

HAZAMA ANDO CORPORATION

ANNUAL REPORT 2019

Year ended March 31, 2019



HAZAMA ANDO CORPORATION

HAZAMA ANDO CORPORATION was established on April 1, 2013, through the merger of HAZAMA CORPORATION (founded in 1889) and ANDO Corporation (founded in 1873).

HAZAMA ANDO CORPORATION utilizes its industry-leading technological capabilities built on more than a century of experience to support national development and today's modern lifestyle in Japan, and in more than 30 countries and territories around the world.

Taking advantage of Japan's booming construction market, HAZAMA ANDO CORPORATION has 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 that meets the expectations of society, with mutual growth and development. 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 our history and tradition as HAZAMA ANDO CORPORATION.

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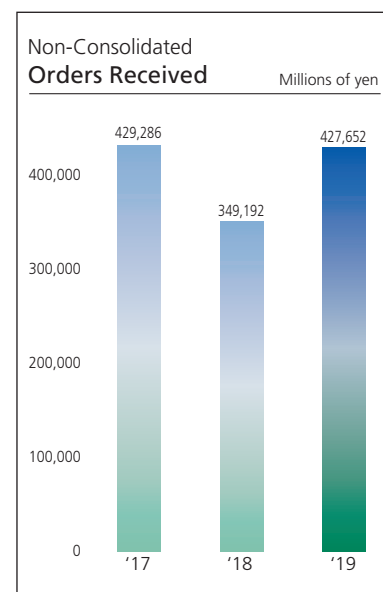
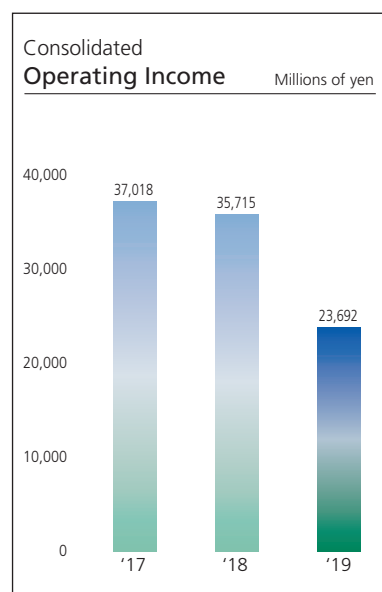
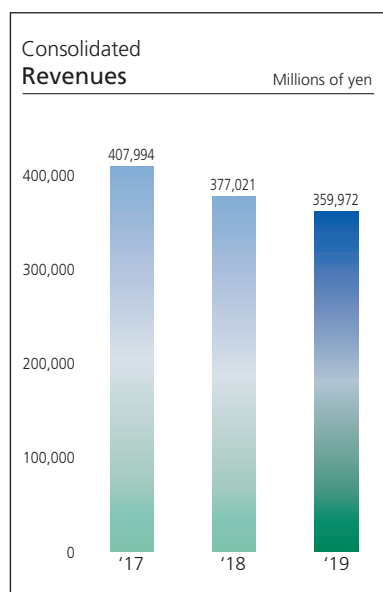
Financial Highlights

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2019, 2018 and 2017

Consolidated	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Revenues	¥359,972	¥377,021	¥407,994	\$3,242,699
Operating income	23,692	35,715	37,018	213,423
Profit attributable to owners of parent	8,863	23,862	26,277	79,840
Total assets	349,657	329,778	318,387	3,149,779
Net assets	133,683	122,400	100,744	1,204,243

	Yen			U.S. dollars
Basic profit attributable to owners of parent per share	¥ 45.21	¥ 128.97	¥ 142.30	\$ 0.41
Net assets per share	664.78	651.77	541.43	5.99

Note: U.S. dollar amounts in this annual report are translated from yen at the rate of ¥111.01 to US\$1.00 for convenience.



Message from the President

In July 2018, HAZAMA ANDO CORPORATION caused a major fire at a construction site, resulting in the deaths of five workers and many injuries. I would like to offer prayers for those who lost their lives, as well as my deepest condolences to their families. I would also like to express my heartfelt sympathies to the injured. Further, I once more apologize to our shareholders, business partners, and everyone affected by this accident for all the trouble and concern we have caused. We will support the victims of this accident with wholehearted sincerity. Further, I am personally taking the lead with efforts to prevent a reoccurrence. We are carefully observing everyday health and safety controls, and making a dedicated effort to recover trust as quickly as possible.

The HAZAMA ANDO CORPORATION Group, with the aim of steady growth together with society, formulated a medium-term management plan (FY3/19 – FY3/21) centered on the basic policy of “Achieving Growth through Innovation.” We are making a concerted effort to implement the measures in this plan.

The fiscal year ended March 2019 was the initial year for our management plan. We moved forward with measures for the plan objectives of “expand and strengthen the construction business,” such as launching the HAZAMA ANDO CORPORATION Next-generation Energy Project, and developing technologies to enhance work productivity using ICT. We also pursued measures to “diversify the earnings base,” including initiatives to support the renewable energy business, and launching HAZAMA ANDO CORPORATION Accelerator 2019, a program that aims to work with startups to create new businesses and services.

