mountain tunnel projects it handles. We plan to apply the system for Shinkansen tunnels currently under construction, expressway tunnels planned for the future, and particularly long tunnels with large earth cover.

### BBB+ Rating from Rating and Investment Information

HAZAMA ANDO CORPORATION received a new rating from Rating and Investment Information, Inc. (R&I) on April 24, 2015. The rating type and rating are as follows.

Rating Type	Issuer Rating
Rating	BBB+ (Triple B Plus)
Rating Outlook	Stable

The reasons for the rating received, based on objective evaluation from a third-party perspective, included strong

earnings capacity, and improved financial discipline and soundness, as well as creditworthiness and a strong financial base to support sustainable growth.

We believe that the BBB+ Stable reflects HAZAMA ANDO CORPORATION's firm revenue base in both the civil engineering and building construction sectors, along with our strict management of construction and investment, which limits the factors that could damage the financial base.

Going forward, HAZAMA ANDO CORPORATION will steadily implement its medium-term management plan ending in the fiscal year ending March 2018, maintain a profitability-oriented business structure centered on construction (both civil engineering and building construction, including overseas), and work to stabilize and strengthen its financial base.

### First Japanese Construction Company to Receive a Carbon Footprint Declaration Certification *Calculation method established for CO<sub>2</sub> emission from building materials (framework and finishing materials)*

HAZAMA ANDO CORPORATION became the first construction company in Japan to receive a Carbon Footprint Declaration Certification ("CFP Declaration Certification") for building materials (building framework and finishing materials), through the Carbon Footprint Communication Program ("CFP Program") administered by the Japan Environmental Management Association for Industry.

A "carbon footprint" (CFP) is a figure representing as CO<sub>2</sub> the volume of greenhouse gas emissions throughout the entire lifecycle of a product or service, from procurement of raw material through the disposal or recycling stage. The CFP Program is a system for "visualizing" this figure, and indicating products and services in an easy-to-understand way.

For the CFP calculation, based on the individual item contract method used in the construction industry, we designated a "HAZAMA ANDO building" as a typical reinforced concrete structure. Based on this design information we established a calculation method for CFP, and acquired the CFP Declaration Certification.

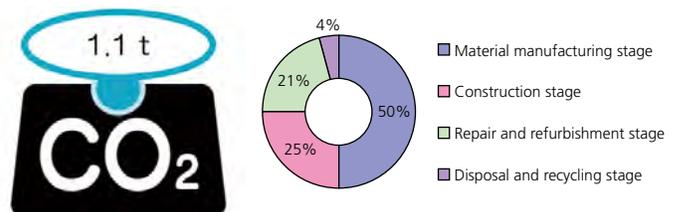
We set the scope of the CFP calculation as the building framework and finishing for new constructions or renovations. Limiting the scope of the calculation allowed us to more effectively identify points for CO<sub>2</sub> reductions, and to offer customers construction materials and methods from an eco-

friendly perspective.

Following the acquisition of this CFP Declaration Certification, HAZAMA ANDO CORPORATION will pursue research and development on eco-friendly materials and construction methods, apply the results to its design and construction work, and through comprehensive measures encompassing the entire lifecycle of a structure, contribute to the realization of a low-carbon society.

#### CFP Program

Per square meter of floor space,  
60 years of service life



"Visualization" of CO<sub>2</sub> Carbon footprint

Calculations are based on design information. Assessment does not include transport of equipment or construction materials.

# Review of Operations

## Major Orders Received

- Tokyo Contour Belt Highway Main Tunnel (North Bound) Oizumi Minami Construction Work/Central Nippon Expressway Company Limited (Japan)
- Sukagawa City Government Office Building Main Construction Work/City of Sukagawa, Fukushima Prefecture (Japan) ①
- Apporo Dam Main Construction Work/Hokkaido Government Iburi General Subprefectural Bureau (Japan) ②
- Topre (Thailand) Co.,LTD. (Asia Industrial Estate Suvarnabhumi) New Factory project/Topre (Thailand) Co.,LTD. (Thailand) ③
- JAMX New Factory Construction Project/JTEKT Automotive Mexico, S.A. de C.V. (Mexico)
- The Project for Construction of Paso Real Bridge/Ministry of Transport and Infrastructure, Republic of Nicaragua/ JICA Grant Aid (Nicaragua) ④



①



②



③



④

## Major Projects in Progress

- Tsugaru Dam Main Construction Work/Tohoku Regional Bureau, Ministry of Land, Infrastructure, Transport and Tourism (Japan)
- Kitakokubun Area Box Culvert Work Phase2/Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (Japan)
- Nagoya Castle Hommaru Palace Restoration Work/City of Nagoya, Aichi Prefecture (Japan)
- Kinjyono Tunnel Work (Year 2012–2015)/Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (Japan)
- Tozai Line and Hibiya Line Kayabacho Station Civil Improvement Work/Tokyo Metro Co., Ltd. (Japan)
- Oarai Research & Development Center Solid Waste Volume Reduction Processing Facility Building Construction Work/ Japan Atomic Energy Agency (Japan)

## Major Projects Completed

- Central Circular Shinagawa Route Ohashi Junction Tunnel/ Metropolitan Expressway Co., Ltd. (Japan) ⑤
- 4EM-TM project/Honda de Mexico S.A. de C.V./Honda de Mexico S.A de C (Mexico) ⑦
- Mini-Hydropower Development Project/Ministry of Energy and Mines, the Lao People's Democratic Republic/JICA Grant Aid (Laos) ⑨
- LaLaport Fujimi New Construction Work/Mitsui Fudosan Co., Ltd. (Japan) ⑥
- The Project for Construction of Sindhuli Road Section III/ Department of Roads, Ministry of Physical Infrastructure and Transport/JICA Grant Aid (Nepal) ⑧
- ROKI MEXICO S.A. de C.V. New Factory Construction Project/ ROKI MEXICO S.A.de C.V. (Mexico) ⑩



⑤



⑥



⑦



⑧



⑨



⑩

# Corporate Governance

## ● Basic Policy

HAZAMA ANDO CORPORATION recognizes the need for transparency and fairness in management oversight and flexibility in decision-making. We consider it a management priority to maintain and implement a management system, rooted in the current organizational structure centered on the Board of Directors and the auditing system, which is able to respond quickly to changes in the business environment.

## ● Matters Regarding Corporate Functions including Business Execution, Auditing/Supervision, Nominating and Determination of Compensation

To strengthen its corporate governance, HAZAMA ANDO CORPORATION maintains a clear distinction between the decision-making and operational oversight functions of the directors and Board of Directors, and the business execution function of the Management Meeting, executive officers and the Meeting of Executive Officers. The specific functions are as follows.

### 1. Revisions related to the directors

The term for directors is fixed at one year to further clarify the management responsibility of directors, and to establish an optimal management structure to respond to changes in the business environment. Further, directors are classified into those with business execution responsibility and those without. HAZAMA ANDO CORPORATION does not have the position of "executive director," and only makes a distinction between "representative director" and "director." Non-business execution directors conclude contracts with the Company that limit liability for damages to an amount prescribed by law.

### 2. Board of Directors

The Board of Directors had 12 members as of June 30, 2015 (including two external directors, one of whom is a woman), comprising into directors with business execution directors and non-business execution directors. External directors, who are non-business execution directors, serve in roles based on their experience and insights, including supervision and providing advice on management. The Board of Directors meets monthly to render decisions on important matters regarding management, and to supervise the status of business execution.

### 3. Management Meeting

The Management Meeting meets monthly to discuss policies for management strategies and other matters, to confirm the progress of business plans, and to diversify and strengthen policy-proposing capabilities.

### 4. Executive officer system

The number of executive officers as of June 30, 2015, totaled 38 (including 10 executive officers who concurrently serve as directors). HAZAMA ANDO CORPORATION has established the six officer categories of "chairman," "president," "vice president," "senior managing executive officer," "managing executive officer" and "executive officer." We have clarified the responsibilities for the operations executive officers manage, and limited the term to one year to enhance the mobility and flexibility of the executive officer system. In addition, we clarified through a resolution of the Board of Directors the rights and responsibilities regarding operations managed, and implemented a compensation system that reflects the performance of operations managed.

### 5. Meeting of Executive Officers

The Meeting of Executive Officers meets monthly in accordance with the executive officer system, to enhance the efficiency of consensual decision-making and strengthen operational execution, as well as to ensure that management information is conveyed promptly and accurately along the management line, and to provide for the sharing of information among departments.

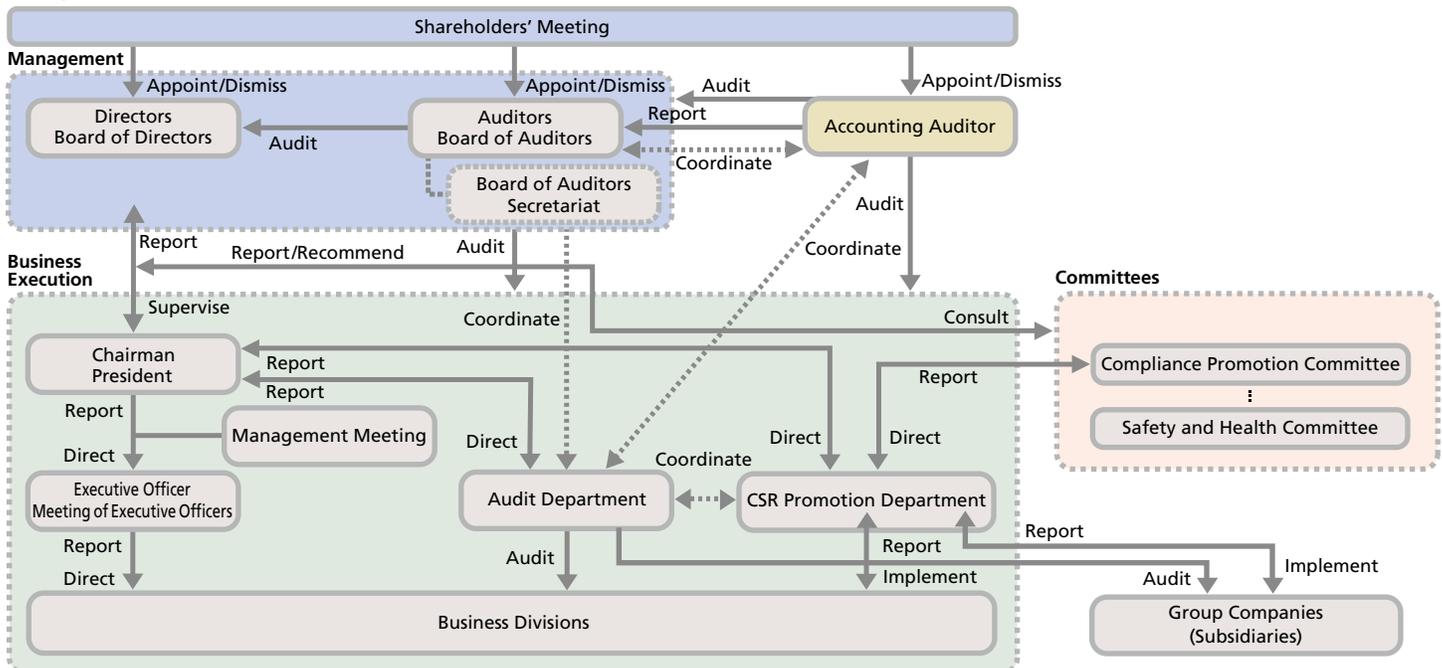
### 6. Board of Auditors System

The Board of Auditors comprised 4 members as of June 30, 2015 (including 2 non-regular external directors). Auditors (including external auditors), in accordance with auditing standards established by the Board of Auditors, and in line with the auditing policies for each fiscal period, division of duties and other rules, maintains communication with directors, the Internal Auditing Department and other employees. Auditors attend meetings of the Board of Directors and other important meetings, receive reports and explanations from directors and employees regarding the status of the execution of their duties, review important documents and other papers, and conduct audits at the head office and other major business locations. External auditors conclude contracts with the Company that limit liability for damages to an amount prescribed by law.

