

HAZAMA ANDO CORPORATION

ANNUAL REPORT 2018

Year ended March 31, 2018



HAZAMA ANDO CORPORATION

HAZAMA ANDO CORPORATION was launched on April 1, 2013, through the merger of HAZAMA CORPORATION and ANDO Corporation, with the aim of 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 Japan's development and the creation of today's modern lifestyle. The firm's business scope extends beyond Japan to more than 30 countries and territories around the world.

In the five years since the merger, taking advantage of Japan's brisk construction market, HAZAMA ANDO CORPORATION has significantly boosted its profitability through productivity improvements and other measures, and expanded its capital base, stabilizing and strengthening its management and financial foundations.

HAZAMA ANDO CORPORATION aspires to be a company trusted by society into the future. To achieve this, we will generate innovation throughout the corporate group with reliable technology and passion, new ideas and flexible thinking, as well as bold activity. Further, we seek to realize a prosperous society in which people can live with peace of mind and comfort, and to establish a new history and tradition as HAZAMA ANDO CORPORATION.

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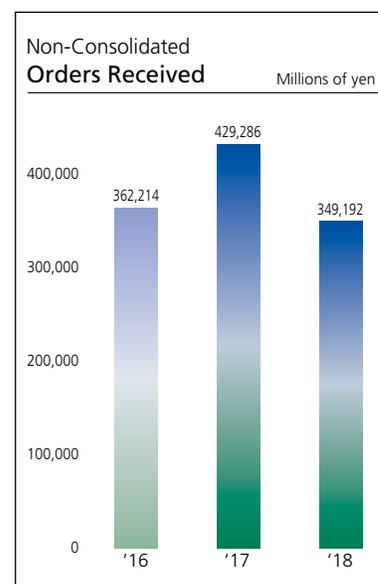
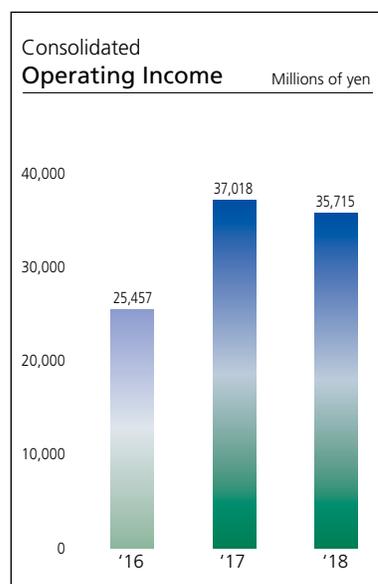
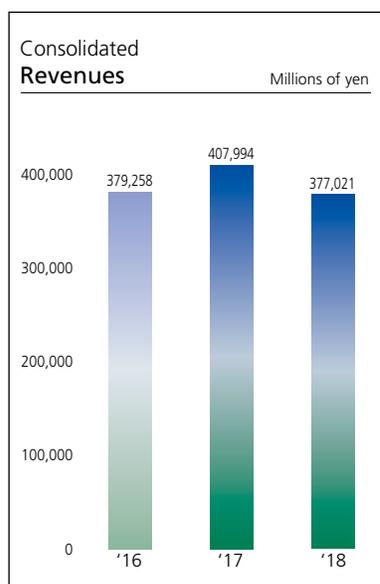
Financial Highlights

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2018, 2017 and 2016

Consolidated	Millions of yen			Thousands of U.S. dollars
	2018	2017	2016	2018
Revenues	¥377,021	¥407,994	¥379,258	\$3,547,765
Operating income	35,715	37,018	25,457	336,078
Profit attributable to owners of parent	23,862	26,277	14,984	224,541
Total assets	329,781	318,387	300,368	3,103,237
Net assets	122,400	100,744	76,978	1,151,785

	Yen			U.S. dollars
Basic profit attributable to owners of parent per share	¥ 128.97	¥ 142.30	¥ 81.03	\$ 1.21
Net assets per share	651.77	541.43	411.76	6.13

Note: U.S. dollar amounts in this annual report are translated from yen at the rate of ¥106.27 to US\$1.00 for convenience.



Message from the President

The HAZAMA ANDO CORPORATION Group, with the aim of being a group able to achieve sustainable growth, formulated a medium-term management plan (FY3/16 – FY3/18) with the strategic theme of “Transformation to an Engaging Corporate Group,” and has made a concerted effort to implement this plan.

The fiscal year ended March 2018 was the final year for this management plan. Under the plan, we continued with measures to secure and develop human assets, and improve the working environment. We also took steps for labor-saving measures, including technology development utilizing ICT and artificial intelligence (AI), and began operations at a precast concrete factory.

In terms of business results, although revenue fell short of plan, earnings exceeded our target figures, supported by the moderate recovery in the Japanese economy. As a result, we achieved an equity ratio of 36.9%, and were able to increase dividends for a fourth consecutive year since the merger. This is the result of the understanding and support we have received from stakeholders, and we would like to express our sincere appreciation.

At the same time, HAZAMA ANDO CORPORATION faced a difficult situation in September 2017, when the Tokyo District Public Prosecutors Office charged two of our employees with fraud related to the decontamination project for Tamura-shi in Fukushima Prefecture, for which we received a contract in August 2013. In March 2018, these two individuals received criminal sentences. I would like to sincerely apologize to our shareholders, business partners, and everyone involved for the trouble and concern this has caused. Although the court found that our company was not involved, we take this incident seriously, and have made a concerted effort as a corporate group to prevent a reoccurrence and regain trust as quickly as possible, including holding explanatory meetings for all group employees and executives, and revising our structures for business execution.

Looking ahead to the fiscal year ending March 2019, we expect further recovery in the economy, with improvement in corporate earnings, employment, and income. However, the uncertainties in the world economy due to foreign political trends could have an impact on Japan’s domestic industry.

In our main sector of construction, the entire industry is facing long-term decreases in investment in new construction from both the public and private sectors, as well as the need to implement working style reforms, productivity increases, and human resource development to counter the continued decline in the number of skilled construction workers. Further, advancements in information technology are accelerating



change in the external business environment more than ever before, with needs from society becoming more diverse and sophisticated.

Under such circumstances, the HAZAMA ANDO CORPORATION Group formulated a new Medium-term Management Plan (FY3/19 – FY3/21) with a basic policy of “achieving growth through innovation.” We will respond with innovation to the changes in the business environment and societal needs, and by strengthening the construction business and broadening our business domain, achieve reliable growth that will endure into the future.

Finally, we will adhere to our basic management policy of “Safe, Reliable, High-Quality Construction” while making a concerted effort to achieve the Medium-term Management Plan, with the aim of being a company that meets the expectations of all stakeholders, including society, customers, shareholders, business partners, and employees, and continues to achieve steady growth together. We ask for your continued understanding and support.

Masato Fukutomi

Representative Director and President

Business Conditions and Outlook

1 Summary of Business Activities

The Japanese economy recovered at a moderate pace during the fiscal year ended March 2018, amid improvement in corporate earnings, an upturn in consumer spending, and an increase in private-sector capital investment.

Looking ahead, while caution remains warranted due to turbid conditions in overseas markets, we expect further recovery in the economy amid continued improvement in employment and income, and the positive effects of government policy measures.

In the construction industry, the principal business of the HAZAMA ANDO CORPORATION Group, the business environment continues to be stable as a result of firm construction investment from both the public and private sectors.

Under such conditions, HAZAMA ANDO CORPORATION Group recorded consolidated revenues of ¥377.0 billion (-7.6% year on year) for the fiscal year ended March 2018, with operating income of ¥35.7 billion (-3.5%), ordinary income of ¥34.7 billion (-4.1%), and profit attributable to owners of parent of ¥23.8 billion (-9.2%).

Results by business segment are as follows.

- **Civil Engineering**
Revenues amounted to ¥127.5 billion (-4.8% year on year), with operating income of ¥22.3 billion (-17.1%).
- **Building Construction**
Revenues amounted to ¥215.9 billion (-9.6% year on year), with operating income of ¥16.5 billion (+26.6%).
- **Group Business**
Revenues amounted to ¥27.0 billion (+5.6% year on year), with operating income of ¥1.4 billion (-11.9%).
- **Other**
Revenues amounted to ¥6.4 billion (-31.6% year on year), with operating income of ¥0.6 billion (-9.7%).

2 Future Outlook

In the construction industry, business conditions are expected to remain steady in the near term on public and private sector construction investment. Over the longer term, however, the entire construction industry will face shrinking investment in new construction, as well as issues of working style reforms, productivity increases, and human resource development to address the continued decline in number of skilled construction workers.

The subject fiscal year was the final year for the Medium-term Management Plan (FY3/16 – FY3/18). The HAZAMA ANDO CORPORATION Group steadily implemented this plan amid a favorable environment for the Japanese construction industry. We were successful with various measures including increased productivity, achieved a considerable improvement in profitability, and expanded our capital base, stabilizing and strengthening our management and financial foundations. Over the medium term, however, ongoing issues to address include further productivity gains, implementing working-style reforms to achieve the target of “eight closures every four weeks,” and strengthening environmental measures.

Under such circumstances, HAZAMA ANDO CORPORATION formulated a new Medium-term Management Plan (FY3/19 – FY3/21) with a basic policy of achieving growth through innovation. We will respond with innovation to changes in the business environment and societal needs, and by enhancing and strengthening the construction business, diversifying our earnings base, and bolstering ESG (environment, social, governance) measures, we will achieve reliable growth into the future.

Medium-term Management Plan (FY3/19 – FY3/21)

Priority Measures

1. Enhance and strengthen the construction business
Create a foundation to broadly support social infrastructure, from new construction to maintenance.
 - 1) Technological development
 - Accelerate development of technologies that lead to increases in construction productivity, and expand utilization of information technologies.
 - Pursue collaboration with different industries, industry-university-government associations, and partner firms.
 - Develop and apply environmental technologies.
 - 2) Human asset development / Support for partner firms
 - Pass on skills and expertise by cultivating young workers early, and supporting senior employees.
 - Support recruiting, human asset development, and strengthening management for partner firms.
 - 3) System and operational reform
 - Improve and reform construction production systems.
 - Civil Engineering: Expand business in growing segments (energy sector, expressway renovation, etc.).
 - Building Construction: Shift business focus to value-added projects (life-cycle cost, facility management, etc.).
 - Enhance efficiency through greater utilization of BIM and CIM.
 - Strengthen the purchasing function and diversify procurement methods.
 - Enhance efficiency in administrative operations utilizing ICT and AI technologies.