Looking ahead to the business environment in the fiscal year ending March 2020, 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 will steadily implement the measures in its medium-term management plan in order to respond with innovation to the changes in the business environment and societal needs, and 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 continued to recover at a moderate pace during the fiscal year ended March 2019, amid steady improvement in employment conditions, ongoing recovery in consumer spending, and an increase in private sector capital investment.

Looking ahead, while caution remains warranted due to uncertainty in domestic and international politics, as well as the global economy, the mild recovery in the economy is expected to continue amid 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 remains stable as a result of firm construction investment in the public sector, along with capital investment.

In July 2018, a fire at a construction site in Tama city, Tokyo, resulted in the death of five workers, with dozens more injured. We offer prayers for those who lost their lives, together with condolences and apologies to everyone affected by this accident. HAZAMA ANDO CORPORATION is decisively implementing measures to prevent a reoccurrence of such an accident, and making a concerted effort as a company to regain trust as quickly as possible.

Under such conditions, HAZAMA ANDO CORPORATION Group recorded consolidated revenues of ¥359.9 billion (-4.5% year on year) for the fiscal year ended March 2019, with operating income of ¥23.6 billion (-33.7%), ordinary income of ¥22.4 billion (-35.3%), and profit attributable to owners of parent of ¥8.8 billion (-62.9%).

Results by business segment are as follows.

- **Civil Engineering**
Revenues amounted to ¥118.7 billion (-6.9% year on year), with operating income of ¥18.0 billion (-19.2%).
- **Building Construction**
Revenues amounted to ¥208.8 billion (-3.3% year on year), with operating income of ¥9.1 billion (-44.8%)
- **Group Business**
Revenues amounted to ¥27.3 billion (+1.1% year on year), with operating income of ¥1.1 billion (-20.1%).
- **Other**
Revenues amounted to ¥5.0 billion (-22.1% year on year), with operating income of ¥0.7 billion (+6.7%).

2 Future Outlook

The recovery in the economy is expected to continue at a moderate pace, with steady improvement in employment conditions, and further expansion in consumer spending. At the same time, however, caution is warranted due to the potential impact from political and economic uncertainties both in Japan and abroad.

In the construction industry, stable business conditions are expected to continue in the near term, reflecting the strength of the domestic economy. Over the longer term, however, the industry will face shrinking investment, 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.

Under such circumstances, HAZAMA ANDO CORPORATION steadily implemented the measures in its Medium-term Management Plan (FY3/19 – FY3/21), formulated in March 2018 with a basic policy of achieving growth through innovation. One such measure is the HAZAMA ANDO CORPORATION Next-generation Energy Project, which aims to establish and operate a next-generation energy management system. In August 2018, this project was selected for inclusion in the “2018 Guidance Project for Sustainable Structures (CO₂ Reduction Type)” from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Through this project, HAZAMA ANDO CORPORATION is contributing to the realization of a low-carbon, sustainable society.

HAZAMA ANDO CORPORATION is also continuing its efforts to further improve productivity, implementing working style reforms to support five-day workweeks, and pursuing environmental measures.

The HAZAMA ANDO CORPORATION Group, by focusing on the basic policy for its business activities of “Secure, Safe, and High-quality Construction,” and making a concerted effort to achieve its medium-term management plan, aims to meet the expectations of all stakeholders, including society, customers, shareholders, business partners, and employees, and achieve growth together with society.

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%

The Carbon Footprints of Buildings and Carbon Offsets

Reducing greenhouse gases in the construction industry to realize a decarbonized society requires significantly reducing CO₂ emissions in the operational phase of buildings, along with further reductions at the construction or renovation phase.

A clear picture of the amount to CO₂ emissions in each phase of a building is needed to create an effective reduction plan. An efficient means to accomplish this is through “visualization” (quantification) of CO₂ emissions through the carbon footprint (CFP¹) analysis that HAZAMA ANDO CORPORATION conducts at the outset of its construction projects in Japan, and countering those emissions with carbon offsets². Visualization provides options for conditions or ways of offsetting, such as with materials or construction methods, from the perspective of the effectiveness of the reduction. HAZAMA ANDO CORPORATION will continue to utilize this information to take proactive steps to reduce CO₂ emissions in construction.



The Tokyo Cargo Terminal Station Office (Japan Freight Railway Company) designed and built by HAZAMA ANDO CORPORATION, utilized CFP and carbon offsets.

Notes

1. Carbon Footprint of Products (CFP) is a quantitative figure expressed as CO₂ of the total greenhouse gas emissions in the lifecycle of a product or service, from procurement of the raw material to disposal or recycle.
2. Carbon offset is a means of reducing CO₂ or other greenhouse gas emissions that cannot be eliminated through individual efforts with reductions or absorption in other areas.

New Precision Management Technology for 3D Measurement of Distant Structures—Mobile Mapping System

HAZAMA ANDO CORPORATION and Aero Asahi Corporation have jointly developed precision management technologies for 3D measuring techniques with Aero Asahi’s mobile mapping system (MMS) and similar laser scanner systems. This technology comprises innovations in correction and verification methods for point-group and other data to ensure precision in measurement data, while enhancing the effectiveness of surveying distant structures with MMS.