### 7. Various Committees

HAZAMA ANDO CORPORATION has established various committees that contribute to the streamlining of management operations. These include the Compliance Promotion Committee, which deliberates and provides advice regarding compliance matters, and the Central Safety and Health Committee, which deliberates and provides advice regarding health and safety matters.

## ● Corporate Governance and Internal Control Structure



# Consolidated Financial Review

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 2015, 2014, 2013, 2012 and 2011

## Summary

	Millions of yen					Thousands of U.S. dollars
	2015	2014	2013	2012	2011	2015
<b>Operating results:</b>						
Revenues						
Construction	¥355,069	¥357,474	¥182,740	¥169,256	¥184,630	\$2,952,266
Other activities	14,634	13,743	15,159	12,794	12,072	121,676
Total	369,703	371,217	197,899	182,050	196,702	3,073,942
Cost of sales	333,691	342,810	182,271	166,630	182,692	2,774,515
Gross profit	36,012	28,407	15,628	15,420	14,010	299,427
Selling, general and administrative expenses	17,494	16,329	10,015	9,505	10,031	145,456
Operating income	18,518	12,078	5,613	5,915	3,979	153,971
Net income (loss)	7,240	16,414	2,293	1,767	1,560	60,198
<b>Financial position:</b>						
Total assets	¥269,720	¥260,646	¥141,880	¥133,177	¥141,150	\$2,242,621
Total liabilities	205,099	206,265	109,036	102,620	112,085	1,705,321
Net assets	64,621	54,381	32,844	30,557	29,065	537,300
<b>Cash flows:</b>						
Cash flows from operating Activities	¥15,716	¥7,464	¥7,934	¥(3,158)	¥2,880	\$130,673
Cash flows from investing Activities	(134)	3,593	(723)	562	1,260	(1,114)
Cash flows from financing Activities	(7,490)	(54)	(4,347)	(3,076)	1,636	(62,277)
			Yen			U.S. dollars
<b>Per share amounts:</b>						
Net income (loss)						
Basic	¥ 39.17	¥ 96.47	¥ 20.69	¥ 15.38	¥ 13.16	\$0.33
Diluted	39.12	88.59	14.74	11.51	10.50	0.33
Dividends						
Common stock	8.00	5.00	3.00	1.50	—	0.07
Class I preferred stock	—	—	78.40	78.80	83.28	—
Class II preferred stock	—	—	88.40	88.80	93.28	—
Class III preferred stock	—	—	98.40	98.80	103.28	—
Class IV preferred stock	—	—	—	93.80	98.28	—
Net assets	345.56	290.96	212.75	194.75	179.62	2.87

Note: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥120.27 to US\$1.00 for convenience.

2. The dividend per share for 2014 includes a ¥2 commemorative dividend.

3. The main reason for significant changes in the management indicators of 2014 due to the merger with ANDO Corporation.

## Financial Review

### Revenues

Revenues in fiscal 2015 totaled ¥369,703 million (US\$3,073,942 thousand), of which ¥355,069 million (US\$2,952,266 thousand) came from construction projects and ¥14,634 million (US\$121,676 thousand) from other activities. These two business segments accounted for 96.0% and 4.0%, respectively, of total revenues.

### Costs and Expenses

Cost of sales amounted to ¥333,691 million (US\$2,774,515 thousand), which is equivalent to 90.3% of revenues. Selling, general and administrative expenses amounted to ¥17,494 million (US\$145,456 thousand), which is equivalent to 4.7% of revenues. Operating income reached ¥18,518 million (US\$153,971 thousand), and the operating margin was 5.0%. Net income amounted to ¥7,240 million (US\$60,198 thousand). Basic net income per share was ¥39.17 (US\$0.33). We paid dividend of ¥5 per share for the fiscal year ended March 31, 2014 on June 30, 2014, and paid interim dividend of ¥3 per share for the fiscal year ended March 31, 2015 on December 8, 2014.

### Financial Position and Analysis

Total assets amounted to ¥269,720 million (US\$2,242,621 thousand), total liabilities amounted to ¥205,099 million (US\$1,705,321 thousand), and total net assets amounted to ¥64,621 million (US\$537,300 thousand) at the end of fiscal 2015.

Net worth to total assets ratio was 23.7%. Net assets per share amounted to ¥345.56 (US\$2.87).

### Cash Flows

Cash and cash equivalents at the end of the year increased by ¥9,533 million (US\$79,263 thousand) to ¥79,558 million (US\$661,495 thousand).

Net cash provided by operating activities amounted to ¥15,716 million (US\$130,673 thousand) mainly as the result of income before income taxes amounting to ¥15,519 million (US\$129,035 thousand), increase in advances received on uncompleted construction contracts amounting to ¥4,907 million (US\$40,800 thousand) and income taxes paid amounting to ¥4,532 million (US\$37,681 thousand).

Net cash provided by investing activities amounted to ¥(134) million (US\$(1,114) thousand) mainly as a result of purchase of investment securities.

Net cash used in financing activities amounted to ¥(7,490) million (US\$(62,277) thousand) mainly as a result of repayment of long-term loans payable greater than the borrowing.

### Construction Business (Non-Consolidated Construction Projects)

As HAZAMA ANDO CORPORATION's construction business accounts for a large percentage of consolidated group business, the financial performance of the business is presented below for reference.

Revenues	Millions of yen					Thousands of U.S. dollars
	2015	2014	2013	2012	2011	2015
Civil engineering						
Domestic						
Government sector	¥ 77,095	¥ 80,092	¥59,343	¥54,942	¥60,962	\$ 641,016
Private sector	36,757	23,323	25,442	19,038	15,976	305,621
Overseas	7,721	6,695	6,275	7,223	8,188	64,197
Subtotal	121,573	110,110	91,060	81,203	85,126	1,010,834
Building construction						
Domestic						
Government sector	25,713	21,590	3,613	4,487	8,638	213,794
Private sector	169,524	183,281	62,828	68,595	76,724	1,409,529
Overseas	30,746	31,149	21,881	11,688	9,452	255,641
Subtotal	225,983	236,020	88,322	84,770	94,814	1,878,964
Total construction projects	¥347,556	¥346,130	¥179,382	¥165,973	¥179,940	\$2,889,798

Revenue from the civil engineering category accounted for ¥121,573 million (US\$1,010,834 thousand), or 35.0% of total revenue from construction projects, with domestic projects contributing ¥113,852 million (US\$946,637 thousand), or 93.7%.

The government sector contributed ¥77,095 million (US\$641,016 thousand), or 67.7%, of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥36,757 million (US\$305,621 thousand), or 32.3% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥7,721 million (US\$64,197 thousand), equivalent to 6.3% of total revenue in the civil engineering category.

Revenue from the building construction category totaled ¥225,983 million (US\$1,878,964 thousand), or 65.0% of total construction revenue. Domestic projects accounted for ¥195,237 million (US\$1,623,323 thousand), or 86.4%.

The government sector contributed ¥25,713 million (US\$213,794 thousand), or 13.2%, of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥169,524 million (US\$1,409,529 thousand), or 86.8%, of total domestic building construction revenue. Overseas building construction revenue reached ¥30,746 million (US\$255,641 thousand), equivalent to 13.6% of total revenue in the building construction category.

Total overseas construction revenue reached ¥38,467 million (US\$319,838 thousand) and accounted for 11.1% of total construction revenue. Civil engineering projects accounted for 20.1% of this total, and building construction for 79.9%.

<b>Orders Received</b>	Millions of yen					Thousands of U.S. dollars
	<b>2015</b>	2014	2013	2012	2011	<b>2015</b>
Civil engineering	<b>¥167,060</b>	¥107,666	¥ 92,395	¥ 87,212	¥ 61,521	<b>\$1,389,041</b>
Building construction	<b>232,248</b>	226,094	94,556	89,513	80,133	<b>1,931,055</b>
Total construction projects	<b>¥399,308</b>	¥333,760	¥186,951	¥176,725	¥141,654	<b>\$3,320,096</b>

Orders received for construction projects during fiscal 2015 amounted to ¥399,308 million (US\$3,320,096 thousand). Overseas work contributed 9.1% of orders in the construction category. Civil engineering orders amounted to ¥167,060 million (US\$1,389,041 thousand), or 41.8% of total construction orders. Building construction orders amounted to ¥232,248 million (US\$1,931,055 thousand), which is equivalent to 58.2% of total construction orders.

<b>Year-end Backlog</b>	Millions of yen					Thousands of U.S. dollars
	<b>2015</b>	2014	2013	2012	2011	<b>2015</b>
Civil engineering	<b>¥166,623</b>	¥121,099	¥114,655	¥113,278	¥107,382	<b>\$1,385,408</b>
Building construction	<b>184,297</b>	177,794	69,652	63,454	58,887	<b>1,532,361</b>
Total construction projects	<b>¥350,920</b>	¥298,893	¥184,307	¥176,732	¥166,269	<b>\$2,917,769</b>

Order backlog for construction projects at the end of fiscal 2015 amounted to ¥350,920 million (US\$2,917,769 thousand), with civil engineering work accounting for ¥166,623 million (US\$1,385,408 thousand), or 47.5%, and building construction for ¥184,297 million (US\$1,532,361 thousand), or 52.5%.

# Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 4 and 24)	¥ 79,661	¥ 70,774	\$ 662,351
Marketable securities (Notes 7 and 24)	0	0	2
Receivables (Note 24):			
Notes	7,920	6,999	65,852
Accounts	101,068	104,298	840,342
Inventories (Notes 5 and 8)	10,918	9,919	90,778
Advances paid	5,874	5,713	48,840
Deferred tax asset (Note 18)	1,695	4,095	14,093
Other (Note 7)	8,739	4,226	72,662
Less allowance for doubtful accounts	(11)	(55)	(91)
<b>Total current assets</b>	<b>215,864</b>	<b>205,969</b>	<b>1,794,829</b>
<b>Property and equipment (Notes 7 and 13):</b>			
Land	18,898	19,576	157,130
Buildings and structures	17,487	18,156	145,398
Machinery and equipment	8,464	8,306	70,375
Other	274	594	2,278
	45,123	46,632	375,181
Less accumulated depreciation	(17,995)	(17,921)	(149,622)
<b>Net property and equipment</b>	<b>27,128</b>	<b>28,711</b>	<b>225,559</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 3, 7 and 24)	20,247	15,361	168,346
Investments in unconsolidated subsidiaries and affiliates	217	197	1,804
Long-term loans receivable (Note 7)	638	744	5,305
Deferred tax asset (Note 18)	1,503	3,836	12,497
Other (Note 7)	6,134	6,084	51,002
Less allowance for doubtful accounts	(2,011)	(256)	(16,721)
<b>Total investments and other assets</b>	<b>26,728</b>	<b>25,966</b>	<b>222,233</b>
<b>Total assets</b>	<b>¥269,720</b>	<b>¥260,646</b>	<b>\$2,242,621</b>

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Short-term loans payable (Notes 6 and 24)	¥ 12,654	¥ 17,480	\$ 105,213
Current maturities of long-term loans payable (Notes 6 and 24)	7,097	8,822	59,009
Current portion of bonds (Notes 6 and 24)	351	326	2,918
Payables (Note 24):			
Notes	28,162	29,764	234,156
Accounts	70,326	72,264	584,734
Income taxes payable	3,856	2,651	32,061
Advances received (Note 16)	31,426	26,527	261,296
Accrued expenses	408	327	3,393
Provision for losses on construction contracts (Note 8)	4,408	3,053	36,651
Other	19,990	17,229	166,210
<b>Total current liabilities</b>	<b>178,678</b>	<b>178,443</b>	<b>1,485,641</b>
<b>Long-term liabilities:</b>			
Bonds (Notes 6 and 24)	833	846	6,926
Long-term loans payable, less current maturities (Notes 6 and 24)	12,753	11,945	106,036
Net defined benefit liability (Note 17)	11,950	13,944	99,360
Provision for environmental spending	295	322	2,453
Deferred tax liability (Note 18)	72	74	599
Other	518	691	4,306
<b>Total long-term liabilities</b>	<b>26,421</b>	<b>27,822</b>	<b>219,680</b>
<b>Net assets (Notes 20 and 21):</b>			
<b>Shareholders' equity:</b>			
Common stock	Authorized - 400,000,000 shares Issued - 185,209,189 shares		
		12,000	99,776
Capital surplus		15,010	124,728
Retained earnings		27,604	277,426
Less treasury stock, at cost		(95)	(565)
<b>Total shareholders' equity</b>		<b>54,519</b>	<b>501,365</b>
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities	4,016	954	33,392
Deferred gains or losses on hedges	(7)	2	(58)
Foreign currency translation adjustment	270	130	2,245
Accumulated remeasurements of defined benefit plans	(691)	(1,855)	(5,746)
<b>Total accumulated other comprehensive income</b>	<b>3,588</b>	<b>(769)</b>	<b>29,833</b>
<b>Share subscription rights</b>	<b>15</b>	<b>22</b>	<b>124</b>
<b>Minority interests</b>	<b>719</b>	<b>609</b>	<b>5,978</b>
<b>Total net assets</b>	<b>64,621</b>	<b>54,381</b>	<b>537,300</b>
<b>Total liabilities and net assets</b>	<b>¥269,720</b>	<b>¥260,646</b>	<b>\$2,242,621</b>

# Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Revenues</b> (Notes 10 and 22):			
Construction	¥355,069	¥357,474	\$2,952,266
Other activities	14,634	13,743	121,676
	<b>369,703</b>	<b>371,217</b>	<b>3,073,942</b>
<b>Cost of sales</b> (Notes 11 and 22):			
Construction	321,466	331,365	2,672,869
Other activities	12,225	11,445	101,646
	<b>333,691</b>	<b>342,810</b>	<b>2,774,515</b>
Gross profit	36,012	28,407	299,427
<b>Selling, general and administrative expenses</b> (Notes 12 and 22):	17,494	16,329	145,456
Operating income	<b>18,518</b>	<b>12,078</b>	<b>153,971</b>
<b>Other income (expenses):</b>			
Interest and dividends income	286	322	2,378
Foreign exchange gain	658	429	5,471
Interest expense	(884)	(980)	(7,350)
Commission fee	(159)	(198)	(1,322)
Gains on bargain purchase	—	10,090	—
Dividends distribution from overseas business interest	(216)	(292)	(1,796)
Gain on sales of noncurrent assets (Note 14)	18	13	150
Loss on sales of noncurrent assets (Note 15)	(489)	(262)	(4,066)
Loss on retirement of noncurrent assets	(319)	(5)	(2,652)
Provision for allowance for doubtful accounts	(1,750)	—	(14,551)
Impairment loss (Note 13)	—	(72)	—
Merger expenses	—	(150)	—
Other, net	(144)	(222)	(1,198)
	<b>(2,999)</b>	<b>8,673</b>	<b>(24,936)</b>
<b>Income before income taxes</b>	<b>15,519</b>	<b>20,751</b>	<b>129,035</b>
<b>Income taxes</b> (Note 18):			
Current	5,472	3,440	45,498
Deferred	2,784	852	23,148
	<b>8,256</b>	<b>4,292</b>	<b>68,646</b>
<b>Income before minority interest</b>	<b>7,263</b>	<b>16,459</b>	<b>60,389</b>
<b>Minority interests in income of consolidated subsidiaries</b>	<b>23</b>	<b>45</b>	<b>191</b>
<b>Net income</b>	<b>¥7,240</b>	<b>¥16,414</b>	<b>\$60,198</b>

	Yen		U.S. dollars (Note 1)
	2015	2014	2015
<b>Per share amounts</b> (Note 23):			
Net income			
Basic	¥39.17	¥96.47	\$0.33
Diluted	39.12	88.59	0.33
Cash dividends applicable to the year			
Common stock	8.00	5.00	0.07

See accompanying notes.

# Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Income before minority interest</b>	<b>¥ 7,263</b>	¥16,459	<b>\$60,389</b>
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	<b>3,062</b>	710	<b>25,460</b>
Deferred gains or losses on hedges	<b>(8)</b>	2	<b>(67)</b>
Foreign currency translation adjustment	<b>227</b>	208	<b>1,887</b>
Remeasurements of defined benefit plans	<b>1,164</b>	—	<b>9,678</b>
Total other comprehensive income (Note 19)	<b>4,445</b>	920	<b>36,958</b>
<b>Comprehensive income</b>	<b>11,708</b>	17,379	<b>97,347</b>
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	<b>11,598</b>	17,257	<b>96,433</b>
Comprehensive income attribute to minority interests	<b>110</b>	122	<b>914</b>

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen			
	Shareholders' equity			
	Common stock and preferred stock	Capital surplus	Retained earnings	Treasury Stock
Balance at April 1, 2013	¥12,000	¥ 9,007	¥11,665	¥ (98)
Net income			16,414	
Cash dividends paid			(475)	
Disposal of treasury stock		(3,114)		3,125
Acquisition of treasury stock				(2)
Redemption of fractional preferred stock		(0)		
Increase by merger		9,117		(3,120)
Net changes in items other than shareholders' equity				
Balance at April 1, 2014	<b>¥12,000</b>	<b>¥15,010</b>	<b>¥27,604</b>	<b>¥(95)</b>
Net income			7,240	
Cash dividends paid			(1,478)	
Disposal of treasury stock		(9)		31
Acquisition of treasury stock				(4)
Net changes in items other than shareholders' equity				
Balance at March 31, 2015	<b>¥12,000</b>	<b>¥15,001</b>	<b>¥33,366</b>	<b>¥(68)</b>

	Millions of yen						
	Accumulated other comprehensive income				Share subscription rights	Minority interests	Total
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans			
Balance at April 1, 2013	¥244	—	—	—	¥26	—	¥32,844
Net income							16,414
Cash dividends paid							(475)
Disposal of treasury stock							11
Acquisition of treasury stock							(2)
Redemption of fractional preferred stock							(0)
Increase by merger							5,997
Net changes in items other than shareholders' equity	710	2	130	(1,855)	(4)	609	(408)
Balance at April 1, 2014	<b>¥ 954</b>	<b>¥2</b>	<b>¥130</b>	<b>¥(1,855)</b>	<b>¥22</b>	<b>¥609</b>	<b>¥54,381</b>
Net income							7,240
Cash dividends paid							(1,478)
Disposal of treasury stock							22
Acquisition of treasury stock							(4)
Net changes in items other than shareholders' equity	<b>3,062</b>	<b>(9)</b>	<b>140</b>	<b>1,164</b>	<b>(7)</b>	<b>110</b>	<b>4,460</b>
Balance at March 31, 2015	<b>¥4,016</b>	<b>¥(7)</b>	<b>¥270</b>	<b>¥(691)</b>	<b>¥15</b>	<b>¥719</b>	<b>¥64,621</b>

Thousands of U.S. dollars (Note 1)				
Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2014	\$99,776	\$124,802	\$229,517	\$(790)
Net income			60,198	
Cash dividends paid			(12,289)	
Disposal of treasury stock		(74)		258
Acquisition of treasury stock				(33)
Net changes in items other than shareholders' equity				
Balance at March 31, 2015	\$99,776	\$124,728	\$277,426	\$(565)

Thousands of U.S. dollars (Note 1)							
Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Share subscription rights	Minority interests	Total
Balance at April 1, 2014	\$7,932	\$17	\$1,081	\$(15,424)	\$183	\$5,064	\$452,158
Net income							60,198
Cash dividends paid							(12,289)
Disposal of treasury stock							184
Acquisition of treasury stock							(33)
Net changes in items other than shareholders' equity	25,460	(75)	1,164	9,678	(59)	914	37,082
Balance at March 31, 2015	\$33,392	\$(58)	\$2,245	\$ (5,746)	\$124	\$5,978	\$537,300

See accompanying notes.

# Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥15,519	¥20,751	\$129,035
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,081	1,212	8,988
Impairment loss	—	72	—
Gain on bargain purchase	—	(10,090)	—
Increase (decrease) in allowance for doubtful accounts	1,711	(1,120)	14,226
Increase (decrease) in retirement and severance benefits	—	(14,477)	—
Increase (decrease) in net benefit defined liability	(2,000)	13,944	(16,629)
Decrease (increase) in prepaid pension cost	—	3,165	—
Interest and dividends income	(286)	(322)	(2,378)
Interest expense	883	980	7,342
Foreign exchange loss (gain)	(1,254)	(219)	(10,427)
Loss (gain) on valuation of investment securities	1	70	8
Loss (gain) on sale of property, plant and equipment	471	249	3,916
Changes in assets and liabilities:			
Increase (decrease) in provision for merger expenses	—	(1,111)	—
Decrease (increase) in notes and accounts receivable	2,386	2,476	19,839
Decrease (increase) in costs on uncompleted construction contracts	(1,337)	3,195	(11,117)
Decrease (increase) in other inventories	338	2,274	2,811
Decrease (increase) in advances paid	(161)	(2,186)	(1,339)
Increase (decrease) in notes and accounts payable	(3,575)	(11,053)	(29,725)
Increase (decrease) in advances received	4,907	1,729	40,800
Increase (decrease) in deposit received	2,245	(213)	18,666
Increase (decrease) in consumption tax payable	(2,845)	2,642	(23,655)
Other, net	2,690	(1,527)	22,367
Subtotal	20,774	10,441	172,728
Interest and dividends received	271	257	2,253
Interest paid	(797)	(949)	(6,627)
Income taxes paid	(4,532)	(2,285)	(37,681)
Net cash provided by operating activities	15,716	7,464	130,673
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities and investment securities	(1,034)	(54)	(8,597)
Proceeds from sales of marketable securities and investment securities	22	159	183
Purchase of property, plant and equipment	(514)	(753)	(4,274)
Proceeds from sales of property, plant and equipment	335	2,478	2,785
Payments of loans receivable	(6)	(38)	(50)
Collection of loans receivable	112	104	931
Proceeds from withdrawal of investments in silent partnership	401	1,792	3,334
Other, net	550	(95)	4,574
Net cash provided by (used in) investing activities	(134)	3,593	(1,114)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	(4,826)	1,301	(40,126)
Proceeds from long-term loans payable	8,831	10,121	73,426
Repayments of long-term loans payable	(9,749)	(10,935)	(81,059)
Proceeds from issuance of bonds	375	780	3,118
Redemption of convertible bonds	(364)	(598)	(3,027)
Cash dividends paid	(1,478)	(475)	(12,289)
Other, net	(279)	(248)	(2,320)
Net cash used in financing activities	(7,490)	(54)	(62,277)
Effect of exchange rate changes on cash and cash equivalents	1,441	678	11,981
Net increase in cash and cash equivalents	9,533	11,681	79,263
Cash and cash equivalents at beginning of year	70,025	32,659	582,232
Increase cash and cash equivalents resulting from merger	—	22,441	—
Increase cash and cash equivalents from newly consolidated subsidiary	—	3,244	—
Cash and cash equivalents at end of year (Note 4)	¥79,558	¥70,025	\$661,495

See accompanying notes.

# Notes to Consolidated Financial Statements

HAZAMA ANDO CORPORATION- and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

## 1. Basis of Presenting Consolidated Financial Statements

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

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.27 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (1) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (“the Companies”). All significant intercompany transactions and unrealized profits and losses among the Companies have been eliminated in consolidation.

All companies are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method.

Investments in remaining unconsolidated subsidiaries and affiliates, which have immaterial effect on the consolidated financial statements, are accounted for at cost. Such investments are adjusted for any non-recoverable diminution in value, and income from these unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends therefrom.

### (2) Revenue and cost recognition

When the outcome of construction contracts can be estimated reliably, the percentage-of-completion method (cost-to-cost method for the estimated progress) is mainly applied. Otherwise the completed-contract method is applied.

### (3) Foreign currency translation

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made. Assets and liabilities denominated in foreign currencies are generally translated at the rates of foreign exchange prevailing at the balance sheet date and the resulting translation gains or losses are included in earnings.

### (4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, highly liquid investments with maturity of three month or less from the purchase date. See Note 4 as to a reconciliation of cash and cash equivalents reported in the consolidated statements of cash flows with cash and time deposits reported in the consolidated balance sheets.

### (5) Allowance for doubtful accounts

To prepare for credit loss on receivables, collectability of normal receivables is estimated by applying the historical overall credit loss rates, and collectability of doubtful receivables is analyzed individually and the estimated uncollectible amount is recorded.

### (6) Inventories

Inventories are stated at cost as determined on a specific project basis.

#### (7) Securities

Securities of the Companies are classified into one of the following categories based on the intent of holding, and are accounted for as follows:

- (a) Debt securities that are intended to be held to maturity (“held-to-maturity debt securities”) are stated at amortized cost.
- (b) Securities other than trading securities, held-to-maturity debt securities and shares issued by unconsolidated subsidiaries and affiliated companies not on the equity method (“available-for-sale securities”) are stated at fair market values, if their fair market values are readily available. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of these securities are computed using moving-average costs. Available-for-sale securities with no available fair market values are stated at moving-average cost.

#### (8) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

- (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payables is recognized in the consolidated statements of operations in the period which includes the inception date, and
- (b) the discount or premium on the contract (that is the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates and interest rate increases.

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

#### (9) Property and equipment, depreciation

Property and equipment are carried at cost. Depreciation of building is mainly provided on the straight-line method, and depreciation of other property and equipment is provided on the declining-balance method over estimated useful lives, except that the declining-balance method is applied to buildings of one consolidated subsidiary.

Expenditures for significant renewals and betterments are capitalized, while expenditures for normal repairs and maintenance are charged to expense when incurred.

#### (10) Provision for losses on construction contracts

To prepare for future losses related to construction contracts, the amount of estimated losses is recorded for the construction when losses are probable to occur and such losses can be reasonably estimated.

#### (11) Provision for environmental spending

To prepare for the treatment of Polychlorinated Biphenyl waste, which is obligated by the “Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste,” the estimated cost for treatment is recorded.

(12) Retirement and severance benefits

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount to periods until the end of the current fiscal year on a benefit formula basis. Differences arising from changes in accounting standards have been amortized in equal amounts over 15 years. Prior service costs are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (3 years) commencing with present period. Actuarial differences are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (9 years) commencing with the succeeding period.

Upon the split-up, the Company succeeded differences arising from changes in accounting standards and actuarial differences, and the above periods of amortization include the periods before split-up.

The Company has calculated retirement and severance benefits and retirement benefit costs under certain lump-sum payment plans using simplified method.

(13) Lease transactions

(a) Finance leases which transfer ownership of leased assets

Leased assets arising from finance lease transactions which transfer ownership to the lessee are depreciated by the same method as the depreciation of fixed assets.

(b) Finance leases which do not transfer ownership of leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as useful life.

(14) Income taxes

The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(15) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon the shareholders' meeting approval.

(16) Amounts per share

Basic net income per share is based on the weighted average number of common stock outstanding during the period, and diluted net income per share reflects the potential dilution that could occur if preferred stock were converted into common stock or share subscription rights were exercised.

Cash dividends per share represent amounts applicable for the respective years on accrual basis.

A net asset per share is reported at the amounts of ¥345.56 (US\$2.87) and ¥290.96 at March 31, 2015 and 2014, respectively.

(17) Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates

The company adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012(hereinafter "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits"(ASBJ Guidance No.25 , March 26 , 2015 (hereinafter , "Guidance No.25")) from the current fiscal year , and have changed the determination of retirement benefit obligations and current service costs.

In addition, the Company has changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rates from the discount rate based on the approximate number of years of the average remaining service period of employees to a single weighted average discount rate that reflects the expected payment period and the amount for each expected payment period of retirement benefits.

This change has no impact on the consolidated financial statements.

### 3. Securities

(1) The following tables summarize book values and fair values of held-to-maturity debt securities at March 31, 2015 and 2014.

Type	Millions of yen					
	2015			2014		
	Book values	Fair values	Difference	Book values	Fair values	Difference
Securities with fair values exceeding book values						
Bonds	¥389	¥437	¥48	¥426	¥461	¥35
Sub total	389	437	48	426	461	35
Securities with fair values not exceeding book values						
Bonds	¥—	¥—	¥—	¥7	¥7	¥0
Sub total	—	—	—	7	7	0
Total	¥389	¥437	¥48	¥433	¥468	¥35

Type	Thousands of U.S. dollars		
	2015		
	Book values	Fair values	Difference
Securities with fair values exceeding book values			
Bonds	\$3,234	\$3,633	\$399
Sub total	3,234	3,633	399
Securities with fair values not exceeding book values			
Bonds	\$—	\$—	\$—
Sub total	—	—	—
Total	\$3,234	\$3,633	\$399

(2) The following tables summarize book values and acquisition costs of available-for-sale securities at March 31, 2015 and 2014:

Type	Millions of yen					
	2015			2014		
	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	¥15,502	¥ 9,388	¥6,114	¥8,948	¥7,064	¥1,884
Sub total	15,502	9,388	6,114	8,948	7,064	1,884
Securities with book values not exceeding acquisition costs						
Equity securities	¥963	¥1,315	¥(352)	¥2,184	¥2,620	¥(436)
Sub total	963	1,315	(352)	2,184	2,620	(436)
Total	¥16,465	¥10,703	¥5,762	¥11,132	¥9,684	¥ 1,448

Type	Thousands of U.S. dollars		
	2015		
	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	\$128,893	\$78,057	\$50,836
Sub total	128,893	78,057	50,836
Securities with book values not exceeding acquisition costs			
Equity securities	\$8,007	\$10,934	\$(2,927)
Sub total	8,007	10,934	(2,927)
Total	\$136,900	\$88,991	\$47,909

(3) Total sales, related gains and losses of available-for-sale securities are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Equity securities			
Sales	¥22	¥14	\$183
Related gains	1	5	8
Related losses	0	0	0

(4) Impairment losses on securities recognized for the years ended March 31, 2015 and 2014 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Available-for-sale securities	¥1	¥70	\$8
Total	¥1	¥70	\$8

#### 4. Cash and Cash Equivalents

(1) Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2015 and 2014 were reconciled with cash and time deposits reported in consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥79,661	¥70,774	\$662,351
Time deposits with maturities of exceeding 3-month from the date of acquisition	(103)	(749)	(856)
Total: Cash and cash equivalents	¥79,558	¥70,025	\$661,495

#### 5. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Accumulated Costs on uncompleted construction contracts	¥6,528	¥ 5,191	\$54,278
Others	4,390	4,728	36,500
Total	¥10,918	¥ 9,919	\$90,778

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

Short-term bank loans are represented mainly by loan on deed. The average interest rates of short-term loans were 1.8 % and 1.9% at March 31, 2015 and 2014.

Bonds at March 31, 2015 and 2014 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Long-term debt from bonds, insurance companies and others due serially through 2021:			
Unsecured 0.5 %	¥1,184	¥1,172	\$9,844
Less current maturities	(351)	(326)	(2,918)
<b>Total</b>	<b>¥ 833</b>	<b>¥ 846</b>	<b>\$6,926</b>

Long-term loans payable at March 31, 2015 and 2014 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Long-term debt from banks, insurance companies and others due serially through 2021:			
Secured 2.3 % to 2.9 %	¥15,810	¥4,282	\$131,454
Unsecured 1.2 % to 2.9 %	4,040	16,485	33,591
Less current maturities	(7,097)	(8,822)	(59,009)
<b>Total</b>	<b>¥12,753</b>	<b>¥11,945</b>	<b>\$106,036</b>

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 351	\$2,918
2017	351	2,918
2018	291	2,420
2019	153	1,272
2020	38	316
2021~	0	0
<b>Total</b>	<b>¥1,184</b>	<b>\$9,844</b>

Repayment schedules for the long-term loans payable are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 7,097	\$ 59,009
2017	4,430	36,834
2018	3,175	26,399
2019	2,287	19,015
2020	2,204	18,325
2021~	657	5,463
<b>Total</b>	<b>¥19,850</b>	<b>\$165,045</b>

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of the banks, and that any collateral furnished will be applicable to all indebtedness due to that bank.

In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term and short-term debt that become due and in case of default and certain other specified events, against all other debts payable to the bank. Such rights have never been exercised by the bank.