4) Overseas business

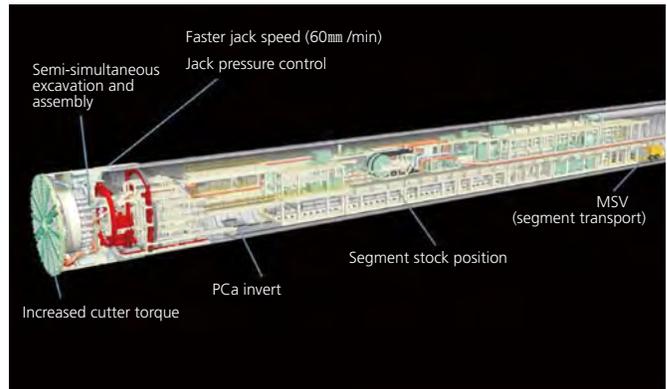
- Improve productivity and profitability by furthering globalization, including development of national staff.
 - Build a long-term business growth model, including M&A.
2. Diversify the earnings base
 - Strengthen measures to build next-generation social infrastructure.
 - Pursue measures for energy management, including the use of next-generation energy.
 - Utilize expertise in energy management.
 3. Utilize the collective power of the corporate group
 - Enhance the specialization functions of group companies.
 - Strengthen cross-organizational measures aimed at expanding the building construction business.
 4. Strengthen ESG measures
 - Strengthen environmental activities and promote commercialization.
 - Expand business activities that respond to societal expectations (compliance, promotion of diversity, working-style reforms).
 - Enhance social contributions.
 5. Other
 - Make proactive investments for growth.

Target Figures for FY3/21 (the final year of the plan)

	Non-consolidated	Consolidated
Revenues	Around ¥440bn	Around ¥480bn
Operating income	Around ¥33bn	Around ¥36bn
Operating profit margin	Over 7.5%	
ROE	15%	
Payout ratio	—	Over 30%

Smart Shield® – Advanced Shield Tunneling Method Utilizing ICT

Smart Shield® is a system to centrally process and visually represent shield tunneling excavation data and machinery operating status, as well as information on the tunneling shield location, soil, and nearby structures. This accelerates evaluation of the current status, and reduces the work of project management. Further, the system allows for use of new technologies in large section, long distance shield tunneling, such as semi-simultaneous excavation and assembly, increased cutter torque, and MSV (multi-service vehicles). It also optimizes the cycle time for shield excavation and segment assembly, doubling the pace of previous shield tunneling, and enhancing productivity.



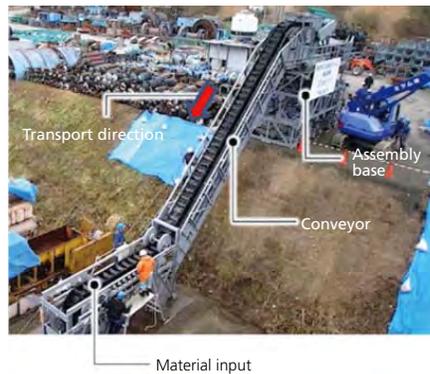
Yokohama Circular Northwest Route Shield Tunnel Project

Transport System Developed to Capably Convey Large Volumes of Dam Body Materials over Steep Grades

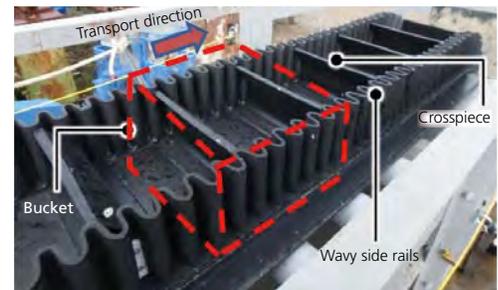
During construction of dams, materials need to be transported over steep grades from the manufacturing facility to the placement point, and it's important to ensure these materials are kept from listing to avoid deterioration. Further, during construction of trapezoidal CSG dams*, because of the rapid placement speed, transport systems are needed that can convey large volumes at a high pace.

The "Hakobu-no-saurus" steep slope belt conveyor has buckets with crosspieces and wavy side rails on the belt that increase transport capacity, and prevent materials from falling or losing quality during conveyance. By transporting the boxed materials smoothly at a fixed speed, the system is able to move materials of high liquidity without causing material separation. Also, because the power is one-directional, the system provides large transport capacity with energy savings.

*Trapezoid-shaped dams built with cemented sand and gravel (CSG), made by mixing cement and water with gravel or other rock-based material. The dam surface is then covered with protective concrete to provide durability.



Steep slope belt conveyor "Hakobu-no-saurus"



Bucket

Development of Radioactivation-resistant Materials for Leading-edge Medical Facilities

The radioactivation of concrete and other materials is a problem at leading-edge medical facilities that generate neutrons. "Radioactivation" is a physical phenomenon by which materials that were not originally radioactive become so after exposure to neutrons. As concrete becomes radioactive, medical workers and patients are unnecessarily exposed to the gamma rays it emits. HAZAMA ANDO CORPORATION has developed a radioactivation-resistant epoxy resin board that absorbs neutrons, helping to lower the amount of radiation in the building framework. We have acquired a patent for the installation method using this interior material.



Installation of radioactivation-resistant epoxy resin boards at a leading-edge medical facility



HAZAMA ANDO CORPORATION Technology Fair 2017

The HAZAMA ANDO CORPORATION Technology Fair 2017 was held in November 2017 at the Technical Research Institute, with the theme of "Venturing to the Future with People and Technology." Around 900 visitors attended the two-day event that presented 44 technologies, including cutting-edge technologies, many with interactive displays, on the three sub-themes of "Achieving a society where people can live with peace of mind," "Achieving an eco-friendly, affluent society," and "Creating new value and challenges for the future." We will focus on further improving technology in future.



Vibration testing of a buckling-restrained brace

FY3/18 Business Training for Japanese School Teachers Program

In August 2017, HAZAMA ANDO CORPORATION participated as a host corporation for the Business Training for Japanese School Teachers program sponsored by the Keizai Koho Center (Japan Institute for Social and Economic Affairs). We held three-day training programs for elementary and junior high school teachers at our Technical Research Institute and Chiba Factory. The aim of these trainings was to deepen understanding among teachers of the way corporations think about business activities, their business content and efforts for human resource development, as well as how corporations approach social responsibility and environmental issues, and to encourage the teachers to utilize these experiences in educating children. We created training programs to introduce the various activities of HAZAMA ANDO CORPORATION and convey the role and appeal of the construction industry, and provided a forum for fruitful exchange with the teachers on the program.



Observing the training for new employees (outdoor construction workshop)

Credit Rating Upgrade from R&I

On April 27, 2018, Rating and Investment Information, Inc. (R&I) upgraded HAZAMA ANDO CORPORATION's Issuer Rating to A- from BBB+. The main reason given for the upgrade was a "certain degree of strength in both civil engineering and building construction," and that "the company's basic earning capacity has risen thanks to the continued adherence to a profit-oriented order acceptance policy."

	Previous	Current
Rating Target	Issuer Rating	Issuer Rating
Rating	BBB+	A-
Rating Outlook	Positive	Stable

Review of Operations

Major Orders Received

- Hokkaido Shinkansen, Oshima Tunnel (Kaminoyu section) Construction Work/Japan Railway Construction, Transport and Technology Agency (Japan)
- DPL Kunitachi Fuchu Logistics Facility Construction Work/ Kunitachi Fuchu Specific Purpose Company (Japan) ①
- Kyoto Min-iren Chuo Hospital Construction Work/Public Interest Incorporated Associations KYOTO HOKENKAI (Japan) ②
- CROIX-DES-MISSIONS Bridge and New Road Bridge Construction Project/Ministry of Public Works, Transport and Communications, Republic of Haiti (Haiti) ③
- The Program for Rehabilitation and Recovery from Nepal Earthquake (The Subproject of Reconstruction of Paropakar Maternity and Women's Hospital, and Reconstruction of Bir Hospital) /Ministry of Health, Federal Democratic Republic of Nepal (Nepal) ④



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Major Projects in Progress

- Tokyo Contour Belt Highway Tomei Junction Ramp Shield Tunnel and Underground Widening (South Bound) Construction Work/East Nippon Expressway Company Limited (Japan)
- Yokohama Ring Expressway North-West Line Shield Tunnel Construction Work/City of Yokohama, Kanagawa Prefecture (Japan)
- Vientiane International Airport Terminal Expansion Project/ Ministry of Public Works and Transport, Lao P.D.R. (Laos) ⑤
- Marine Drive Hotel Project/Marine Drive Hotels (Private) Limited (Sri Lanka) ⑥
- Bandaranaike International Airport Development Project Phase II Stage 2 (Package B) /Airport and Aviation Services (Sri Lanka) Limited (Sri Lanka)



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Major Projects Completed

- Nagoya Castle Hommaru Palace Restoration Work/City of Nagoya, Aichi Prefecture (Japan) 7
- Nippon seinenkan & JAPAN SPORT COUNCIL Administrative Building Construction Work/Nippon seinenkan & JAPAN SPORT COUNCIL (Japan) 8
- Sakuma Road Tunnel No. 2 Construction Work for Year 2013/Chubu Regional Bureau, Ministry of Land, Infrastructure and Transport (Japan)
- The Project for Improvement Water supply system of Coronel Oviedo City/Ministry of Public Works and Communications, Republic of Paraguay (Paraguay) 9
- Yorozu Automotive Alabama New Factory Project/Yorozu Automotive Alabama, Inc. (U.S.A) 10
- The Project for Improvement of the National Road No.1 and the Project for Improvement of the National Road No.1 Urban Section/Ministry of Public Works and Transport, Kingdom of Cambodia (Cambodia)



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Corporate Governance

• Basic Policy

HAZAMA ANDO CORPORATION seeks to contribute to the advancement of society and its customers' business development through business activities founded on "Safe, Reliable, High-Quality Manufacturing." We recognize that maintaining and improving a management system able to respond flexibly to changes in the business environment, along with transparency and fairness in management oversight, are essential to achieve this goal. Accordingly, we continually pursue measures to enhance corporate governance.