In addition to MMS, the technology can also be applied for terrestrial, mobile-mounted laser scanners, allowing it to be used in a wide range of measurement areas to support the government’s i-Construction initiative. Further, with landslides

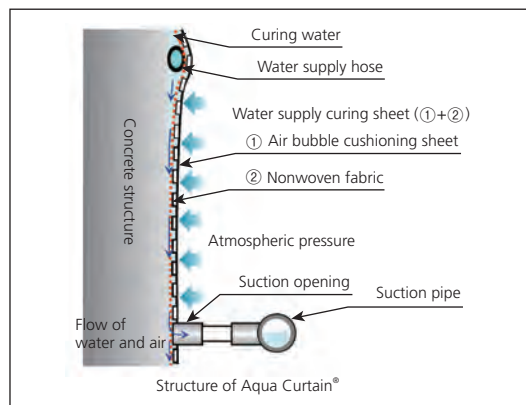
becoming more frequent in recent years, utilizing this technology to provide quick and precise 3D mapping of damaged areas that are difficult for people to reach will contribute to faster recovery.



Measuring the cut slope of a construction site with MMS

Aqua Curtain® Water Supply Curing Method Used for More than Two Million Square Meters of Surface Area

Aqua Curtain® is a concrete curing method that allows for wet curing of vertical surfaces and arches after the formworks have been removed. Since first made available in August 2010, this method has been utilized for 153 projects, become highly regarded for its exceptional effectiveness, workability, and economic efficiency. The amount of surface area cured using this method surpassed one million square meters in 2017, and reached two million square meters in January 2019. This is equivalent to around 100km of tunnels on ordinary roads.



Aqua Curtain® can be used in the same wet curing environments as water curing, making it particularly applicable for the concrete lining of tunnels. Recognition of the method is growing steadily among project owners and others in the construction industry. HAZAMA ANDO CORPORATION is

continuing to develop Aqua Curtain® for use with electrochemical repair methods such as desalination and re-alkalinization, as a new technology to support the maintenance and renovation of infrastructure.

"The Second Women's Forum" for Female Employees and Male Managers

The second "Women's Forum" for female employees and male managers at HAZAMA ANDO CORPORATION was held in February 2019. The aim of this forum is to further enhance motivation among female employees, as well as to deepen understanding among male managers of diversity management, and change their awareness. The forum was simulcast live to branch offices, with a total of 234 participants from the head and branch offices.

The first session was a lecture from an outside professional, who strongly encouraged female employees to be "leaders in their own way." The second session was a panel discussion by President Fukutomi and HAZAMA ANDO CORPORATION's three outside directors, two of whom are women. The highly experienced outside directors presented measures and examples at other companies for the promotion of women and changing working styles, urging a new awareness.

HAZAMA ANDO CORPORATION will continue to conduct activities such as this to create a workplace open to a diverse range of people, aiming to be a company where all employees are able to design motivating and comfortable life plans.



Second Session – Panel discussion

On-site Tour Held for Analysts

HAZAMA ANDO CORPORATION held an on-site observational tour for institutional investors and analysts at a construction site in Kanagawa Prefecture. The tour gave analysts a first-hand view of the front lines of the construction industry, aiming to further deepen their interest and understanding of HAZAMA ANDO CORPORATION's business.

The observational tour of a construction project in progress included explanations on a wide range of themes, including on-site environmental measures, safety management, and quality controls, as well as measures for greater productivity and working style reforms.

HAZAMA ANDO CORPORATION will continue to offer tours for analysts as an opportunity to enhance communication and mutual understanding.



On-site observational tour

Major Orders Received

- Komagome Dam Main Construction Work/Tosei Area Branch Office in Aomori Prefecture (Japan) ①
- Sagami-hara kyodo Hospital Construction Work/National Federation of Agricultural Cooperative Associations (Japan) ②
- Yuki City new government building construction work/Yuki City (Japan)
- PACKAGE-1, CONSTRUCTION OF GYAING KAWKAREIK BRIDGE/Department of Bridge, Ministry of Construction (Myanmar) ③
- Urgent Replacement of Bridges in Flood-Prone Areas/Ministry of Public Works and Transport, Kingdom of Cambodia (Cambodia) ④



①



②



③



④

Major Projects in Progress

- Hokkaido Shinkansen, Oshima Tunnel (Kaminoyu section) Construction Work/Japan Railway Construction, Transport and Technology Agency (Japan)
- Tokyo Contour Belt Highway Main Tunnel (North Bound) Oizumi Minami Construction Work/Central Nippon Expressway Company Limited (Japan)
- Kyoto Min-iren Chuo Hospital Construction Work/Public Interest Incorporated Associations KYOTO HOKENKAI (Japan)
- CROIX-DES-MISSIONS Bridge and New Road Bridge Construction Project/Ministry of Public Works, Transport and Communications, Republic of Haiti (Haiti) ⑤
- Nam Ngum 1 Hydropower Station Expansion Project Lot:1 Civil and Hydro Mechanical Works/Electricité du Laos (Laos) ⑥