## 7. Pledged Assets

The following assets were pledged to secure short-term bank loans, long-term debt and certain other obligation at March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Marketable securities	¥0	¥0	\$2
Property and equipment	15,993	16,737	132,976
Investment securities	750	733	6,235
Other assets	151	158	1,256
Total	¥16,894	¥17,628	\$140,469

## 8. Estimated loss on uncompleted construction contracts

Amount of costs on uncompleted construction contracts for which a construction loss is anticipated and reserve for expected losses on construction contracts in process are presented without being offset.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Amount of costs on uncompleted construction contracts for which a construction loss is anticipated, matching with reserve for expected losses on construction contracts in process	¥887	¥167	\$7,375

## 9. Contingent Liabilities

At March 31, 2015 and 2014, the Companies had the following contingent liabilities for loan guaranteed:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Guarantees for loan			
Pressance Corporation Co.,Ltd.	¥ —	¥94	\$ —
Loans of employees	3	3	25
Total	¥3	¥97	\$25

## 10. Revenues from construction contracts recognized by the percentage-of-completion method

Revenues from construction contracts recognized by the percentage-of-completion method for the fiscal year ended March 31, 2015 and 2014 were ¥327,354 million (US\$2,721,826 thousand) and ¥323,156 million, respectively.

## 11. Provision for losses on construction contracts included in cost of sales of construction contracts

Provision for losses on construction contracts included in cost of sales of construction contracts for the fiscal year ended March 31, 2015 and 2014 were ¥2,543 million (US\$21,144 thousand) and ¥2,340 million, respectively.

## 12. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥1,829 million (US\$15,207 thousand) and ¥1,345 million for the years ended March 31, 2015 and 2014, respectively.

### 13. Impairment Loss

No impairment loss is recognized for the year ended March 31, 2015.

Impairment loss for the year ended March, 31, 2014 is as follows:

Location	Use	Type of assets	Millions of yen
Ibaraki prefecture	Idle asset	Land	¥70
Other	Idle asset	Land	2
Total			¥72

The Companies generally conduct grouping of its business assets by location and idle assets by each property unit to measure impairment loss. As the above assets become idle assets in the subject fiscal year, the book value was reduced to recoverable amount, and such reduction was recorded as an impairment loss in the extraordinary loss caption. The recoverable amounts of these assets were measured based on net selling price, and were mainly evaluated based on appraisal value.

### 14. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the year ended March 31, 2015 and 2014 is as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Land and Buildings	¥9	¥7	\$75
Other	9	6	75
Total	¥18	¥13	\$150

### 15. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets for the year ended March 31, 2015 and 2014 is as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Land and Buildings	¥489	¥262	\$4,066
Other	0	—	0
Total	¥489	¥262	\$4,066

### 16. Advances Received

As is customary in Japan, the Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

## 17. Net Defined Benefit Liability

The Company and its consolidated subsidiaries have adopted the lump-sum payment plan and the retirement benefit pension plan as their defined benefit plan.

The Company has set up a retirement benefit trust fund due to its merger with ANDO Corporation.

The Company and its consolidated subsidiaries have calculated net defined benefit liability and retirement benefit costs under certain lump-sum payment plans using simplified method.

Although the Company had adopted a multiple of retirement benefit plans due to its merger with ANDO Corporation as at April 1, 2013, the Company integrated these retirement benefit plans and migrated into defined benefit plans as at April 1, 2014.

### (a) Defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>(1) Movement in retirement benefit obligations</b>			
Balance at April 1, 2014 and 2013	¥30,596	¥17,599	\$254,394
Increase by merger	—	13,304	—
Service cost	1,362	1,391	11,325
Interest cost	306	294	2,544
Actuarial loss (gain)	49	977	407
Past service cost	—	(1,205)	—
Benefits paid	(2,001)	(1,764)	(16,637)
Balance at March 31, 2015 and 2014	¥30,312	¥30,596	\$252,033
<b>(2) Movement in plan assets</b>			
Balance at April 1, 2014 and 2013	¥17,992	¥9,427	\$149,597
Increase by merger	—	7,542	—
Expected return on plan assets	205	194	1,704
Actuarial loss (gain)	1,532	588	12,738
Contributions paid by the employer	1,256	1,312	10,443
Benefits paid	(1,202)	(1,071)	(9,994)
Balance at March 31, 2015 and 2014	¥19,783	¥17,992	\$164,488
<b>(3) Movement in simplified method</b>			
Balance at April 1, 2014 and 2013	¥1,339	¥1,140	\$11,133
Increase from newly consolidated subsidiary	—	44	—
Retirement benefit costs	267	284	2,220
Benefits paid	(196)	(126)	(1,630)
Other	11	(3)	92
Balance at March 31, 2015 and 2014	¥1,421	¥1,339	\$11,815
<b>(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits</b>			
Funded retirement benefit obligation	¥30,312	¥30,596	\$252,033
Plan assets	(19,783)	(17,992)	(164,488)
	10,529	12,604	87,545
Unfunded retirement benefit obligation	1,421	1,340	11,815
Total net liability (asset) for retirement benefits at March 31, 2015 and 2014	11,950	13,944	99,360
Net defined benefit liability	11,950	13,944	99,360
Total net liability (asset) for retirement benefits at March 31, 2015 and 2014	¥11,950	¥13,944	\$99,360

(Note) Retirement benefit obligation under the lump-sum payment plan is included in funded retirement benefit obligation because a retirement benefit trust has been established for lump-sum payment plans. In addition, the retirement benefit trust that has been established for the lump-sum payment plan is included in plan assets.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
(5) Retirement benefit costs			
Service cost	¥1,362	¥1,391	\$11,325
Interest cost	306	294	2,544
Expected return on plan assets	(205)	(194)	(1,704)
Transition obligations amortization	335	334	2,785
Net actuarial loss amortization	468	436	3,891
Past service costs amortization	(426)	(665)	(3,542)
Retirement benefit expenses by simplified method	267	285	2,220
Total retirement benefit costs for the fiscal year ended March 31, 2015 and 2014	¥2,107	¥1,881	\$17,519
(6) Remeasurements of defined benefit plans			
Transition obligations	¥336	¥ —	\$ 2,794
Net actuarial loss	1,951	—	16,222
Past service costs	(426)	—	(3,542)
Total adjustments for retirement benefit	¥1,861	¥ —	\$15,474
(7) Accumulated remeasurements of defined benefit plans			
Transition obligations that are yet to be treated	¥ —	¥ 336	\$ —
Actuarial gains and losses that are yet to be recognized	¥1,345	3,296	\$11,183
Past service costs that are yet to be recognized	(323)	(750)	(2,685)
Total accumulated adjustments for retirement benefit	¥1,022	¥ 2,882	\$8,498
(8) Plan assets			
1. Plan assets comprise:			
Bonds	38%		
Equity securities	24		
General account assets	16		
Cash and deposits	3		
Other	19		
Total	100%		

(Note) The retirement benefit trust that has been established for the corporate pension plan accounts for 13% and 12% of the total plan assets for the year ended March 31, 2015 and 2014.

2. Long-term expected rate of return:

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 (expressed as weighted averages) follow:

Discount rate	1.0%
Long-term expected rate of return	1.1%

(10) The Contributions required to be made to the defined contribution plan of consolidated subsidiaries, which amount is ¥3 million (US\$29 thousand) for the previous fiscal year ended March 31, 2014, has become not applicable as a result of the integration of the defined contribution plan by the merger between consolidated subsidiaries for the fiscal year ended March 31, 2015.

## 18. Income Taxes

The Companies were subject to a number of taxes based on income, which, in the aggregate, indicate statutory rate in Japan of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2015 and 2014.

	2015	2014
Statutory tax rate	35.6%	38.0%
Permanent non-deductible expenses	0.8	2.2
Permanent non-taxable income	(0.7)	(0.7)
Gain on bargain purchase	—	(18.5)
Per capita inhabitant taxes	1.1	0.8
Change in valuation allowance	12.9	(1.1)
Decrease in deferred income tax assets due to tax rate changes	2.5	0.9
Others	1.0	(0.9)
Effective tax rate	53.2%	20.7%

Significant components of the Companies' deferred income taxes at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred income tax assets:			
Non-deductible construction costs under the percentage-of-completion method	¥ —	¥ 1,505	\$ —
Net defined benefit liability	5,023	6,193	41,764
Others	6,875	6,532	57,163
Gross deferred income tax assets	11,898	14,230	98,927
Less: Valuation allowance	(4,461)	(2,965)	(37,092)
Total deferred income tax assets	7,437	11,265	61,835
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	1,743	490	14,492
Others	2,568	2,918	21,352
Total deferred income tax liabilities	4,311	3,408	35,844
Net deferred income taxes	¥3,126	¥7,857	\$25,991

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, at March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥ 244 million (\$2,029 thousand) at March 31, 2015, deferred gains or losses on hedges decreased by ¥0 million (\$2 thousand), and accumulated adjustments for retirement benefit decreased by ¥34 million (\$283 thousand), deferred income tax expense increased by ¥388 million (\$3,226 thousand) and valuation difference on available-for-sale securities increased by ¥178 million (\$1,480 thousand).

## 19. Comprehensive Income

Amounts reclassified to net income (loss) for the fiscal year ended March 31, 2015 and 2014 that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥4,321	¥976	\$35,927
Reclassification adjustment	(1)	69	(8)
Sub-total, before tax	4,320	1,045	35,919
Tax (expense) or benefit	(1,258)	(335)	(10,459)
Sub-total, net of tax	3,062	710	25,460
Deferred gains or losses on hedges:			
Increase (decrease) during the year	¥(16)	¥4	\$(133)
Reclassification adjustment	3	0	25
Sub-total, before tax	(13)	4	(108)
Tax (expense) or benefit	5	(2)	41
Sub-total, net of tax	(8)	2	(67)
Foreign currency translation adjustment:			
Increase (decrease) during the year	¥227	¥208	\$1,887
Reclassification adjustment	—	—	—
Sub-total	227	208	1,887
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥1,483	—	\$12,331
Reclassification adjustment	378	—	3,142
Sub-total, before tax	1,861	—	15,473
Tax (expense) or benefit	(697)	—	(5,795)
Sub-total, net of tax	1,164	—	9,678
Total other comprehensive income	¥4,445	¥920	\$36,958

## 20. Net Assets

Under the Japanese Corporate Law (“the Law”), the entire amount paid for new shares is required to be designated as common stock (or preferred stock). However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock and preferred stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized generally by a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

## 21. Consolidated Statements of Changes in Net Assets

### (1) Common stock and preferred stock issued

	Number of shares				
	Common stock	Class I preferred stock	Class II preferred stock	Class III preferred stock	Class IV preferred stock
Balance at April 1, 2013	116,356,517	750,000	151,224	875,000	250,000
Increase during the year	68,852,672	0	0	0	0
Decrease during the year	0	750,000	151,224	875,000	250,000
Balance at April 1, 2014	<b>185,209,189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase during the year	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Decrease during the year	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance at March 31, 2015	<b>185,209,189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Detail of increase or decrease during the year ended March 31, 2015 and 2014 was as follows:

(Common stock)

	Number of shares	
	2015	2014
Increase by exercising the call option of Class II preferred stock	—	—
Increase by merger	—	43,833,139
Increase by exercising the call option of preferred stock	—	25,019,533
Total	—	68,852,672

(Class I preferred stock)

	Number of shares	
	2015	2014
Decrease by retirement of treasury stock	—	750,000

(Class II preferred stock)

	Number of shares	
	2015	2014
Decrease by retirement of treasury stock	—	151,224

(Class III preferred stock)

	Number of shares	
	2015	2014
Decrease by retirement of treasury stock	—	875,000

(Class IV preferred stock)

	Number of shares	
	2015	2014
Decrease by retirement of treasury stock	—	250,000

(2) Treasury stock outstanding  
(Common stock)

	Number of shares				
	Common stock	Class I preferred stock	Class II preferred stock	Class III preferred stock	Class IV preferred stock
Balance at April 1, 2013	939,239	0	0	0	0
Increase during the year	10,007,432	750,000	151,224	875,000	250,000
Decrease during the year	10,476,790	750,000	151,224	875,000	250,000
Balance at April 1, 2014	<b>469,881</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase during the year	<b>5,631</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Decrease during the year	<b>149,836</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance at March 31, 2015	<b>325,676</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(Details of increase or decrease)  
(Common stock)

	Number of shares	
	2015	2014
Increase by merger	—	10,000,000
Increase by purchase of shares less than one unit	<b>5,631</b>	7,432
Decrease by delivery of treasury stock	<b>149,836</b>	10,475,198
Decrease by adding of shares less than one unit	—	1,592

(Class I preferred stock)

	Number of shares	
	2015	2014
Increase by exercising the call option	—	750,000
Decrease by retirement of treasury stock	—	750,000

(Class II preferred stock)

	Number of shares	
	2015	2014
Increase by exercising the call option	—	151,224
Decrease by retirement of treasury stock	—	151,224

(Class III preferred stock)

	Number of shares	
	2015	2014
Increase by exercising the call option	—	875,000
Decrease by retirement of treasury stock	—	875,000

(Class IV preferred stock)

	Number of shares	
	2015	2014
Increase by exercising the call option	—	250,000
Decrease by retirement of treasury stock	—	250,000

## 22. Segment Information

Effective April 1, 2010, the Company adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 17 on March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008).

### (1) General information about reportable segments

Each reportable segment of the Companies is the business unit of the Companies, which discrete financial information is able to obtain. Reportable segments are reviewed periodically at the Board of Directors meeting in order to determine distribution of management resources and evaluate business results by each reportable segment.

The Companies mainly operate the construction and construction-related business. Among them the Company, the general constructor, operates their businesses that is composed of the civil engineering and building construction, and each headquarter plans and executes on their business strategy of production systems and sales process in Japan and overseas.

Furthermore, consolidated subsidiaries respectively develop their business by cooperating with the Company.

Accordingly, the Companies classify their business operating segments, identified by product and services, into three reportable segments as “Civil engineering segment”, “Building construction segment” and “Consolidated subsidiaries segment”.

The major products and services of each segment are as follows:

Reportable segments	Major products and services
Civil engineering	Civil engineering of the Company in Japan and overseas
Building construction	Building construction of the Company in Japan and overseas
Consolidated subsidiaries	Constructions and sales of construction materials of consolidated subsidiaries

### (2) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

Accounting methods of reported segment are the same as that set forth in “Summary of Significant Accounting Policies”. The segment profits or losses for each reportable segment are in conformity to the operating income of consolidated statements of income. Intersegment transactions and transfers are based on fair market prices.

Assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, corresponding depreciation expenses including amortization of intangible fixes assets are allocated to Civil engineering segment and Building construction segment according to the reasonable criterion measured by depending on the degree on benefit.

(3) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

(a) Segment information as of and for the fiscal year ended March 31, 2015 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2015:								
Revenues:								
Outside customers	¥121,555	¥225,975	¥18,471	¥366,001	¥3,702	¥369,703	¥ —	¥369,703
Intersegment	—	0	37,085	37,085	105	37,190	(37,190)	—
<b>Total</b>	<b>121,555</b>	<b>225,975</b>	<b>55,556</b>	<b>403,086</b>	<b>3,807</b>	<b>406,893</b>	<b>(37,190)</b>	<b>369,703</b>
Segment profit	9,575	10,365	1,393	21,333	774	22,107	(3,589)	18,518
Assets	Note 4	Note 4	29,076	173,430	10,084	183,514	86,206	269,720
Other material items:								
Depreciation and amortization	197	365	201	763	71	834	225	1,059
Capital expenditures	Note 4	Note 4	204	737	77	814	20	834
Thousands of U.S. dollars								
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2015:								
Revenues:								
Outside customers	\$1,010,684	\$1,878,898	\$153,579	\$3,043,161	\$30,781	\$3,073,942	\$ —	\$3,073,942
Intersegment	—	—	308,348	308,348	873	309,221	(309,221)	—
<b>Total</b>	<b>1,010,684</b>	<b>1,878,898</b>	<b>461,927</b>	<b>3,351,509</b>	<b>31,654</b>	<b>3,383,163</b>	<b>(309,221)</b>	<b>3,073,942</b>
Segment profit	79,613	86,181	11,582	177,376	6,435	183,811	(29,840)	153,971
Assets	Note 4	Note 4	241,756	1,442,005	83,845	1,525,850	716,771	2,242,621
Other material items:								
Depreciation and amortization	1,638	3,035	1,671	6,344	590	6,934	1,871	8,805
Capital expenditures	Note 4	Note 4	1,696	6,128	640	6,768	166	6,934

Notes:

1. "Other" consisted of mainly research and other activities, which are not included in reportable segment.
2. Reconciliations amounts were as follows:
  - (i) Reconciliations amount of segment profit was to ¥(3,589) million (US\$(29,840) thousand), which included ¥(6) million (US\$(49) thousand) of intersegment eliminations and others, and ¥(3,583) million (US\$(29,791) thousand) of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
  - (ii) Reconciliations amount of segment assets was to ¥86,206 million (US\$716,771 thousand), which included ¥(15,834) million (US\$(131,654) thousand) of intersegment eliminations and others, and ¥102,040 million (US\$848,425 thousand) of corporate assets. Corporate assets were mainly cash and time deposits, investment securities and others, which are not attributed to reportable segments.
3. Segment profit was adjusted to operating income of consolidated statement of operations.
4. As discussed in Note 22. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, for your information, segment assets of Civil engineering segment and Building construction segment are amounted to ¥144,354 million (US\$1,200,249 thousand), and capital expenditures of these segments are amounted to ¥533 million (US\$4,432 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2014 is as follows:

	Millions of yen							
	Reportable segments			Sub total	Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries					
Year ended March 31, 2014:								
Revenues:								
Outside customers	¥110,951	¥236,027	¥20,896	¥367,874	¥ 3,343	¥371,217	¥ —	¥371,217
Intersegment	—	—	35,573	35,573	307	35,880	(35,880)	—
<b>Total</b>	<b>110,951</b>	<b>236,027</b>	<b>56,469</b>	<b>403,447</b>	<b>3,650</b>	<b>407,097</b>	<b>(35,880)</b>	<b>371,217</b>
Segment profit	8,171	4,595	1,412	14,178	836	15,014	(2,936)	12,078
Assets	Note 4	Note 4	27,625	173,951	10,485	184,436	76,210	260,646
Other material items:								
Depreciation and amortization	197	422	246	865	136	1,001	186	1,187
Capital expenditures	Note 4	Note 4	2,493	6,108	5,943	12,051	3,266	15,317

Notes:

- “Other” consisted of mainly research and other activities, which are not included in reportable segment.
- Reconciliations amounts were as follows:
  - Reconciliations amount of segment profit was to ¥(2,936) million, which included ¥3 million of intersegment eliminations and others, and ¥(2,939) million of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
  - Reconciliations amount of segment assets was to ¥76,210 million, which included ¥(15,352) million of intersegment eliminations and others, and ¥91,563 million of corporate assets. Corporate assets were mainly cash and time deposits, investment securities and others, which are not attributed to reportable segments.
- Segment profit was adjusted to operating income of consolidated statement of operations.
- As discussed in Note 22. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker have no financial information on assets in these segments. However, for your information, segment assets of Civil engineering segment and Building construction segment are amounted to ¥146,326 million, and capital expenditures of these segments are amounted to ¥3,615 million.

#### (4) Related information

##### (a) Information about products and services

Disclosure of information about products and services is omitted, since reportable segments of the Companies are classified by their products and services.

##### (b) Information about geographic areas

###### (Revenues)

Revenues information about geographic areas for the year ended March 31, 2015 and 2014 are as follows:

Geographic Areas	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥328,439	¥325,964	\$2,730,847
Other	41,264	45,253	343,095
<b>Total</b>	<b>¥369,703</b>	<b>¥371,217</b>	<b>\$3,073,942</b>

###### (Tangible fixed assets)

Disclosure of tangible fixed assets information about geographic areas is omitted, since the proportion of tangible fixed assets in Japan to total tangible fixed assets is over 90%.

(c) Information about major customers

Disclosure of information about major customers is omitted, since net sales to no single customer represented 10% or more of total net sales of the Companies' consolidated statement of income for the year ended March 31, 2015 and 2014.

(d) Information about impairment loss of fixed assets by reported segment

No impairment loss is recognized for the year ended March 31, 2015.

Impairment loss of fixed assets by reported segment of year ended March 31, 2014 is as follow.

	Millions of yen					Total
	2014					
	Reportable segments			Other	Eliminations and others	
Civil engineering	Building construction	Consolidated subsidiaries				
Impairment loss	¥ —	¥ —	¥70	¥ —	¥2	¥72

### 23. Amounts per Share of Common Stock

Basis of calculation of basic and diluted net income per share (the "EPS") for the year ended March 31, 2015 is as follows:

	Net income	Weighted-average shares	EPS	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended March 31, 2015:				
Net income	¥7,240			
Net income not available to common shareholders				
Cash dividends on preferred stock	—			
Basic EPS-Net income available to common shareholders	¥7,240	184,835	¥39.17	\$0.33
Effect of dilution				
Cash dividends on preferred stock	—			
Shares adjusted by share subscription rights	—	224		
Diluted EPS-Net income for computation	¥7,240	185,059	¥39.12	\$0.33

Basis of calculation of basic net loss per share (the "EPS") for the year ended March 31, 2014 is as follows:

	Net income	Weighted-average shares	EPS
	Millions of yen	Thousands of shares	Yen
Year ended March 31, 2014:			
Net income	¥16,414		
Net income not available to common shareholders			
Cash dividends on preferred stock	—		
Basic EPS-Net income available to common shareholders	¥16,414	170,142	¥96.47
Effect of dilution			
Cash dividends on preferred stock	—	14,838	
Shares adjusted by share subscription rights	—	297	
Diluted EPS-Net income for computation	¥16,414	185,277	¥88.59

## 24. Financial Instruments

### (1) Status of financial instruments

#### (a) Policies for using financial instruments

The Companies raise funds mainly by borrowings from bank, and restrict temporary surplus funds to the lower risk assets such as deposits. Derivative transactions are employed for hedging of the risk described below, and never use for speculation.