• 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 provide an optimal management structure responsive 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 11 members as of June 28, 2018 (including three external directors, two of whom are female), comprising executive and non-executive directors. External directors, who are non-executive 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 28, 2018, totaled 28 (including eight executive officers who concurrently serve as directors). HAZAMA ANDO CORPORATION has established the seven officer categories of "president," "vice president," "chairman," "vice chairman," "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.

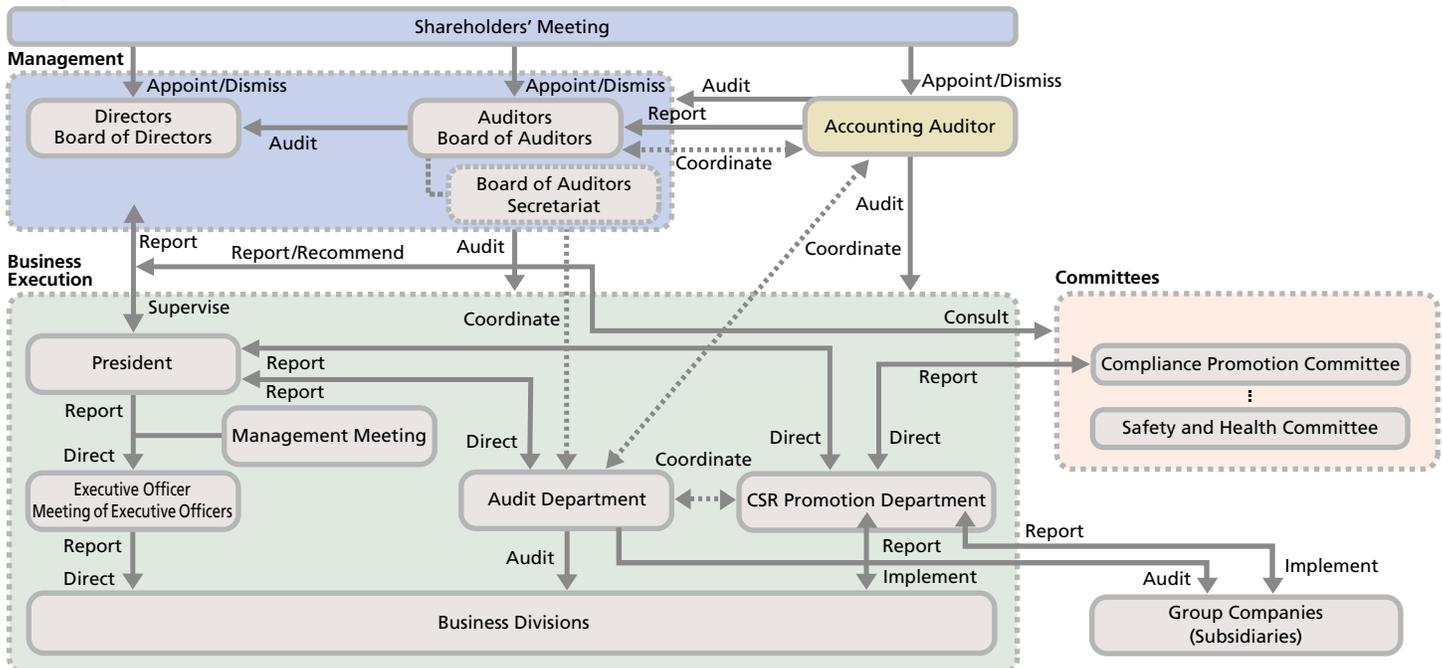
6. Board of Auditors System

The Board of Auditors comprised 4 members as of June 28, 2018 (including two full-time company auditors, and two non-regular external auditors). 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, 2018, 2017, 2016, 2015 and 2014

Summary

	Millions of yen					Thousands of U.S. dollars
	2018	2017	2016	2015	2014	2018
Operating results:						
Revenues						
Construction contracts	¥348,879	¥378,983	¥360,869	¥355,069	¥357,474	\$3,282,949
Other activities	28,142	29,011	18,389	14,634	13,743	264,816
Total	377,021	407,994	379,258	369,703	371,217	3,547,765
Cost of sales	319,666	348,836	334,524	333,691	342,810	3,008,055
Gross profit	57,355	59,158	44,734	36,012	28,407	539,710
Selling, general and administrative expenses	21,640	22,140	19,277	17,494	16,329	203,632
Operating income	35,715	37,018	25,457	18,518	12,078	336,078
Profit attributable to owners of parent	23,862	26,277	14,984	7,240	16,414	224,541
Financial position:						
Total assets	¥329,781	¥318,387	¥300,368	¥269,720	¥260,646	\$3,103,237
Total liabilities	207,381	217,643	223,390	205,099	206,265	1,951,454
Total net assets	122,400	100,744	76,978	64,621	54,381	1,151,785
Cash flows:						
Cash flows from operating activities	¥38,127	¥(1,802)	¥34,722	¥15,716	¥7,464	\$358,775
Cash flows from investing activities	(2,261)	6,317	(12,016)	(134)	3,593	(21,276)
Cash flows from financing activities	(3,962)	(3,376)	5,941	(7,490)	(54)	(37,282)
			Yen			U.S. dollars
Per share amounts:						
Profit attributable to owners of parent						
Basic	¥128.97	¥142.30	¥81.03	¥39.17	¥96.47	\$1.21
Diluted	119.41	131.60	80.96	39.12	88.59	1.12
Dividends						
Common stock	25.00	20.00	12.00	8.00	5.00	0.24
Net assets	651.77	541.43	411.76	345.56	290.96	6.13

- Note: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥106.27 to US\$1.00 for convenience.
2. The dividend per share for 2014 includes a ¥2 commemorative dividend.
3. The dividend per share for 2018 includes a ¥5 special dividend.

Financial Review

Revenues

Revenues in fiscal 2018 totaled ¥377,021 million (US\$3,547,765 thousand), of which ¥348,879 million (US\$3,282,949 thousand) came from construction projects and ¥28,142 million (US\$264,816 thousand) from other activities. These two business segments accounted for 92.5% and 7.5%, respectively, of total revenues.

Costs and Expenses

Cost of sales amounted to ¥319,666 million (US\$3,008,055 thousand), which is equivalent to 84.8% of revenues. Selling, general and administrative expenses amounted to ¥21,640 million (US\$203,632 thousand), which is equivalent to 5.7% of revenues. Operating income reached ¥35,715 million (US\$336,078 thousand), and the operating margin was 9.5%. Profit attributable to owners of parent amounted to ¥23,862 million (US\$224,541 thousand). Basic profit attributable to owners of parent per share was ¥128.97 (US\$1.21). We paid dividend of ¥11 (US\$0.10) per share for the fiscal year ended March 31, 2017 on June 30, 2017, and paid interim dividend of ¥10 (US\$0.09) per share for the fiscal year ended March 31, 2018 on December 6, 2017.

Financial Position and Analysis

Total assets amounted to ¥329,781 million (US\$3,103,237 thousand), total liabilities amounted to ¥207,381 million (US\$1,951,454 thousand), and total net assets amounted to ¥122,400 million (US\$1,151,785 thousand) at the end of fiscal 2018.

Net worth to total assets ratio was 36.9% Net assets per share amounted to ¥651.77 (US\$6.13).

Cash Flows

Cash and cash equivalents at the end of the year increased by ¥31,524 million (US\$296,641 thousand) to ¥139,190 million (US\$1,309,777 thousand).

Net cash provided by operating activities amounted to ¥38,127 million (US\$358,775 thousand) mainly as the result of income before income taxes amounting to ¥34,153 million (US\$321,380 thousand), decrease in notes and accounts receivable amounting to ¥17,498 million (US\$164,656 thousand), notes and accounts payable amounting to ¥14,055 million (US\$132,257 thousand) and income taxes paid amounting to ¥12,226 million (US\$115,047 thousand).

Net cash provided by investing activities amounted to ¥(2,261) million (US\$(21,276) thousand) mainly as a result of purchase of property, plant and equipment amounting to ¥2,137 million (US\$20,109 thousand).

Net cash used in financing activities amounted to ¥(3,962) million (US\$(37,282) thousand) mainly as a result of repayment of long-term loans payable amounting to ¥5,655 million (US\$53,214 thousand), income cash dividends paid amounting to ¥3,884 million (US\$36,548 thousand) and proceeds from long-term loans payable amounting to ¥5,562 million (US\$52,338 thousand).

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
	2018	2017	2016	2015	2014	2018
Civil engineering						
Domestic						
Government sector	¥88,070	¥99,198	¥85,772	¥77,095	¥80,092	\$828,738
Private sector	34,072	31,434	32,721	36,757	23,323	320,617
Overseas	5,331	3,543	4,002	7,721	6,695	50,165
Subtotal	127,473	134,175	122,495	121,573	110,110	1,199,520
Building construction						
Domestic						
Government sector	27,716	45,292	29,404	25,713	21,590	260,808
Private sector	168,806	169,470	171,296	169,524	183,281	1,588,463
Overseas	19,473	24,161	32,762	30,746	31,149	183,241
Subtotal	215,995	238,923	233,462	225,983	236,020	2,032,512
Total construction projects	¥343,468	¥373,098	¥355,957	¥347,556	¥346,130	\$3,232,032

Revenue from the civil engineering category accounted for ¥127,473 million (US\$1,199,520 thousand), or 37.1% of total revenue from construction projects, with domestic projects contributing ¥122,142 million (US\$1,149,355 thousand), or 95.8%.

The government sector contributed ¥88,070 million (US\$828,738 thousand), or 72.1%, of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥34,072 million (US\$320,617 thousand), or 27.9% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥5,331 million (US\$50,165 thousand), equivalent to 4.2% of total revenue in the civil engineering category.

Revenue from the building construction category totaled ¥215,995 million (US\$2,032,512 thousand), or 62.9% of total construction revenue. Domestic projects accounted for ¥196,522 million (US\$1,849,271 thousand), or 91.0%.