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Major Projects Completed

- Toyoma Usuiso Area Reconstruction Work/Urban Renaissance Agency: Miyagi Fukushima Earthquake Reconstruction Support Division (Japan) 7
- Apporo Dam Main Construction Work/Hokkaido Government Iburi General Subprefectural Bureau (Japan)
- DPL Kunitachi Fuchu Logistics Facility Construction Work/Kunitachi Fuchu Specific Purpose Company (Japan)
- Major Bridges Construction Project of the National Road Network–Package 02/ROAD DEVELOPMENT AUTHORITY (Sri Lanka) 8
- UMC Electronics Mexico New Factory Construction Project/UMC Electronics Mexico, S.A. de C.V. (Mexico) 9
- THE PROGRAM FOR REHABILITATION AND RECOVERY FROM NEPAL EARTHQUAKE (THE SUBPROJECT OF BRIDGE CONSTRUCTION ALONG BARHAKILO–BARPAK ROAD)/DEPARTMENT OF ROADS MINISTRY OF PHYSICAL INFRASTRUCTURE AND TRANSPORT FEDERAL DEMOCRATIC REPUBLIC OF NEPAL (Nepal) 10



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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 nine members as of June 27, 2019 (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 27, 2019, totaled 24 (including six 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

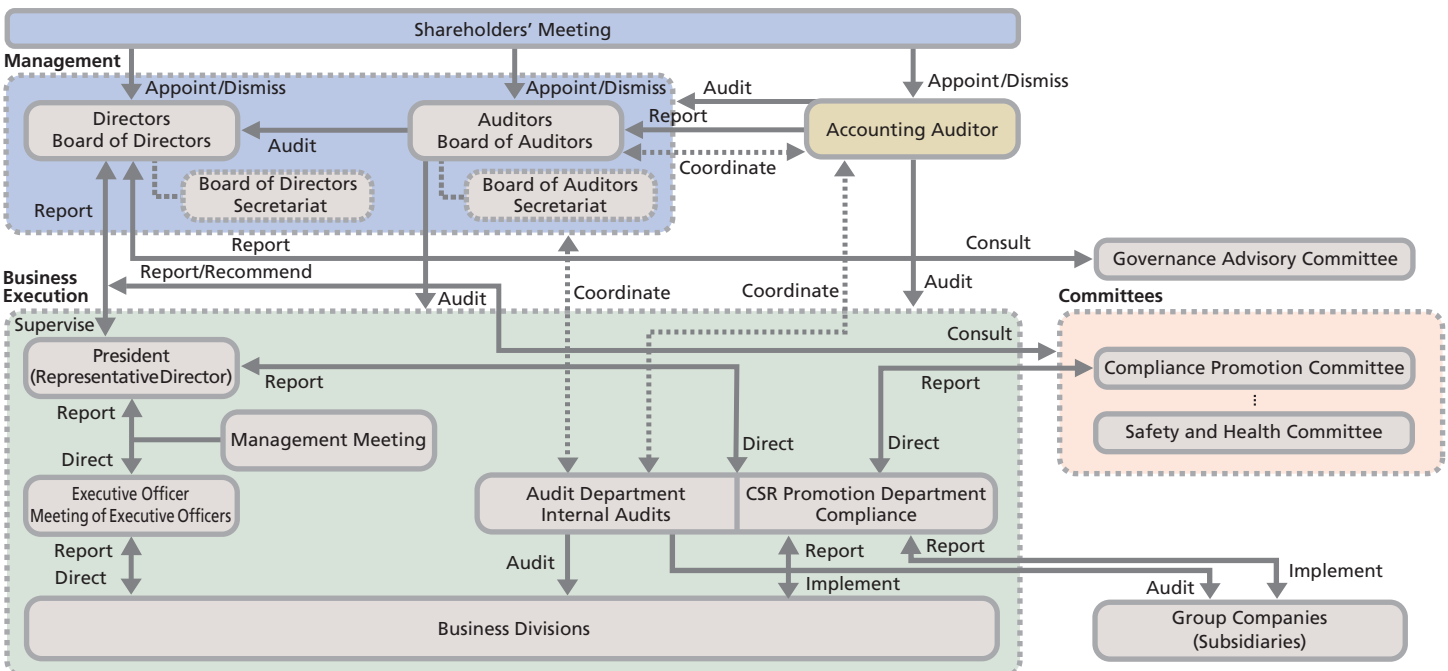
The Board of Auditors comprised 4 members as of June 27, 2019 (including two full-time company auditors, and two non-regular external auditors). Auditors (including external auditors), in accordance with auditing standards established by the Board of Auditors, and in line with the auditing policies for 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.

Also, as stated previously, HAZAMA ANDO CORPORATION has established the Governance Advisory Committee to advise the Board of Directors on matters regarding the nomination and compensation for directors and other executives.