#### (b) Detail of financial instruments and the related risks

Notes and accounts receivable are exposed to the credits risks in relation to customers. Foreign currency-dominated notes and accounts receivable are also exposed to foreign exchange risk.

Investment securities which are mainly share held for keep the relationship with business partners are exposed to market price fluctuation risk.

Notes and accounts payable are mostly settled within one year.

Borrowing is primarily for working funds. With variable interest rates, it is exposed to interest-rates risk.

Borrowing, notes and accounts payable are also exposed to liquidity risk.

Derivative transactions entered into by the Companies are forward currency exchange contracts to hedge foreign exchange risk involving oversea business and interest rate swap contracts to hedge interest-rates risk involving borrowing.

Refer to Note 2(8) "Derivatives and hedging transactions" for information about the hedging instruments and hedging items, hedging policy and method of evaluating hedging effectiveness concerning the hedge accounting methods adopted by the Companies.

#### (c) Policies and processes for risk management

In order to control customer's credit risk, each business and sales management division within the Companies conduct periodic monitoring of key transaction partners and attempt to find out deterioration of the financial situation at the initial stage under the internal credit policies.

For the purpose of hedging foreign exchange risk, the Companies conduct forward exchange contracts. The Companies also conduct interest rate swap contracts to avert interest-rate risk by each long-term borrowing.

Fair value of investment securities are periodically reported to the Directors and Executive Officers. The possession situation of securities is also continually reviewed, taking into consideration of the Companies' relationship with respective business partners.

Derivative transactions are treated by the Finance Department in accordance with the established policies. The Companies deal with credible banks to reduce the credit risk.

In order to manage the liquidity risk, the Companies update financial plan monthly.

#### (d) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market value or reasonable estimate if there is no market value. Since certain assumptions are used for estimating values, values could be different if different assumptions are applied. In addition, the derivative contract amounts described in Note 25 "Derivative Financial Instruments" are not indicative of actual market risk involved in derivative transactions.

(2) Fair value of financial instruments

The following tables summarize book values and fair values of financial instruments at March 31, 2015:

Type	Millions of yen			Thousands of U.S. dollars		
	Book values	Fair values	Difference	Book values	Fair values	Difference
Assets						
(a) Cash and time deposits	¥ 79,661	¥ 79,661	¥ —	\$662,351	\$662,351	\$ —
(b) Receivables:						
Notes	7,920	7,920	—	65,852	65,852	—
Accounts	101,068	101,038	(30)	840,342	840,093	(249)
(c) Marketable securities and						
Investment securities:						
Held-to-maturity debt securities	389	437	48	3,234	3,633	399
Available-for-sale securities	16,465	16,465	—	136,900	136,900	—
<b>Total assets</b>	<b>¥205,503</b>	<b>¥205,521</b>	<b>¥18</b>	<b>\$1,708,679</b>	<b>\$1,708,829</b>	<b>\$150</b>
Liabilities						
(a) Payables:						
Notes	¥28,162	¥28,162	¥ —	\$234,156	\$234,156	\$ —
Accounts	70,326	70,326	—	584,734	584,734	—
(b) Short-term bank loans						
Current maturities of long-term debt	12,654	12,654	—	105,213	105,213	—
Current portion of bonds	7,097	7,097	—	59,009	59,009	—
Current portion of bonds	351	351	—	2,918	2,918	—
(c) Bonds						
Bonds	833	833	0	6,926	6,926	0
(d) Long-term debt, less current maturities						
Long-term debt, less current maturities	12,753	12,688	(65)	106,036	105,496	(540)
<b>Total liabilities</b>	<b>¥132,176</b>	<b>¥132,111</b>	<b>¥(65)</b>	<b>\$1,098,992</b>	<b>\$1,098,452</b>	<b>\$(540)</b>
<b>Derivative transactions</b>	<b>¥(16)</b>	<b>¥(16)</b>	<b>¥ —</b>	<b>\$(133)</b>	<b>\$(133)</b>	<b>\$ —</b>

The following tables summarize book values and fair values of financial instruments at March 31, 2014:

Type	Millions of yen		
	Book values	Fair values	Difference
Assets			
(a) Cash and time deposits	¥70,774	¥70,774	¥ —
(b) Receivables:			
Notes	6,999	6,999	—
Accounts	104,298	104,271	(27)
(c) Investment securities:			
Held-to-maturity debt securities	433	467	34
Available-for-sale securities	11,132	11,132	—
<b>Total assets</b>	<b>¥193,636</b>	<b>¥193,643</b>	<b>¥7</b>
Liabilities			
(a) Payables:			
Notes	¥29,764	¥29,764	¥ —
Accounts	72,264	72,264	—
(b) Short-term bank loans			
Current maturities of long-term debt	17,480	17,480	—
Current maturities of long-term debt	8,822	8,822	—
Current portion of bonds	326	326	—
(c) Bonds			
Bonds	846	845	(1)
(d) Long-term debt, less current maturities			
Long-term debt, less current maturities	11,945	11,903	(42)
<b>Total liabilities</b>	<b>¥141,447</b>	<b>¥141,404</b>	<b>¥(43)</b>
<b>Derivative transactions</b>	<b>¥(3)</b>	<b>¥(3)</b>	<b>¥ —</b>

Notes:

1. Method of measurement of financial instruments and matters concerning securities and derivatives

(Assets)

(a) Cash and time deposits

The fair values of this account are equivalent to the book value, since this account is settled in a short period of time.

(b) Notes and accounts receivables

The fair values of these accounts are based on the present value of discounted cash flows using the interest rate determined by the factors of the remaining terms and credit risks, with respect to each receivable categorized by collection terms.

(c) Marketable securities and Investment securities

The fair values of this account are based on the quoted market value.

(Liabilities)

(a) Notes and accounts payables and (b) Short-term bank loans, Current maturities of long-term debt and Current portion of bonds

The fair values of these accounts are equivalent to the book value, since these accounts are settled in a short period of time.

(c) Bonds

The fair value of bonds issued by the Company is based on the price on bond markets or present value of the total principal and interest discounted by an interest rate determined taking into account the remaining period of bond and current credit risk.

(d) Long-term debt, less current maturities

The fair values of this account are based on the present value of discounted cash flows using the interest rate which may be applicable when the same kinds of borrowings are made.

(Derivative transactions)

See Note 25 “Derivative Financial Instruments”.

2. Financial instruments which are difficult to estimate the fair value

Non-marketable securities (book values of ¥3,610 million (US\$30,016 thousand) and ¥3,994 million at March 31, 2015 and 2014, respectively) are not included in the above “Assets (c) Marketable securities and investment securities”; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

3. Redemption schedules for cash and time deposits, receivables and held-to-maturity debt securities at March 31, 2015 and 2014 are as follows:

	Millions of yen							
	2015				2014			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	¥79,661	¥ —	¥ —	¥ —	¥70,774	¥ —	¥ —	¥ —
Receivables:								
Notes	7,920	—	—	—	6,999	—	—	—
Accounts	91,421	9,646	—	—	97,554	6,744	—	—
Held-to-maturity debt securities	5	42	96	246	45	5	137	246
<b>Total</b>	<b>¥179,007</b>	<b>¥ 9,688</b>	<b>¥96</b>	<b>¥246</b>	<b>¥175,372</b>	<b>¥ 6,749</b>	<b>¥137</b>	<b>¥246</b>

	Thousands of U.S. dollars			
	2015			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	\$662,351	\$ —	\$ —	\$ —
Receivables:				
Notes	65,852	—	—	—
Accounts	760,131	80,203	—	—
Held-to-maturity debt securities	42	349	798	2,045
<b>Total</b>	<b>\$1,488,376</b>	<b>\$80,552</b>	<b>\$798</b>	<b>\$2,045</b>

## 25. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting at March 31, 2015 and 2014 are as follows:

(Interest-related transactions)

		Millions of yen					
		2015			2014		
Type of derivative transactions	Main items hedged	Contract amount		Fair value	Contract amount		Fair value
		Total	Settled over 1 year		Total	Settled over 1 year	
Benchmark method:							
Interest swap contract:							
To pay fixed, to receive variable	Long-term debt	¥937	¥865	Note 2	¥293	¥267	Note 2
Short-cut method:							
Interest swap contract:							
To pay fixed, to receive variable	Long-term debt	¥10,398	¥6,792	Note 2	¥5,860	¥3,561	Note 2

		Thousands of U.S. dollars			
		2015			
Type of derivative transactions	Main items hedged	Contract amount		Fair value	
		Total	Settled over 1 year		
Benchmark method:					
Interest swap contract:					
To pay fixed, to receive variable	Long-term debt	\$7,791	\$7,192	Note 2	
Short-cut method:					
Interest swap contract:					
To pay fixed, to receive variable	Long-term debt	\$86,455	\$56,473	Note 2	

Note:

1. Fair value is based on the prices obtained from counterparty financial institutions.
2. The fair values of special case interest swap treatment are included in the fair value of long-term debt since such interest swap is treated together with long-term debt being hedged.

## 26. Asset Retirement Obligations

Disclosures about asset retirement obligations are omitted, since the amount of asset retirement obligations is immaterial for the year ended March 31, 2015 and 2014.

## 27. Fair Value of Investment and Rental Property

Disclosures about fair value of investment and rental property are omitted, since the total amount of investment and rental property is immaterial for the years ended March 31, 2015 and 2014.

## 28. Stock Option Plans

(1) No cost for stock options is recognized for the years ended March 31, 2015 and 2014.