The government sector contributed ¥27,716 million (US\$260,808 thousand), or 14.1%, of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥168,806 million (US\$1,588,463 thousand), or 85.9%, of total domestic building construction revenue. Overseas building construction revenue reached ¥19,473 million (US\$183,241 thousand), equivalent to 9.0% of total revenue in the building construction category.

Total overseas construction revenue reached ¥24,804 million (US\$233,406 thousand) and accounted for 7.2% of total construction revenue. Civil engineering projects accounted for 21.5% of this total, and building construction for 78.5%.

Orders Received	Millions of yen					Thousands of U.S. dollars
	2018	2017	2016	2015	2014	2018
Civil engineering	¥123,469	¥193,008	¥123,292	¥167,060	¥107,666	\$1,161,842
Building construction	225,723	236,278	238,922	232,248	226,094	2,124,052
Total construction projects	¥349,192	¥429,286	¥362,214	¥399,308	¥333,760	\$3,285,894

Orders received for construction projects during fiscal 2018 amounted to ¥349,192 million (US\$3,285,894 thousand). Overseas work contributed 5.7% of orders in the construction category. Civil engineering orders amounted to ¥123,469 million (US\$1,161,842 thousand), or 35.4% of total construction orders. Building construction orders amounted to ¥225,723 million (US\$2,124,052 thousand), which is equivalent to 64.6% of total construction orders.

Year-end Backlog	Millions of yen					Thousands of U.S. dollars
	2018	2017	2016	2015	2014	2018
Civil engineering	¥221,679	¥226,120	¥167,343	¥166,623	¥121,099	\$2,085,998
Building construction	196,300	186,748	189,780	184,297	177,794	1,847,182
Total construction projects	¥417,979	¥412,868	¥357,123	¥350,920	¥298,893	\$3,933,180

Order backlog for construction projects at the end of fiscal 2018 amounted to ¥417,979 million (US\$3,933,180 thousand), with civil engineering work accounting for ¥221,679 million (US\$2,085,998 thousand), or 53.0%, and building construction for ¥196,300 million (US\$1,847,182 thousand), or 47.0%.

Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 24)	¥110,768	¥88,700	\$1,042,326
Marketable securities (Notes 3 and 24)	30,000	20,000	282,299
Receivables (Note 24):			
Notes	7,244	2,630	68,166
Accounts	98,191	120,303	923,977
Inventories (Notes 5 and 8)	9,253	10,205	87,071
Deferred tax assets (Note 18)	3,135	3,592	29,500
Other (Note 7)	14,695	17,448	138,280
Less allowance for doubtful accounts	(13)	(13)	(122)
Total current assets	273,273	262,865	2,571,497
Property, plant and equipment (Notes 7, 13, 14 and 15):			
Land	15,212	16,309	143,145
Buildings and structures	20,424	19,147	192,190
Machinery and equipment	10,227	9,123	96,236
Other	269	1,152	2,531
	46,132	45,731	434,102
Less accumulated depreciation	(19,512)	(19,223)	(183,608)
Net property, plant and equipment	26,620	26,508	250,494
Investments and other assets:			
Investment securities (Notes 3, 7 and 24)	21,364	20,238	201,035
Investments in unconsolidated subsidiaries and affiliates	443	300	4,169
Long-term loans receivable (Note 7)	458	500	4,310
Deferred tax assets (Note 18)	2,096	2,195	19,723
Other (Note 7)	5,548	5,804	52,207
Less allowance for doubtful accounts	(21)	(23)	(198)
Total investments and other assets	29,888	29,014	281,246
Total assets	¥329,781	¥318,387	\$3,103,237

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 6 and 24)	¥16,674	¥16,674	\$156,902
Current maturities of long-term loans payable (Notes 6 and 24)	5,206	5,152	48,988
Current portion of bonds (Notes 6 and 24)	362	391	3,406
Current portion of convertible bond-type bonds with subscription rights to shares (Notes 6 and 24)	8,714	—	81,999
Payables (Note 24):			
Notes	36,526	48,883	343,709
Accounts	54,194	55,404	509,965
Income taxes payable	4,716	7,465	44,378
Advances received (Note 16)	27,386	25,833	257,702
Accrued expenses	159	20	1,496
Provision for losses on construction contracts (Note 8)	351	606	3,303
Other	30,254	25,482	284,689
Total current liabilities	184,542	185,910	1,736,537
Long-term liabilities:			
Bonds (Notes 6 and 24)	570	441	5,364
Convertible bond-type bonds with subscription rights to shares (Notes 6 and 24)	—	10,033	—
Long-term loans payable, less current maturities (Notes 6 and 24)	8,397	8,544	79,016
Net defined benefit liability (Note 17)	12,498	11,918	117,606
Provision for environmental spending	153	153	1,440
Provision for management board incentive plan trust	139	78	1,308
Deferred tax liabilities (Note 18)	53	56	499
Other	1,029	510	9,683
Total long-term liabilities	22,839	31,733	214,916
Total liabilities	207,381	217,643	1,951,453
Net assets (Notes 20 and 21):			
Shareholders' equity:			
Capital stock			
Common stock	Authorized - 400,000,000 shares		
	Issued - 187,160,261 shares	12,651	12,000
			119,046
Capital surplus		15,643	14,994
Retained earnings		89,829	69,838
Less treasury stock, at cost		(295)	(303)
Total shareholders' equity		117,828	96,529
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	4,608	3,852	43,361
Deferred gains or losses on hedges	(20)	(11)	(188)
Foreign currency translation adjustment	135	145	1,270
Accumulated remeasurements of defined benefit plans	(996)	(609)	(9,372)
Total accumulated other comprehensive income	3,727	3,377	35,071
Share subscription rights	9	10	85
Non-controlling interests	836	828	7,867
Total net assets	122,400	100,744	1,151,784
Total liabilities and net assets	¥329,781	¥318,387	\$3,103,237

Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Revenues (Notes 10 and 22):			
Construction contracts	¥348,879	¥378,983	\$3,282,949
Other activities	28,142	29,011	264,816
	377,021	407,994	3,547,765
Cost of sales (Notes 11 and 22):			
Construction contracts	294,148	322,618	2,767,931
Other activities	25,518	26,218	240,124
	319,666	348,836	3,008,055
Gross profit	57,355	59,158	539,710
Selling, general and administrative expenses (Notes 12 and 22):	21,640	22,140	203,632
Operating income	35,715	37,018	336,078
Other income (expenses):			
Interest and dividends income	430	444	4,046
Reversal of allowance for doubtful accounts	(3)	208	(28)
Interest expense	(501)	(344)	(4,714)
Foreign exchange loss	(289)	(796)	(2,720)
Commission fee	(174)	(142)	(1,637)
Compensation for damage	(91)	—	(856)
Gain on sales of noncurrent assets (Note 14)	83	144	781
Gain on sales of investment securities	156	81	1,468
Loss on sales of noncurrent assets (Note 15)	(47)	(17)	(442)
Impairment loss (Note 13)	(752)	(1,098)	(7,076)
Loss on litigation	(54)	(74)	(508)
Other, net	(320)	(171)	(3,011)
	(1,562)	(1,765)	(14,697)
Income before income taxes	34,153	35,253	321,381
Income taxes (Note 18):			
Current	9,769	10,916	91,927
Deferred	510	(1,974)	4,800
	10,279	8,942	96,727
Profit	23,874	26,311	224,654
Profit attributable to non-controlling interests	12	34	113
Profit attributable to owners of parent	¥23,862	¥26,277	\$224,541

	Yen		U.S. dollars (Note 1)
	2018	2017	2018
Per share amounts (Note 23):			
Profit attributable to owners of parent			
Basic	¥128.97	¥142.30	\$1.21
Diluted	119.41	131.60	1.12
Cash dividends applicable to the year			
Common stock	25.00	20.00	0.24

See accompanying notes.

Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Profit	¥23,874	¥26,311	\$224,654
Other comprehensive income			
Valuation difference on available-for-sale securities	755	103	7,105
Deferred gains or losses on hedges	(9)	6	(85)
Foreign currency translation adjustment	76	(45)	715
Remeasurements of defined benefit plans	(387)	579	(3,642)
Total other comprehensive income (Note 19)	435	643	4,093
Comprehensive income	24,310	26,954	228,747
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	24,261	26,940	228,296
Comprehensive income attribute to non-controlling interests	49	14	461

See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
Balance at April 1, 2016	¥12,000	¥14,994	¥46,501	¥(56)
Cash dividends paid			(2,959)	
Profit attributable to owners of parent			26,277	
Disposal of treasury stock		(0)		2
Acquisition of treasury stock				(249)
Change of scope of consolidation			19	
Net changes in items other than shareholders' equity				
Balance at April 1, 2017	¥12,000	¥14,994	¥69,838	¥(303)
Conversion of Convertible bond-type bonds with Subscription rights to shares	651	651		
Cash dividends paid			(3,884)	
Profit attributable to owners of parent			23,862	
Disposal of treasury stock		(2)		11
Acquisition of treasury stock				(3)
Change of scope of consolidation			12	
Net changes in items other than shareholders' equity				
Balance at March 31, 2018	¥12,651	¥15,643	¥89,829	¥(295)

	Millions of yen						
	Accumulated other comprehensive income				Share subscription rights	Non-controlling 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, 2016	¥3,750	¥(18)	¥170	¥(1,187)	¥10	¥814	¥76,978
Cash dividends paid							(2,959)
Profit attributable to owners of parent							26,277
Disposal of treasury stock							2
Acquisition of treasury stock							(249)
Change of scope of consolidation							19
Net changes in items other than shareholders' equity	102	7	(25)	578	(0)	14	676
Balance at April 1, 2017	¥3,852	¥(11)	¥145	¥(609)	¥10	¥828	¥100,744
Conversion of Convertible bond-type bonds with Subscription rights to shares							1,302
Cash dividends paid							(3,884)
Profit attributable to owners of parent							23,862
Disposal of treasury stock							9
Acquisition of treasury stock							(3)
Change of scope of consolidation							12
Net changes in items other than shareholders' equity	756	(9)	(10)	(387)	(1)	8	357
Balance at March 31, 2018	¥4,608	¥(20)	¥135	¥(996)	¥9	¥836	¥122,400