● Corporate Governance and Internal Control Structure



Consolidated Financial Review

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2019, 2018, 2017, 2016 and 2015

Summary

	Millions of yen					Thousands of U.S. dollars
	2019	2018	2017	2016	2015	2019
Operating results:						
Revenues						
Construction contracts	¥334,245	¥348,879	¥378,983	¥360,869	¥355,069	\$3,010,945
Other activities	25,727	28,142	29,011	18,389	14,634	231,754
Total	359,972	377,021	407,994	379,258	369,703	3,242,699
Cost of sales	314,180	319,666	348,836	334,524	333,691	2,830,195
Gross profit	45,792	57,355	59,158	44,734	36,012	412,504
Selling, general and administrative expenses	22,100	21,640	22,140	19,277	17,494	199,081
Operating income	23,692	35,715	37,018	25,457	18,518	213,423
Profit attributable to owners of parent	8,863	23,862	26,277	14,984	7,240	79,840
Financial position:						
Total assets	¥349,657	¥329,778	¥318,387	¥300,368	¥269,720	\$3,149,779
Total liabilities	215,974	207,378	217,643	223,390	205,099	1,945,536
Total net assets	133,683	122,400	100,744	76,978	64,621	1,204,243
Cash flows:						
Cash flows from operating activities	¥5,900	¥38,127	¥(1,802)	¥34,722	¥15,716	\$53,148
Cash flows from investing activities	(2,357)	(2,261)	6,317	(12,016)	(134)	(21,232)
Cash flows from financing activities	(7,780)	(3,962)	(3,376)	5,941	(7,490)	(70,084)
			Yen			U.S. dollars
Per share amounts:						
Profit attributable to owners of parent						
Basic	¥45.21	¥128.97	¥142.30	¥81.03	¥39.17	\$0.41
Diluted	44.20	119.41	131.60	80.96	39.12	0.40
Dividends						
Common stock	30.0	25.00	20.00	12.00	8.00	0.27
Net assets	664.78	651.77	541.43	411.76	345.56	5.99

Note: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥111.01 to US\$1.00 for convenience.

2. The dividend per share for 2018 includes a ¥5 special dividend.

Financial Review

Revenues

Revenues in fiscal 2019 totaled ¥359,972 million (US\$3,242,699 thousand), of which ¥334,245 million (US\$3,010,945 thousand) came from construction projects and ¥25,727 million (US\$231,754 thousand) from other activities. These two business segments accounted for 92.9% and 7.1%, respectively, of total revenues.

Costs and Expenses

Cost of sales amounted to ¥314,180 million (US\$2,830,195 thousand), which is equivalent to 87.3% of revenues. Selling, general and administrative expenses amounted to ¥22,100 million (US\$199,081 thousand), which is equivalent to 6.1% of revenues. Operating income reached ¥23,692 million (US\$213,423 thousand), and the operating margin was 6.6%. Profit attributable to owners of parent amounted to ¥8,863 million (US\$79,840 thousand). Basic profit attributable to owners of parent per share was ¥45.21 (US\$0.41). HAZAMA ANDO CORPORATION paid dividend of ¥15 (US\$0.135) per share for the fiscal year ended March 31, 2018 on June 29, 2018, and paid interim dividend of ¥15 (US\$0.135) per share for the fiscal year ended March 31, 2019 on December 5, 2018.

Financial Position and Analysis

Total assets amounted to ¥349,657 million (US\$3,149,779 thousand), total liabilities amounted to ¥215,974 million (US\$1,945,536 thousand), and total net assets amounted to ¥133,683 million (US\$1,204,243 thousand) at the end of fiscal 2019.

Net worth to total assets ratio was 38.0%. Net assets per share amounted to ¥664.78 (US\$5.99).

Cash Flows

Cash and cash equivalents at the end of the year decreased by ¥4,096 million (US\$36,898 thousand) to ¥135,094 million (US\$1,216,953 thousand).

Net cash provided by operating activities amounted to ¥5,900 million (US\$53,148 thousand) mainly as the result of income before income taxes amounted to ¥13,016 million (US\$117,251 thousand), increase in advances received on uncompleted construction contracts amounted to ¥20,611 million (US\$185,668 thousand), decrease in notes and accounts payable amounted to ¥15,850 million (US\$142,780 thousand) and income taxes paid amounted to ¥9,375 million (US\$84,452 thousand).

Net cash used in investing activities amounted to ¥(2,357) million (US\$(21,232) thousand) mainly as a result of payments into time deposits amounted to ¥11,124 million (US\$100,207 thousand).

Net cash used in financing activities amounted to ¥(7,780) million (US\$(70,084) thousand) mainly as a result of repayment of long-term loans payable amounted to ¥6,299 million (US\$56,743 thousand), cash dividends paid amounted to ¥5,796 million (US\$52,211 thousand) and proceeds from long-term loans payable amounted to ¥8,637 million (US\$77,804 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
	2019	2018	2017	2016	2015	2019
Civil engineering						
Domestic						
Government sector	¥70,268	¥88,070	¥99,198	¥85,772	¥77,095	\$632,988
Private sector	40,531	34,072	31,434	32,721	36,757	365,111
Overseas	7,991	5,331	3,543	4,002	7,721	71,985
Subtotal	118,790	127,473	134,175	122,495	121,573	1,070,084
Building construction						
Domestic						
Government sector	26,932	27,716	45,292	29,404	25,713	242,609
Private sector	161,430	168,806	169,470	171,296	169,524	1,454,193
Overseas	20,497	19,473	24,161	32,762	30,746	184,641
Subtotal	208,859	215,995	238,923	233,462	225,983	1,881,443
Total construction projects	¥327,649	¥343,468	¥373,098	¥355,957	¥347,556	\$2,951,527

Revenue from the civil engineering category accounted for ¥118,790 million (US\$1,070,084 thousand), or 36.3% of total revenue from construction projects, with domestic projects contributing ¥110,799 million (US\$998,099 thousand), or 93.3%.