(2) The stock options outstanding at March 31, 2015 are mainly as follows:

(a) Content

	The first series of share subscription rights (A)	The first series of share subscription rights (B)	The second series of share subscription rights (A)	The second series of share subscription rights (B)
	June 27, 2008	June 27, 2008	June 26, 2009	June 26, 2009
Persons granted	Directors of the company: 8 Executive officers: 13	Executive employees: 76	Directors of the company: 9 Executive officers: 12	Executive employees: 9
Class and number of shares	110,400 shares of common stock	722,000 shares of common stock	115,000 shares of common stock	86,400 shares of common stock
Date of grant	July 15, 2008	July 15, 2008	July 14, 2009	July 14, 2009
Condition of settlement rights	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the fifth stockholders' meeting to the sixth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be an employee of the Company who has continued to work at the Company from July 15, 2008 until July 15, 2010. However, this condition is invalid in case of death, retirement age or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the sixth stockholders' meeting to the seventh stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be an employee of the Company who has continued to work at the Company from July 14, 2009 until July 14, 2011. However, this condition is invalid in case of death, retirement age or loss of position due to Company circumstances.
Length of service	From July 15, 2008 to July 14, 2009	From July 15, 2008 to July 15, 2010	From July 14, 2009 to July 13, 2010	From July 14, 2009 to July 14, 2011
Exercisable period	From July 15, 2009 to July 14, 2019	From July 16, 2010 to July 15, 2015	From July 14, 2010 to July 13, 2020	From July 15, 2011 to July 14, 2016

	The third series of share subscription rights (A)	The fourth series of share subscription rights (A)
	June 29, 2010	June 29, 2011
Persons granted	Directors of the company: 8 Executive officers: 8	Directors of the company: 9 Executive officers: 13
Class and number of shares	90,000 shares of common stock	85,800 shares of common stock
Date of grant	July 16, 2010	July 15, 2011
Condition of settlement rights	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the seventh stockholders' meeting to the eighth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the eighth stockholders' meeting to the ninth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to Company circumstances.
Length of service	From July 16, 2010 to July 15, 2011	From July 15, 2011 to July 14, 2012
Exercisable period	From July 16, 2011 to July 15, 2021	From July 15, 2012 to July 14, 2022

(b) Number and price

	The first series of share subscription rights (A)	The first series of share subscription rights (B)	The second series of share subscription rights (A)	The second series of share subscription rights (B)	The third series of share subscription rights (A)	The fourth series of share subscription rights (A)
Non-vested shares						
At the beginning of the year	—	—	—	—	—	—
Granted during the year	—	—	—	—	—	—
Forfeited and expired during the year	—	—	—	—	—	—
Vested during the year	—	—	—	—	—	—
At the end of the year	—	—	—	—	—	—
Vested shares						
At the beginning of the year	17,600	104,500	41,400	48,000	63,000	60,700
Vested during the year	—	—	—	—	—	—
Exercised during the year	4,400	85,500	4,600	33,800	9,000	11,900
Forfeited or expired during the year	—	—	—	—	—	—
Unexercised at the end of the year	13,200	19,000	36,800	14,200	54,000	48,800
Exercise price	¥ 1	¥125	¥ 1	¥120	¥ 1	¥ 1
Average stock price at exercise	¥626	¥570	¥626	¥722	¥458	¥522
Fair value price at the grant date	¥107	¥ 30	¥101	¥ 28	¥ 72	¥111

(3) Method to estimate fair value of stock options

It does not give employees stock options for the current fiscal year.

(4) Method to estimate number of vested stock options

As a rational estimate of the forfeited number of stock options in the future is generally difficult, the company adopts a method whereby only forfeited numbers are reflected.

**29. Subsequent Event**

On June 26, 2015, the shareholders of the Company approved the appropriations of retained earnings to pay cash dividends in the amount of ¥924 million (US\$7,683 thousand).

# Independent Auditor's Report

To the Board of Directors of HAZAMA ANDO CORPORATION:

We have audited the accompanying consolidated financial statements of HAZAMA ANDO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## **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 misstatements, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 present fairly, in all material respects, the financial position of HAZAMA ANDO CORPORATION and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

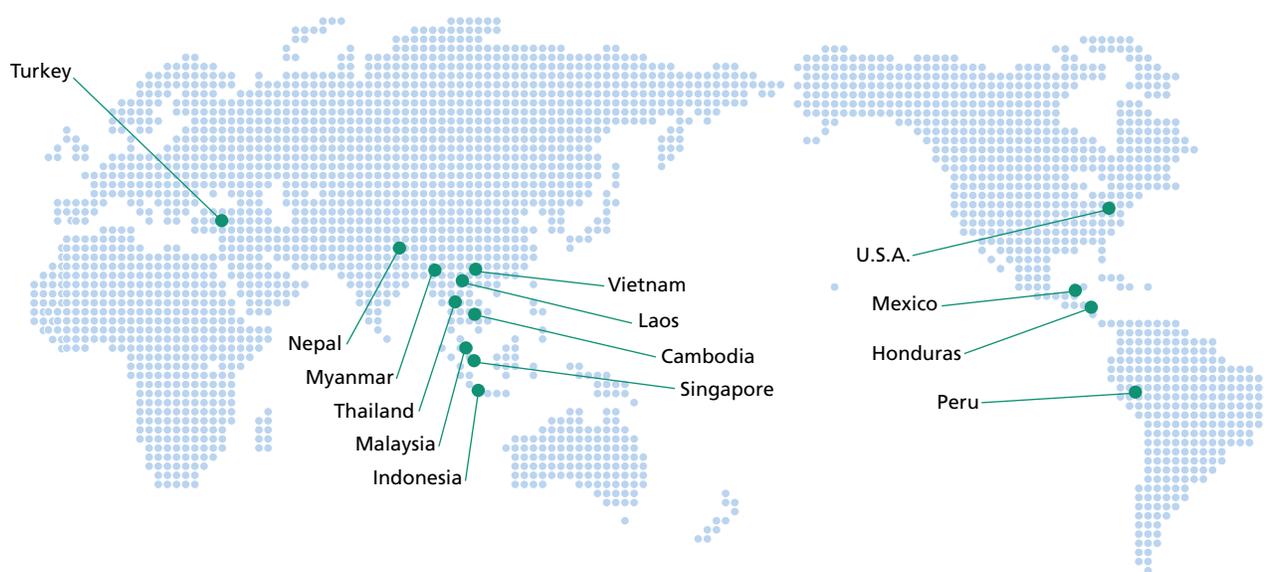
August 7, 2015  
Tokyo, Japan

# Global Network

## Japan

<b>Head Office</b>	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3600
<b>Branches</b>	Sapporo, Tohoku, Hokuriku, Metropolitan Area Building, Kanto Civil, Shizuoka, Nagoya, Osaka, Shikoku, Hiroshima, Kyushu	
<b>International Division</b>	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3640
<b>Branches</b>	Asia, North America	
<b>Technical Research Institute</b>	515-1, Karima, Tsukuba-shi, Ibaraki 305-0822, Japan	81-29-858-8800

## Overseas



Offices	Address	Phone
Thailand	159 Serm-Mit Tower Building, 15th Floor, Sukhumvit Road 21 (Soi Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand	66-2-665-7041
Vietnam	18th Floor, Harbour View Tower, 35 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam	84-8-38299533
Malaysia	Suite 13.4, Level 13, Menara IMC, Letter Box No.9, No.8, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	60-3-2031-4902
Indonesia	Menara Thamrin, 14th Floor, Suite 1405, J.L. M.H. Thamrin Kav. 3, Jakarta, 10250, Indonesia	62-21-3140392
Laos	Ban Sibounheung Unit No.3 House No.030 Chanthabouly District Vientiane Capital, LAO.P.D.R	856-21-250-872
Myanmar	Room No.513, YANGON INTERNATIONAL HOTEL, No.330, Ahlone Road, Dagon Township, Yangon, Myanmar	95-1-216002 (Ext.513)
Cambodia	Office NO.19, HOTEL CAMBODIANA 313 Sisowath Quay, Phnom Penh, Cambodia	855-23-992-914
Nepal	P.O.Box No.4137 Ward No.4 Baluwatar, Kathmandu, Nepal	977-1-4438032
Turkey	ATATURK MAHALLESİ GIRNE CADDESİ, NO:27, D:2-3, Atasehir, Istanbul, Turkey	90-216-456-5047
Mexico	Paseo de la Reforma N° 373 1-B Col. Cuauhtémoc C.P. 06500 Del. Cuauhtémoc Mexico D.F.	52-55-5525-9311
U.S.A.	500 West Wilson Bridge Road, Suite 130 Worthington, Ohio 43085, U.S.A.	1-614-985-4906
Peru	AV. Javier Prado Este 1104, Edificio San Agustín Of.603, San Isidro, Lima, Peru	51-1-225-7553
Honduras	Colonia Lomas de Miraflores Sur 3ra. Calle, Casa No. 4310, Tegucigalpa M.D.C., Honduras, C.A	504-2271-1283

## Corporate Data

(As of March 31, 2015)

<b>Name</b> HAZAMA ANDO CORPORATION	<b>Authorized Shares</b> Common stock 397,250,000 Preferred stock 2,750,000	<b>Issued Shares</b> Common stock 185,209,189	<b>Number of Shareholders</b> 42,980
<b>Established</b> October 1, 2003			<b>Number of Employees</b> 3,349
<b>Capital</b> ¥12,000 million			

## Directors, Officers

(As of July 1, 2015)

<b>Board Directors</b> <i>Representative Director and Chairman of the Board of Directors</i> Toshio Ono <i>Representative Director and President</i> Toshiaki Nomura <i>Representative Directors and Vice Presidents</i> Mitsuaki Higo Haruyuki Kaneko <i>Board Director and Vice President</i> Hisanori Ueno	<b>Board Directors / Senior Managing Executive Officers</b> Hikari Yamazaki Hidekazu Kojima <b>Board Directors / Managing Executive Officers</b> Yasushi Kikuchi Fumio Sugimoto Kiyoka Fukunishi <b>Board Directors (External Board Directors)</b> Yuzuru Fujita Shoko Ikeda <b>Auditors</b> <i>Auditors</i> Yoshihiko Baba Kimihiko Hirata	<b>Corporate Auditors (External Auditors)</b> Yuji Onuki Shigeo Kamimura <b>Executive Officers</b> <i>Senior Managing Executive Officers</i> Toshioki Nishida Mamoru Iwao <i>Managing Executive Officers</i> Hidetoshi Yoichi Toshihiko Kitano Masato Fukutomi Kazuza Ozawa <i>Executive Officers</i> Toshimitsu Ueno Daizo Yoshikawa Takamitsu Takeuchi	Shinkichi Komatsubara Katsuhiko Tabuchi Katsuhiko Kosaka Yoshihiro Nasu Shozo Tsuji Tatsumi Asao Hideo Hosobuchi Hajime Tsukizu Toshiaki Iimura Yoichi Matsuura Masaaki Tomita Toru Ikegami Muneo Gomi Ken Moriyasu Kazutaka Miyazaki Hiroshi Ono Hideo Matsumoto Masanobu Shiga Takeshi Komatsu
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## Major Subsidiaries and Affiliates

(As of April 1, 2015)

Name	Stated Capital	Principal Business	Address / Phone
Hazama Ando Kogyo Co., Ltd.	152.5 million JPY	Sales of Construction Materials	1-38-4, Kameido, Koto-ku, Tokyo 136-0071, Japan 81-3-5626-7130
Aoyama Kiko Co., Ltd.	80 million JPY	Construction, Procurement	2-45, Yamanaka, Kitamoto-shi, Saitama 364-0004, Japan 81-48-591-9770
Ryoko Kaihatsu Co., Ltd.	80 million JPY	Real-estate	1-8-20, Marunouchi, Naka-ku, Nagoya-shi, Aichi 460-0002, Japan 81-52-232-2171
HAZAMA ANDO (THAILAND) CO., LTD.	16 million THB	Construction	159 Serm-Mit Tower Building, 15 <sup>th</sup> Floor, Sukhumvit Road 21 (Soi Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand 66-2-665-2980
HAZAMA ANDO SINGAPORE PTE. LTD.	6.5 million SGD	Construction	168 Jalan Bukit Merah #03-07 D&E, Tower C, Singapore 150168 65-6270-9498
HAZAMA ANDO MALAYSIA SDN. BHD.	800,000 MYR	Construction	No. 84B, Jalan Sutera Tanjung 8/4, Taman Sutera Utama, 81300 Skudai, Johor, Malaysia 60-7-557-3833



**HAZAMA ANDO**  
CORPORATION