Thousands of U.S. dollars (Note 1)				
Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2017	\$112,920	\$141,094	\$657,184	\$(2,852)
Conversion of Convertible bond-type bonds with Subscription rights to shares	6,126	6,126		
Cash dividends paid			(36,548)	
Profit attributable to owners of parent			224,541	
Disposal of treasury stock		(19)		104
Acquisition of treasury stock				(27)
Change of scope of consolidation			113	
Net changes in items other than shareholders' equity				
Balance at March 31, 2018	\$119,046	\$147,201	\$845,290	\$(2,775)

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	Non-controlling interests	Total
Balance at April 1, 2017	\$36,247	\$(103)	\$1,364	\$(5,730)	\$94	\$7,792	\$948,010
Conversion of Convertible bond-type bonds with Subscription rights to shares							12,252
Cash dividends paid							(36,548)
Profit attributable to owners of parent							224,541
Disposal of treasury stock							85
Acquisition of treasury stock							(27)
Change of scope of consolidation							113
Net changes in items other than shareholders' equity	7,114	(85)	(94)	(3,642)	(9)	75	3,359
Balance at March 31, 2018	\$43,361	\$(188)	\$1,270	\$(9,372)	\$85	\$7,867	\$1,151,785

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Income before income taxes	¥34,153	¥35,253	\$321,380
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,800	1,199	16,938
Impairment loss	752	1,098	7,076
Increase (decrease) in allowance for doubtful accounts	(2)	(2,220)	(19)
Increase (decrease) in provision for loss on construction contracts	(255)	(3,016)	(2,400)
Increase (decrease) in net benefit defined liability	577	(178)	5,430
Increase (decrease) in provision for warranties for completed construction	(1,362)	1,152	(12,816)
Interest and dividends income	(430)	(444)	(4,046)
Interest expense	501	344	4,714
Foreign exchange loss (gain)	65	354	612
Loss (gain) on sales of investment securities	(156)	(81)	(1,468)
Loss (gain) on valuation of investment securities	—	1	—
Loss (gain) on sales of property, plant and equipment	(36)	(127)	(339)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	17,498	(20,186)	164,656
Decrease (increase) in costs on uncompleted construction contracts	(520)	1,480	(4,893)
Decrease (increase) in other inventories	1,472	168	13,852
Decrease (increase) in advances paid	4,085	(2,892)	38,440
Increase (decrease) in notes and accounts payable	(14,055)	1,753	(132,257)
Increase (decrease) in advances received	1,454	(6,406)	13,682
Increase (decrease) in deposit received	(2,631)	808	(24,758)
Increase (decrease) in consumption tax payable	8,449	(1,417)	79,505
Other, net	(929)	1,744	(8,743)
Subtotal	50,430	8,387	474,546
Interest and dividends received	414	412	3,896
Interest paid	(491)	(797)	(4,620)
Income taxes paid	(12,226)	(9,804)	(115,047)
Net cash provided by operating activities	38,127	(1,802)	358,775
Cash flows from investing activities:			
Payments into time deposits	(1,788)	(982)	(16,825)
Proceeds from withdrawal of time deposits	1,294	9,681	12,177
Purchase of marketable securities and investment securities	(42)	(5,142)	(395)
Proceeds from sales and redemption of short-term and long-term investment securities	187	5,560	1,760
Purchase of property, plant and equipment	(2,137)	(2,392)	(20,109)
Proceeds from sales of property, plant and equipment	589	816	5,542
Payments of loans receivable	(8)	(2)	(75)
Collection of loans receivable	51	59	480
Other, net	(407)	(1,281)	(3,831)
Net cash provided by (used in) investing activities	(2,261)	6,317	(21,276)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	—	4,996	—
Proceeds from long-term loans payable	5,562	1,001	52,338
Repayments of long-term loans payable	(5,655)	(5,670)	(53,214)
Proceeds from issuance of bonds	546	—	5,138
Redemption of bonds	(446)	(451)	(4,197)
Cash dividends paid	(3,884)	(2,959)	(36,548)
Dividends paid to non-controlling interests	(40)	—	(376)
Other, net	(45)	(293)	(423)
Net cash used in financing activities	(3,962)	(3,376)	(37,282)
Effect of exchange rate changes on cash and cash equivalents	(53)	(456)	(499)
Net increase in cash and cash equivalents	31,851	683	299,727
Cash and cash equivalents at beginning of year	107,667	106,936	1,013,146
Increase in cash and cash equivalents from newly consolidated subsidiary	—	49	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(328)	—	(3,086)
Cash and cash equivalents at end of year (Note 4)	¥139,190	¥107,668	\$1,309,777

See accompanying notes.

Notes to Consolidated Financial Statements

HAZAMA ANDO CORPORATION- and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

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, 2018, which was ¥106.27 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 denominated in foreign currencies 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 which are not accounted for under the equity method (“available-for-sale securities”) are stated at fair market values, if their fair market values are readily determinable. 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 cost. Available-for-sale securities without readily determinable 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 income 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 during the period from the inception date of hedging to the evaluation of hedge effectiveness. However, the evaluation of hedge effectiveness is omitted for interest rate swap contracts as they meet certain hedging criteria.

(9) Property, plant and equipment, depreciation

Property, plant and equipment are carried at cost. Depreciation of buildings (excluding facilities attached to buildings) and facilities attached to buildings and structures, which were acquired since April 1, 2016 is mainly recorded on the straight-line method, and depreciation of other property, plant and equipment is recorded 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 contracts 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) Provision for management board incentive plan trust

To prepare for future awards of the Company’s stock to the Directors, the estimated cost for stock award debt based on predetermined regulations for awarding stock is recorded.

(13) 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. 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. 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.

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

(14) 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.

(15) 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 income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(16) 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.

(17) Amounts per share

Basic profit attributable to owners of parent per share is based on the weighted average number of common stock outstanding during the period, and diluted profit 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 ¥651.77 (US\$6.13) and ¥541.43 at March 31, 2018 and 2017, respectively.

(18) Additional information

Performance-linked stock compensation plan for directors and executive officers

(i) Transaction summary

At the ordinary general shareholders' meeting held on June 29, 2016, the Company was resolved to introduce a performance-linked stock compensation plan as an incentive plan for its directors and executive officers (the "Directors"). The plan is highly transparent and objective and closely linked with the Company's performance for the Directors, with the goal of increasing awareness of the importance of contributing to further enhancing the corporate value and performance over the medium-to-long-term.

The Company's stock is acquired through the Board Incentive Plan Trust ("BIP Trust") and awarded to the Directors in accordance with performance targets achieved.

(ii) Accounting treatment

To prepare for future awards of the Company's stock to the Directors, the estimated cost for stock award debt based on predetermined regulations for awarding stock is recorded to provision for management board incentive plan trust. And the Company's own stock in the Trust is recorded in treasury stock under net assets based on the book value in the Trust (excluding ancillary expenses). The book value and the number of these treasury stock in the Trust were ¥240 million (US\$2,258 thousand) and 419,850 shares, ¥247 million and 432,600 shares at March 31, 2018 and 2017, respectively.

3. Securities

(1) The following tables summarize book values and acquisition costs of available-for-sale securities at March 31, 2018 and 2017:

Type	Millions of yen					
	2018			2017		
	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	¥14,966	¥8,403	¥6,563	¥14,198	¥8,365	¥5,833
Sub total	14,966	8,403	6,563	14,198	8,365	5,833
Securities with book values not exceeding acquisition costs						
Equity securities	¥3,205	¥3,316	¥(111)	¥2,967	¥3,340	¥(373)
Corporate bonds	2,000	2,000	—	2,000	2,000	—
Negotiable certificates of deposit	28,000	28,000	—	16,000	16,000	—
Other	—	—	—	2,000	2,000	—
Sub total	33,205	33,316	(111)	22,967	23,340	(373)
Total	¥48,171	¥41,719	¥6,452	¥37,165	¥31,705	¥5,460

Type	Thousands of U.S. dollars		
	2018		
	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	\$140,830	\$79,072	\$61,758
Sub total	140,830	79,072	61,758
Securities with book values not exceeding acquisition costs			
Equity securities	\$30,159	\$31,204	\$(1,045)
Corporate bonds	18,820	18,820	—
Negotiable certificates of deposit	263,480	263,480	—
Sub total	312,459	313,504	(1,045)
Total	\$453,289	\$392,576	\$60,713

(2) Total sales, related gains and losses of held-to-maturity debt securities for the year ended March 31, 2017 is as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Government bonds			
Cost of sales	—	¥386	—
Sales	—	441	—
Related gains	—	55	—

The reason for sale

In order to effectively utilize assets, we sold the government bonds for held-to-maturity debt securities in the previous fiscal year.

(3) Total sales, related gains and losses of available-for-sale securities for the year ended March 31, 2018 and 2017 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Equity securities			
Sales	¥185	¥117	\$1,741
Related gains	156	26	1,468

(4) Impairment losses on securities recognized for the years ended March 31, 2017 is as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Available-for-sale securities	—	¥1	—
Total	—	¥1	—

4. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2018 and 2017 were reconciled with cash and time deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and time deposits	¥110,768	¥88,700	\$1,042,326
Time deposits with maturities of exceeding 3-month from the date of acquisition	(1,578)	(1,032)	(14,849)
Securities with remaining maturities of 3-month or less	30,000	20,000	282,300
Total: Cash and cash equivalents	¥139,190	¥107,668	\$1,309,777

5. Inventories

Inventories at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Accumulated Costs on uncompleted construction contracts	¥5,320	¥4,801	\$50,061
Others	3,933	5,404	37,010
Total	¥9,253	¥10,205	\$87,071

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 1.2% and 1.5% at March 31, 2018 and 2017.