The government sector contributed ¥70,268 million (US\$632,988 thousand), or 63.4%, of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥40,531 million (US\$365,111 thousand), or 36.6% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥7,991 million (US\$71,985 thousand), equivalent to 6.7% of total revenue in the civil engineering category.

Revenue from the building construction category accounted for ¥208,859 million (US\$1,881,443 thousand), or 63.7% of total construction revenue. Domestic projects accounted for ¥188,362 million (US\$1,696,802 thousand), or 90.2%.

The government sector contributed ¥26,932 million (US\$242,609 thousand), or 14.3%, of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥161,430 million (US\$1,454,193 thousand), or 85.7%, of total domestic building construction revenue. Overseas building construction revenue reached ¥20,497 million (US\$184,641 thousand), equivalent to 9.8% of total revenue in the building construction category.

Total overseas construction revenue reached ¥28,488 million (US\$256,626 thousand) and accounted for 8.7% of total construction revenue. Civil engineering projects accounted for 28.1% of this total, and building construction for 71.9%.

Orders Received	Millions of yen					Thousands of U.S. dollars
	2019	2018	2017	2016	2015	2019
Civil engineering	¥192,179	¥123,469	¥193,008	¥123,292	¥167,060	\$1,731,187
Building construction	235,473	225,723	236,278	238,922	232,248	2,121,187
Total construction projects	¥427,652	¥349,192	¥429,286	¥362,214	¥399,308	\$3,852,374

Orders received for construction projects during fiscal 2019 amounted to ¥ 427,652 million (US\$3,852,374 thousand). Overseas work contributed 7.3% of orders in the construction category. Civil engineering orders amounted to ¥192,179 million (US\$1,731,187 thousand), or 44.9% of total construction orders. Building construction orders amounted to ¥235,473 million (US\$2,121,187 thousand), which is equivalent to 55.1% of total construction orders.

Year-end Backlog	Millions of yen					Thousands of U.S. dollars
	2019	2018	2017	2016	2015	2019
Civil engineering	¥294,914	¥221,679	¥226,120	¥167,343	¥166,623	\$2,656,643
Building construction	223,318	196,300	186,748	189,780	184,297	2,011,693
Total construction projects	¥518,232	¥417,979	¥412,868	¥357,123	¥350,920	\$4,668,336

Order backlog for construction projects at the end of fiscal 2019 amounted to ¥518,232 million (US\$4,668,336 thousand), with civil engineering work accounting for ¥294,914 million (US\$2,656,643 thousand), or 56.9%, and building construction for ¥223,318 million (US\$2,011,693 thousand), or 43.1%.

Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 25)	¥120,303	¥110,768	\$1,083,713
Marketable securities (Notes 3 and 25)	16,000	30,000	144,131
Receivables (Note 25):			
Notes	8,236	7,244	74,192
Accounts	110,518	98,191	995,568
Inventories (Notes 6 and 9)	12,786	9,253	115,179
Other (Note 8)	18,298	14,695	164,832
Less allowance for doubtful accounts	(12)	(13)	(108)
Total current assets	286,129	270,138	2,577,507
Property, plant and equipment (Notes 8, 14, 15 and 16):			
Land	15,057	15,212	135,636
Buildings and structures	20,602	20,424	185,587
Machinery and equipment	10,780	10,227	97,108
Other	1,072	269	9,657
	47,511	46,132	427,988
Less accumulated depreciation	(20,583)	(19,512)	(185,416)
Net property, plant and equipment	26,928	26,620	242,572
Investments and other assets:			
Investment securities (Notes 3, 8 and 25)	22,269	21,364	200,604
Investments in unconsolidated subsidiaries and affiliates	173	443	1,558
Long-term loans receivable (Note 8)	439	458	3,955
Deferred tax assets (Note 19)	8,428	5,228	75,921
Other (Note 8)	5,291	5,548	47,662
Less allowance for doubtful accounts	(0)	(21)	(0)
Total investments and other assets	36,600	33,020	329,700
Total assets	¥349,657	¥329,778	\$3,149,779

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 7 and 25)	¥12,264	¥16,674	\$110,477
Current maturities of long-term loans payable (Notes 7 and 25)	6,875	5,206	61,931
Current portion of bonds (Notes 7 and 25)	358	362	3,225
Current portion of convertible bond-type bonds with subscription rights to shares (Notes 7 and 25)	—	8,714	—
Payables (Note 25):			
Notes	17,873	36,526	161,004
Accounts	58,019	54,194	522,647
Income taxes payable	2,437	4,716	21,953
Advances received (Note 17)	49,157	27,386	442,816
Accrued expenses	61	159	550
Provision for losses on construction contracts (Note 9)	1,734	351	15,620
Provision for losses on fire disaster (Note 2)	7,743	—	69,750
Other	35,383	30,254	318,737
Total current liabilities	191,904	184,542	1,728,710
Long-term liabilities:			
Bonds (Notes 7 and 25)	712	570	6,414
Long-term loans payable, less current maturities (Notes 7 and 25)	9,065	8,397	81,659
Net defined benefit liability (Note 18)	12,959	12,498	116,737
Provision for environmental spending	152	153	1,369
Provision for management board incentive plan trust	108	139	973
Deferred tax liabilities (Note 19)	46	50	414
Other	1,028	1,029	9,260
Total long-term liabilities	24,070	22,836	216,826
Total liabilities	215,974	207,378	1,945,536
Net assets (Notes 21 and 22):			
Shareholders' equity:			
Capital stock			
Common stock	Authorized - 400,000,000 shares		
	Issued - 200,343,397 shares	17,006	153,193
Capital surplus		19,927	179,506
Retained earnings		92,945	837,267
Less treasury stock, at cost		(256)	(2,306)
Total shareholders' equity		129,622	1,167,660
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	4,483	4,608	40,384
Deferred gains or losses on hedges	(3)	(20)	(27)
Foreign currency translation adjustment	63	135	568
Accumulated remeasurements of defined benefit plans	(1,357)	(996)	(12,224)
Total accumulated other comprehensive income	3,186	3,727	28,701
Share subscription rights	5	9	45
Non-controlling interests	870	836	7,837
Total net assets	133,683	122,400	1,204,243
Total liabilities and net assets	¥349,657	¥329,778	\$3,149,779

Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Revenues (Notes 11 and 23):			
Construction contracts	¥334,245	¥348,879	\$3,010,945
Other activities	25,727	28,142	231,754
	359,972	377,021	3,242,699
Cost of sales (Notes 12 and 23):			
Construction contracts	290,868	294,148	2,620,196
Other activities	23,312	25,518	209,999
	314,180	319,666	2,830,195
Gross profit	45,792	57,355	412,504
Selling, general and administrative expenses (Notes 13 and 23):	22,100	21,640	199,081
Operating income	23,692	35,715	213,423
Other income (expenses):			
Interest and dividends income	513	430	4,621
Interest expense	(481)	(501)	(4,333)
Foreign exchange loss	(416)	(289)	(3,747)
Compensation for damage	(455)	(91)	(4,099)
Gain on sales of noncurrent assets (Note 15)	49	83	441
Gain on sales of investment securities	—	156	—
Loss on sales of noncurrent assets (Note 16)	—	(47)	—
Impairment loss (Note 14)	(46)	(752)	(414)
Loss on litigation	(149)	(54)	(1,342)
Losses on fire disaster	(9,333)	—	(84,074)
Other, net	(358)	(497)	(3,225)
	(10,676)	(1,562)	(96,172)
Income before income taxes	13,016	34,153	117,251
Income taxes (Note 19):			
Current	7,153	9,769	64,436
Deferred	(3,003)	510	(27,052)
	4,150	10,279	37,384
Profit	8,866	23,874	79,867
Profit attributable to non-controlling interests	3	12	27
Profit attributable to owners of parent	¥8,863	¥23,862	\$79,840

	Yen		U.S. dollars (Note 1)
	2019	2018	2019
Per share amounts (Note 24):			
Profit attributable to owners of parent			
Basic	¥45.21	¥128.97	\$0.41
Diluted	44.20	119.41	0.40
Cash dividends applicable to the year			
Common stock	30.00	25.00	0.27

See accompanying notes.

Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥8,866	¥23,874	\$79,867
Other comprehensive income			
Valuation difference on available-for-sale securities	(125)	755	(1,126)
Deferred gains or losses on hedges	17	(9)	153
Foreign currency translation adjustment	(100)	76	(901)
Remeasurements of defined benefit plans	(361)	(387)	(3,252)
Total other comprehensive income (Note 20)	(569)	435	(5,126)
Comprehensive income	8,297	24,310	74,741
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	8,320	24,261	74,948
Comprehensive income attribute to non-controlling interests	(23)	49	(207)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
Balance at April 1, 2017	¥12,000	¥14,994	¥69,839	¥(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 April 1, 2018	¥12,651	¥15,643	¥89,829	¥(295)
Conversion of Convertible bond-type bonds with Subscription rights to shares	4,355	4,355		
Cash dividends paid			(5,796)	
Profit attributable to owners of parent			8,863	
Disposal of treasury stock		(5)		41
Acquisition of treasury stock				(2)
Change of scope of consolidation		(5)	49	
Capital reduction of consolidated subsidiaries		(61)		
Net changes in items other than shareholders' equity				
Balance at March 31, 2019	¥17,006	¥19,927	¥92,945	¥(256)

	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, 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)	9	357
Balance at April 1, 2018	¥4,608	¥(20)	¥135	¥(996)	¥9	¥837	¥122,401
Conversion of Convertible bond-type bonds with Subscription rights to shares							8,710
Cash dividends paid							(5,796)
Profit attributable to owners of parent							8,863
Disposal of treasury stock							36
Acquisition of treasury stock							(2)
Change of scope of consolidation							44
Capital reduction of consolidated subsidiaries							(61)
Net changes in items other than shareholders' equity	(125)	17	(72)	(361)	(4)	33	(512)
Balance at March 31, 2019	¥4,483	¥(3)	¥63	¥(1,357)	¥5	¥870	¥133,683