Bonds at March 31, 2018 and 2017 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Long-term debt from bonds, insurance companies and others due serially through 2027:			
Unsecured 0.4%	¥932	¥832	\$8,770
Less current maturities	(362)	(391)	(3,406)
Sub total	570	441	5,364
Convertible bond-type bonds with subscription rights to shares	¥8,714	¥10,033	\$81,999
Total	¥9,284	¥10,474	\$87,362

Long-term loans payable at March 31, 2018 and 2017 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Long-term debt from banks, insurance companies and others due serially through 2027:			
Secured 0.9% to 1.6%	¥814	¥900	\$7,661
Unsecured 1.0% to 2.8%	12,789	12,796	120,344
Less current maturities	(5,206)	(5,152)	(48,988)
Total	¥8,397	¥8,544	\$79,016

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥362	\$3,406
2020	247	2,324
2021	159	1,496
2022	109	1,026
2023	55	518
Total	¥932	\$8,770

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

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥5,206	\$48,988
2020	4,517	42,505
2021	1,766	16,618
2022	1,118	10,520
2023	611	5,750
2024~	386	3,632
Total	¥13,604	\$128,013

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, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Property, plant and equipment	¥1,669	¥1,710	\$15,705
Investment securities	5,091	4,886	47,906
Other assets	130	137	1,224
Total	¥6,890	¥6,733	\$64,835

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
	2018	2017	2018
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	¥119	¥156	\$1,120

9. Contingent Liabilities

At March 31, 2018 and 2017, the Companies had the following contingent liabilities for loan guaranteed:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Guarantees for loan			
Loans of employees	¥2	¥2	\$19
Total	¥2	¥2	\$19

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, 2018 and 2017 were ¥327,195 million (US\$3,078,903 thousand) and ¥354,901 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, 2018 and 2017 were ¥151 million (US\$1,421 thousand) and ¥590 million, respectively.

12. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥3,612 million (US\$33,989 thousand) and ¥2,733 million for the years ended March 31, 2018 and 2017, respectively.

13. Impairment Loss

Impairment loss for the year ended March, 31, 2018 is as follows:

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Kanagawa prefecture	Asset for lease	Land	¥24	\$226
Chiba prefecture and Saitama prefecture	Idle asset	Land, leasehold right	728	6,850
Total			¥752	\$7,076

Impairment loss for the year ended March, 31, 2017 is as follows:

Location	Use	Type of assets	Millions of yen
Shiga prefecture	Idle asset	Land, buildings and structures	¥701
Kagoshima prefecture	Idle asset	Land and buildings	397
Total			¥1,098

The Companies generally conduct grouping of its business assets by location and asset for lease or idle assets by each property and land unit to measure impairment loss. As the market price or profitability of the above asset for lease were decreased and the other asset become idle assets in the current fiscal year, the book value was reduced to recoverable amount, and such reduction was recorded as an impairment loss in the special loss caption. The recoverable amounts of these assets were measured based on net selling price, and were evaluated based on appraisal for assets with significant book value, and based on market standard for other assets.

14. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the year ended March 31, 2018 and 2017 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Land and Buildings	¥67	¥137	\$630
Other	16	7	151
Total	¥83	¥144	\$781

15. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets for the year ended March 31, 2018 and 2017 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Land and Buildings	¥47	¥16	\$442
other	—	¥0	—
Total	¥47	¥16	\$442

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 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.

Defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
(1) Movement in retirement benefit obligations			
Balance at April 1, 2017 and 2016	¥30,634	¥29,851	\$288,266
Service cost	1,376	1,329	12,948
Interest cost	306	299	2,879
Actuarial loss (gain)	567	645	5,336
Benefits paid	(1,665)	(1,490)	(15,668)
Balance at March 31, 2018 and 2017	¥31,218	¥30,634	\$293,761
(2) Movement in plan assets			
Balance at April 1, 2017 and 2016	¥20,256	¥19,096	\$190,609
Expected return on plan assets	219	215	2,061
Actuarial loss (gain)	(385)	729	(3,622)
Contributions paid by the employer	1,214	1,212	11,424
Benefits paid	(1,083)	(996)	(10,191)
Balance at March 31, 2018 and 2017	¥20,221	¥20,256	\$190,281
(3) Movement in simplified method			
Balance at April 1, 2017 and 2016	¥1,540	¥1,426	\$14,491
Retirement benefit costs	262	288	2,465
Benefits paid	(303)	(168)	(2,851)
Other	2	(6)	19
Balance at March 31, 2018 and 2017	¥1,501	¥1,540	\$14,124
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits			
Funded retirement benefit obligation	¥31,218	¥30,634	\$293,761
Plan assets	(20,221)	(20,256)	(190,279)
	10,997	10,378	103,482
Unfunded retirement benefit obligation	1,501	1,540	14,124
Total net liability (asset) for retirement benefits at March 31, 2018 and 2017	12,498	11,918	117,606
Net defined benefit liability	12,498	11,918	117,606
Total net liability (asset) for retirement benefits at March 31, 2018 and 2017	¥12,498	¥11,918	\$117,606

(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
	2018	2017	2018
(5) Retirement benefit costs			
Service cost	¥1,376	¥1,329	\$12,948
Interest cost	306	298	2,879
Expected return on plan assets	(220)	(215)	(2,070)
Net actuarial loss amortization	394	672	3,708
Past service costs amortization	—	78	—
Retirement benefit expenses by simplified method	262	289	2,465
Total retirement benefit costs for the fiscal year ended March 31, 2018 and 2017	¥2,118	¥2,451	\$19,930
(6) Remeasurements of defined benefit plans			
Past service costs	¥ —	¥(78)	\$ —
Net actuarial loss	(588)	(756)	(5,533)
Total adjustments for retirement benefit	¥(588)	¥(834)	\$(5,533)
(7) Accumulated remeasurements of defined benefit plans			
Actuarial gains and losses that are yet to be recognized	1,436	878	13,513
Total accumulated adjustments for retirement benefit	¥1,436	¥878	\$13,513
(8) Plan assets			
1. Plan assets comprise:			
	2018	2017	
Bonds	41%	41%	
Equity securities	21	22	
General account assets	16	16	
Cash and deposits	3	3	
Other	19	18	
Total	100%	100%	

(Note) The retirement benefit trust that has been established for the corporate pension plan accounts for 12% and 14% of the total plan assets for the year ended March 31, 2018 and 2017.

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, 2018 and 2017 (expressed as weighted averages) follow:

	2018	2017
Discount rate	1.0%	1.0%
Long-term expected rate of return	1.1%	1.1%

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 30.9% for the years ended March 31, 2017.

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, 2017.

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 were not disclosed, since the difference between the statutory tax rate and the effective tax rate is less than 5% of the statutory effective tax rate.

	2017
Statutory tax rate	30.9%
Permanent non-deductible expenses	0.4
Permanent non-taxable income	(0.4)
Per capita inhabitant taxes	0.5
Change in valuation allowance	(3.9)
Others	(2.1)
Effective tax rate	25.4%

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability	¥5,452	¥5,008	\$51,303
Others	6,076	7,254	57,175
Gross deferred tax assets	11,528	12,262	108,478
Less: Valuation allowance	(2,575)	(3,067)	(24,230)
Total deferred tax assets	8,953	9,195	84,248
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	1,839	1,603	17,305
Others	1,937	1,861	18,227
Total deferred tax liabilities	3,776	3,464	35,532
Net deferred tax assets	¥5,177	¥5,731	\$48,716

19. Comprehensive Income

Amounts reclassified to profit for the fiscal year ended March 31, 2018 and 2017 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
	2018	2017	2018
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥1,050	¥205	\$9,881
Reclassification adjustment	(58)	(26)	(546)
Sub-total, before tax	992	179	9,335
Tax (expense) or benefit	(237)	(76)	(2,230)
Sub-total, net of tax	755	103	7,105
Deferred gains or losses on hedges:			
Increase (decrease) during the year	¥(19)	¥2	\$(178)
Reclassification adjustment	6	7	56
Sub-total, before tax	(13)	9	(122)
Tax (expense) or benefit	4	(3)	37
Sub-total, net of tax	(9)	6	(85)
Foreign currency translation adjustment:			
Increase (decrease) during the year	¥76	¥(46)	\$715
Reclassification adjustment	—	—	—
Sub-total, before tax	76	(46)	715
Tax (expense) or benefit	—	1	—
Sub-total, net of tax	76	(45)	715
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥(953)	¥84	\$(8,968)
Reclassification adjustment	395	750	3,717
Sub-total, before tax	(558)	834	(5,251)
Tax (expense) or benefit	171	(255)	1,609
Sub-total, net of tax	(387)	579	(3,642)
Total other comprehensive income	¥435	¥643	\$4,093

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 issued

	Number of shares Common stock
Balance at April 1, 2016	185,209,189
Increase during the year	0
Decrease during the year	0
Balance at April 1, 2017	185,209,189
Increase during the year	1,951,072
Decrease during the year	0
Balance at March 31, 2018	187,160,261

(2) Treasury stock outstanding

	Number of shares Common stock
Balance at April 1, 2016	260,800
Increase during the year	435,869
Decrease during the year	9,914
Balance at April 1, 2017	686,755
Increase during the year	3,525
Decrease during the year	28,659
Balance at March 31, 2018	661,621

(Note) Stock owned by BIP Trust is included in Treasury stock at March 31, 2018 (Included amount: 419,850 shares).

22. Segment Information

(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 has 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, 2018 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2018:								
Revenues:								
Outside customers	¥127,589	¥215,944	¥27,026	¥370,559	¥6,461	¥377,020	¥ —	¥377,020
Intersegment	—	51	41,282	41,333	16	41,349	(41,349)	—
Total	127,589	215,995	68,308	411,892	6,477	418,369	(41,349)	377,020
Segment profit	22,365	16,562	1,441	40,368	660	41,028	(5,313)	35,715
Assets	Note 4	Note 4	36,162	179,358	8,590	187,948	141,833	329,781
Other material items:								
Depreciation and amortization	485	822	265	1,572	94	1,666	116	1,782
Capital expenditures	Note 4	Note 4	334	2,572	2	2,574	(7)	2,567

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2018:								
Revenues:								
Outside customers	\$1,200,612	\$2,032,032	\$254,314	\$3,486,958	\$60,798	\$3,547,756	\$ —	\$3,547,756
Intersegment	—	480	388,463	388,943	151	389,094	(389,094)	—
Total	1,200,612	2,032,512	642,777	3,875,901	60,949	3,936,850	(389,094)	3,547,756
Segment profit	210,455	155,848	13,560	379,863	6,210	386,073	(49,995)	336,078
Assets	Note 4	Note 4	340,284	1,687,758	80,831	1,768,589	1,334,648	3,103,237
Other material items:								
Depreciation and amortization	4,563	7,735	2,494	14,792	884	15,676	1,093	16,769
Capital expenditures	Note 4	Note 4	3,143	24,203	18	24,221	(66)	24,155

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 ¥(5,314) million (US\$(50,005) thousand), which included ¥(13) million (US\$(122) thousand) of intersegment eliminations and others, and ¥(5,301) million (US\$(49,883) 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 ¥141,834 million (US\$1,334,657 thousand), which included ¥(21,434) million (US\$(201,694) thousand) of intersegment eliminations and others, and ¥163,268 million (US\$1,536,351 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 statements of income.
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 has 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 ¥143,196 million (US\$1,347,473 thousand), and capital expenditures of these segments are amounted to ¥2,238 million (US\$21,060 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2017 is as follows:

	Millions of yen							
	Reportable segments			Sub total	Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries					
Year ended March 31, 2017:								
Revenues:								
Outside customers	¥134,038	¥238,922	¥25,595	¥398,555	¥9,439	¥407,994	¥ —	¥407,994
Intersegment	—	2	35,908	35,910	15	35,925	(35,925)	—
Total	134,038	238,924	61,503	434,465	9,454	443,919	(35,925)	407,994
Segment profit	26,979	13,083	1,635	41,697	731	42,428	(5,410)	37,018
Assets	Note 4	Note 4	36,632	199,019	10,208	209,227	109,160	318,387
Other material items:								
Depreciation and amortization	230	410	247	887	91	978	210	1,188
Capital expenditures	Note 4	Note 4	217	2,706	44	2,750	417	3,167

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 ¥(5,410) million (US\$(48,217) thousand), which included ¥(22) million (US\$(196) thousand) of intersegment eliminations and others, and ¥(5,388) million (US\$(48,021) thousand) 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 ¥109,160 million (US\$972,906 thousand), which included ¥(22,560) million (US\$(201,069) thousand) of intersegment eliminations and others, and ¥131,720 million (US\$1,173,975 thousand) 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 statements of income.
- As discussed in Note 22. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker has 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 ¥162,387 million (US\$1,447,300 thousand), and capital expenditures of these segments are amounted to ¥2,489 million (US\$22,184 thousand).

(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, 2018 and 2017 are as follows:

Geographic Areas	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japan	¥350,798	¥379,403	\$3,301,007
Other	26,223	28,592	246,758
Total	¥377,021	¥407,995	\$3,547,765

(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 statements of income for the year ended March 31, 2018.

Disclosure of information about major customers for the year ended March 31, 2017 is as follows:

Customers	Sales	Segments
	Millions of yen	
Ministry of the Environment	¥47,898	Civil engineering

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

Impairment loss of fixed assets by reported segment of the year ended March 31, 2018 and 2017 are as follows:

Millions of yen						
2018						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	¥ —	¥ —	¥ —	¥24	¥728	¥752

Thousands of U.S. dollars						
2018						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	\$ —	\$ —	\$ —	\$226	\$6,850	\$7,076

Millions of yen						
2017						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥1,098	¥1,098

23. Amounts per Share of Common Stock

Basis of calculation of basic and diluted profit attributable to owners of parent per share (the "EPS") for the year ended March 31, 2018 is as follows:

	Profit attributable to owners of parent	Weighted-average shares	EPS	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended March 31, 2018:				
Profit attributable to owners of parent	¥23,862			
Basic EPS-Profit available to common shareholders	¥23,862	185,027	¥128.97	\$1.21
Effect of dilution				
Shares adjusted by share subscription rights	(11)	14,713		
Diluted EPS-Profit for computation	¥23,873	199,740	¥119.41	\$1.12

(Note) Shares in BIP Trust are included in treasury stock from which are deducted in calculating profit attributable to owners of parent per share. The weighted-average number of shares issued and outstanding during the year ended March 31, 2018 were 669 thousand including 424 thousand of shares in BIP Trust at the year ended March 31, 2018.

Basis of calculation of basic and diluted profit attributable to owners of parent per share (the “EPS”) for the year ended March 31, 2017 is as follows:

Year ended March 31, 2017:	Profit attributable to owners of parent	Weighted- average shares	EPS
	Millions of yen	Thousands of shares	Yen
Profit attributable to owners of parent	¥26,277		
Basic EPS-Profit available to common shareholders	¥26,277	184,666	¥142.30
Effect of dilution			
Shares adjusted by share subscription rights	(11)	14,920	
Diluted EPS-Profit for computation	¥26,266	199,586	¥131.60

24. Financial Instruments

(1) Status of financial instruments

(a) Policies for using financial instruments

The Companies raise funds mainly by borrowings from bank and bond issues, 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.

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

Borrowings, 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 24 “Derivative Financial Instruments” are not indicative of actual market risk involved in derivative transactions.

(e) Concentration of credit risk

The trade receivables for specific and large-scale customers accounted for 12.3% of the total trade receivables in the consolidated financial statements of the current fiscal year. Since these large-scale customers are government agencies, the credit risk is extremely low.

(2) Fair value of financial instruments

The following tables summarize book values and fair values of financial instruments at March 31, 2018:

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	¥110,768	¥110,768	¥ —	\$1,042,326	\$1,042,326	\$ —
(b) Receivables:						
Notes	7,244	7,244	—	68,166	68,166	—
Accounts	98,191	98,185	(6)	923,977	923,920	(57)
(c) Marketable securities and						
Investment securities:						
Available-for-sale securities	48,171	48,171	—	453,289	453,289	—
Total assets	¥264,374	¥264,368	¥(6)	\$2,487,758	\$2,487,701	\$(57)
Liabilities						
(a) Payables:						
Notes	¥36,526	¥36,526	¥ —	\$343,709	\$343,709	\$ —
Accounts	51,936	51,936	—	488,718	488,718	—
(b) Short-term loans payable						
Current maturities of	16,674	16,674	—	156,902	156,902	—
long-term loans payable	5,206	5,206	—	48,988	48,988	—
Current portion of bonds	362	362	—	3,406	3,406	—
(c) Bonds						
	570	571	1	5,364	5,373	9
(d) Long-term loans payable,						
less current maturities	8,397	8,431	34	79,016	79,336	320
Total liabilities	¥119,671	¥119,706	¥35	\$1,126,103	\$1,126,432	\$329
Derivative transactions	¥(30)	¥(30)	¥ —	\$(282)	\$(282)	\$ —

The following tables summarize book values and fair values of financial instruments at March 31, 2017:

Type	Millions of yen		
	Book values	Fair values	Difference
Assets			
(a) Cash and time deposits	¥88,700	¥88,700	¥ —
(b) Receivables:			
Notes	2,630	2,630	—
Accounts	120,303	120,296	(7)
(c) Marketable securities and			
Investment securities:			
Available-for-sale securities	37,165	37,165	—
Total assets	¥248,798	¥248,791	¥(7)
Liabilities			
(a) Payables:			
Notes	¥48,883	¥48,883	¥ —
Accounts	53,621	53,621	—
(b) Short-term loans payable			
Current maturities of	16,674	16,674	—
long-term loans payable	5,152	5,152	—
Current portion of bonds	391	391	—
(c) Bonds			
	440	442	2
(d) Long-term loans payable,			
less current maturities	8,544	8,613	69
Total liabilities	¥133,705	¥133,776	¥71
Derivative transactions	¥(17)	¥(17)	¥ —

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 is 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. However, the fair value of negotiable certificates of deposit is equivalent to the book value, since this account is settled in a short period of time.

(Liabilities)

(a) Notes and accounts payables and (b) Short-term loans payable, Current maturities of long-term loans payable 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 loans payable, 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 24 "Derivative Financial Instruments".

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

Non-marketable securities (book values of ¥3,636 million (US\$34,215 thousand) and ¥3,373 million at March 31, 2018 and 2017, 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.

The fair value of Current portion of convertible bond-type bonds with subscription rights to shares (book value of ¥8,714 million (US\$81,999 thousand) at March 31, 2018) and Convertible bond-type bonds with subscription rights to shares (book value of ¥10,033 million at March 31, 2017) are not disclosed, 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, held-to-maturity debt securities and other at March 31, 2018 and 2017 are as follows:

	Millions of yen							
	2018				2017			
	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	¥110,768	¥ —	¥ —	¥ —	¥88,700	¥ —	¥ —	¥ —
Receivables:								
Notes	7,244	—	—	—	2,630	—	—	—
Accounts	93,913	4,278	—	—	114,759	5,544	—	—
Corporate bonds	2,000	—	—	—	2,000	—	—	—
Negotiable certificates of deposit	28,000	—	—	—	16,000	—	—	—
Other	—	—	—	—	2,000	—	—	—
Total	¥241,925	¥4,278	¥ —	¥ —	¥226,089	¥5,544	¥ —	¥ —

Thousands of U.S. dollars

	2018			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	\$1,042,326	\$ —	\$ —	\$ —
Receivables:				
Notes	68,166	—	—	—
Accounts	883,721	40,256	—	—
Corporate bonds	18,820	—	—	—
Negotiable certificates of deposit	263,480	—	—	—
Other	—	—	—	—
Total	\$2,276,513	\$40,256	\$ —	\$ —

25. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting at March 31, 2018 and 2017 are as follows:

(Currency-related transactions)

		Millions of yen					
		2018			2017		
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:							
Foreign exchange forward contract (Buy EUR)	Forecasted transactions denominated Buy in foreign currencies	¥661	¥ —	¥(20)	¥ —	¥ —	—

		Thousands of U.S. dollars		
		2018		Fair value
Type of derivative transactions	Main items hedged	Contract amount		
		Total	Settled over 1 year	
Benchmark method:				
Foreign exchange forward contract ((Buy EUR)	Forecasted transactions denominated Buy in foreign currencies	\$6,220	\$ —	\$(188)

Note:

1. Fair value is based on the prices obtained from counterparty financial institutions.

(Interest-related transactions)

		Millions of yen					
		2018			2017		
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 loans payable	¥720	¥648	¥(10)	¥793	¥720	¥(17)
Short-cut method:							
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	¥4,072	¥2,544	Note 2	¥6,015	¥4,034	Note 2

		Thousands of U.S. dollars		
		2018		
Type of derivative transactions	Main items hedged	Contract amount		Fair value
		Total	Settled over 1 year	
Benchmark method:				
Interest swap contract:	Long-term			
To pay fixed, to receive variable	loans payable	\$6,775	\$6,098	¥(94)
Short-cut method:				
Interest swap contract:	Long-term			
To pay fixed, to receive variable	loans payable	\$38,317	\$23,939	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 loans payable since such interest swap is treated together with long-term loans payable being hedged.

26. Stock Option Plans

(1) No cost for stock options is recognized for the years ended March 31, 2018 and 2017.

(2) The stock options outstanding at March 31, 2018 are mainly as follows:

(a) Content

	The first series of share subscription rights (A)	The second series of share subscription rights (A)
	June 27, 2008	June 26, 2009
Persons granted	Directors of the Company: 8 Executive officers: 13	Directors of the Company: 9 Executive officers: 12
Class and number of shares	110,400 shares of common stock	115,000 shares of common stock
Date of grant	July 15, 2008	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 the 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 the Company circumstances.
Length of service	From July 15, 2008 to July 14, 2009	From July 14, 2009 to July 13, 2010
Exercisable period	From July 15, 2009 to July 14, 2019	From July 14, 2010 to July 13, 2020

	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 the 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 the 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 second series of share subscription rights (A)	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	8,800	23,000	36,000	39,600
Vested during the year	—	—	—	—
Exercised during the year	—	4,600	4,500	6,600
Forfeited or expired during the year	—	—	—	—
Unexercised at the end of the year	8,800	18,400	31,500	33,000
Exercise price	¥1	¥1	¥1	¥1
Average stock price at exercise	—	¥767	¥767	¥757
Fair value price at the grant date	¥107	¥101	¥72	¥111

(3) Method to estimate fair value of stock options

The Company does not grant any stock options to its employees for the current fiscal year.

(4) Method to estimate number of vested stock options

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

27. Subsequent Event

(1) Significant disaster

A fire occurred at the building under construction by the Company on July 26, 2018, and a part of the building was damaged. The Company is currently reviewing the effect of the fire, which is yet to be determined. The project's general information is as follows:

(a) Project's name	Tama Technology Building Construction Work
(b) Owner	Minami Tama Specific Purpose Company
(c) Construction Period	October 2016 - October 2018
(d) Location	1-22-1, karakida, Tama-shi, Tokyo
(e) Project's function	Office
(f) Scope of Works	3-storeys high building (steel structure) With 3 basement floors and penthouse
(g) Construction Area	5,358.62 m ²
(h) Total Floor Area	17,666.89 m ²

(2) Exercise of rights of Convertible bond-type bonds with subscription to shares

Japanese yen 10,000,000,000 zero coupon convertible bond-type bonds with subscription to shares due 2019 issued by the Company in March 2016 were converted to new shares through exercise of rights after the end of fiscal year ended March 31, 2018 until August 20, 2018. The outline of the conversion is as follows:

(a) The number of exercising Subscription rights to shares	1,222 shares
(b) Increase in the number of issued shares and their class (Account for 4.9% of the total issued shares as of March 31, 2018)	9,221,688 common shares
(c) Decrease in Convertible bond-type bonds with subscription rights to shares	¥6,118 million (US\$57,570 thousand)
(d) Increase in Capital stock	¥3,059 million (US\$28,785 thousand)
(e) Increase in Legal capital surplus	¥3,059 million (US\$28,785 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, 2018 and 2017, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we 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, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, as described in Note 27 "Subsequent Events", a fire occurred at the building under construction by the Company on July 26, 2018, and a part of the building was damaged. The Company is currently reviewing the effect of the fire, which is yet to be determined.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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 24, 2018
Tokyo, Japan

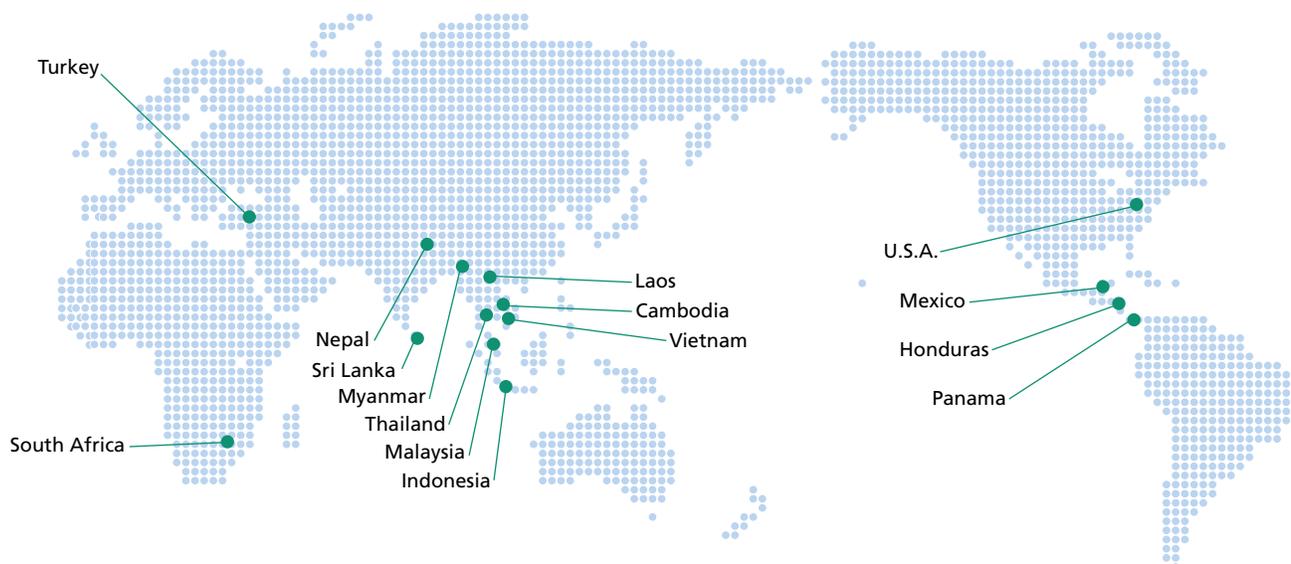
KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Global Network

Japan

Head Office	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3600
Branches	Sapporo, Tohoku, Hokuriku, Metropolitan Area Building, Kanto Civil, Shizuoka, Nagoya, Osaka, Shikoku, Hiroshima, Kyushu	
International Division	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3640
Branches	Asia, North America	
Technical Research Institute	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	84-28-38299533
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, JL. M.H. Thamrin Kav. 3, Jakarta, 10250, Indonesia	62-21-3140392
Myanmar	Room No.513, YANGON INTERNATIONAL HOTEL, No.330, Ahlone Road, Dagon Township, Yangon, Myanmar	95-1-2316002 (Ext.513)
Sri Lanka	4th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Colombo 00700, Sri Lanka	94-11-233-4784
Laos	Ban Sibounheung Unit No.3 House No.030 Chanthabouly District Vientiane Capital, LAO.P.D.R	856-21-250-872
Cambodia	Office NO.19, HOTEL CAMBODIANA 313 Sisowath Quay, Phnom Penh, Cambodia	855-23-992-914
Nepal	Jagannath Bhawan, Arniko Rajmarga, New Baneshwor, Ward No.10, Kathmandu, Nepal	977-1-4787289
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
Panama	Edificio Office One. Oficina No. 1104 Avenida Nicanor de Obarrio o Calle 50 con 58 Este Obarrio, Ciudad de Panama	507-830-6671
Honduras	Colonia Lomas de Miraflores Sur 3ra. Calle, Casa No. 4310, Tegucigalpa M.D.C., Honduras, C.A	504-2271-1283
South Africa	2nd Floor, West Tower, Maude Street, Nelson Mandela Square, Sandton 2196, Johannesburg, Republic of South Africa PO Box 785553 Sandton	27-11-881-5959

Corporate Data

(As of March 31, 2018)

Name HAZAMA ANDO CORPORATION	Authorized Shares Common stock 400,000,000	Issued Shares Common stock 187,160,261	Number of Shareholders 32,025
Established October 1, 2003			Number of Employees 3,407
Capital ¥12,651,272,530			

Directors, Officers

(As of June 28, 2018)

Board Directors	Board Directors/ Managing Executive Officers	Corporate Auditors (External Auditors)	Executive Officers
Representative Director and President Masato Fukutomi	Hideo Matsumoto Shinya Miyamori	Shigeo Kamimura Masamitsu Takahara	Tomoki Kitagawa Shinkichi Komatsubara Katsuhiko Kosaka Tatsumi Asao Masaaki Tomita Ken Moriyasu Kazutaka Miyazaki Hiroshi Ono Takeshi Komatsu Fuminori Hirose Ryo Onishi Ichiro Kato Tetsuo Tomoike
Representative Directors and Vice Presidents Hidekazu Kojima Haruyuki Kaneko	Board Directors (External Board Directors) Masami Fujita Mariko Kitagawa Mieko Kuwayama	Executive Officers	
Board Director and Chairman Toshio Ono	Auditors	Senior Managing Executive Officers Muneo Gomi Hikari Yamazaki	
Board Director and Vice Chairman Toshiaki Nomura	Auditors Kimihito Hirata Norio Chonan	Managing Executive Officers Kazuya Ozawa Katsuhiko Tabuchi Hajime Tsukizu Toshiaki Iimura Shin Terauchi	
Board Director/Senior Managing Executive Officer Toru Ikegami			

Major Subsidiaries and Affiliates

(As of March 31, 2018)

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	2-18-4, Kitaueno, Taito-ku, Tokyo 110-0014, Japan 81-3-5830-9500
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
URBAN PLANNING INC.	90 million JPY	Architectural Design	1-4-8, Shiba Daimon, Minato-ku, Tokyo 105-0012, Japan 81-3-3578-0655
HAZAMA ANDO (THAILAND) CO., LTD.	16 million THB	Construction	159 Serm-Mit Tower Building, 15 th Floor, Sukhumvit Road 21 (Soi Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand 66-2-665-2980
PT. Hazama Ando Murinda	50,000 Million IDR	Construction	Menara Thamrin, 14th Floor, Suite 1405, JL. M.H. Thamrin Kav. 3, Jakarta, 10250, Indonesia 62-21-3141780



HAZAMA ANDO
CORPORATION