Thousands of U.S. dollars (Note 1)				
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2018	\$113,962	\$140,915	\$809,197	\$(2,657)
Conversion of Convertible bond-type bonds with Subscription rights to shares	39,231	39,231		
Cash dividends paid			(52,211)	
Profit attributable to owners of parent			79,840	
Disposal of treasury stock		(45)		369
Acquisition of treasury stock				(18)
Change of scope of consolidation		(45)	441	
Capital reduction of consolidated subsidiaries		(550)		
Net changes in items other than shareholders' equity	39,231	38,591	28,070	351
Balance at March 31, 2019	\$153,193	\$179,506	\$837,267	\$(2,306)

Thousands of U.S. dollars (Note 1)							
	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, 2018	\$41,510	\$(180)	\$1,217	\$(8,972)	\$81	\$7,540	\$1,102,613
Conversion of Convertible bond-type bonds with Subscription rights to shares							78,462
Cash dividends paid							(52,211)
Profit attributable to owners of parent							79,840
Disposal of treasury stock							324
Acquisition of treasury stock							(18)
Change of scope of consolidation							396
Capital reduction of consolidated subsidiaries							(550)
Net changes in items other than shareholders' equity	(1,126)	153	(649)	(3,252)	(36)	297	(4,613)
Balance at March 31, 2019	\$40,384	\$(27)	\$568	\$(12,224)	\$45	\$7,837	\$1,204,243

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	¥13,016	¥34,153	\$117,251
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,794	1,800	16,161
Impairment loss	46	752	414
Losses on fire disaster	9,333	—	84,074
Increase (decrease) in allowance for doubtful accounts	(21)	(2)	(189)
Increase (decrease) in provision for loss on construction contracts	1,382	(255)	12,449
Increase (decrease) in net benefit defined liability	(57)	577	(514)
Increase (decrease) in provision for warranties for completed construction	(375)	(1,362)	(3,378)
Interest and dividends income	(513)	(430)	(4,621)
Interest expense	481	501	4,333
Foreign exchange loss (gain)	(129)	65	(1,162)
Loss (gain) on sales of investment securities	—	(156)	—
Loss (gain) on sales of property, plant and equipment	(52)	(36)	(469)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(13,309)	17,498	(119,890)
Decrease (increase) in costs on uncompleted construction contracts	(2,450)	(520)	(22,070)
Decrease (increase) in other inventories	(1,097)	1,472	(9,882)
Decrease (increase) in advances paid	(390)	4,085	(3,513)
Increase (decrease) in notes and accounts payable	(15,850)	(14,055)	(142,780)
Increase (decrease) in advances received	20,611	1,454	185,668
Increase (decrease) in deposit received	13,899	(2,631)	125,205
Increase (decrease) in consumption tax payable	(8,575)	8,449	(77,245)
Other, net	(2,005)	(832)	(18,062)
Subtotal	15,739	50,527	141,780
Interest and dividends received	473	414	4,261
Interest paid	(442)	(491)	(3,982)
Compensation for damage paid	(495)	(97)	(4,459)
Income taxes paid	(9,375)	(12,226)	(84,452)
Net cash provided by operating activities	5,900	38,127	53,148
Cash flows from investing activities:			
Payments into time deposits	(11,124)	(1,788)	(100,207)
Proceeds from withdrawal of time deposits	11,458	1,294	103,216
Purchase of marketable securities and investment securities	(1,203)	(42)	(10,837)
Proceeds from sales and redemption of short-term and long-term investment securities	109	187	982
Purchase of property, plant and equipment	(1,754)	(2,137)	(15,800)
Proceeds from sales of property, plant and equipment	200	589	1,801
Other, net	(43)	(364)	(387)
Net cash used in investing activities	(2,357)	(2,261)	(21,232)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(4,410)	—	(39,726)
Proceeds from long-term loans payable	8,637	5,562	77,804
Repayments of long-term loans payable	(6,299)	(5,655)	(56,743)
Proceeds from issuance of bonds	555	546	5,000
Redemption of bonds	(418)	(446)	(3,766)
Cash dividends paid	(5,796)	(3,884)	(52,211)
Dividends paid to non-controlling interests	(5)	(40)	(45)
Other, net	(44)	(45)	(397)
Net cash used in financing activities	(7,780)	(3,962)	(70,084)
Effect of exchange rate changes on cash and cash equivalents	105	(53)	946
Net increase(decrease) in cash and cash equivalents	(4,132)	31,851	(37,222)
Cash and cash equivalents at beginning of year	139,190	107,667	1,253,851
Increase in cash and cash equivalents from newly consolidated subsidiary	36	—	324
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(328)	—
Cash and cash equivalents at end of year (Note 4)	¥135,094	¥139,190	\$1,216,953

See accompanying notes.

Notes to Consolidated Financial Statements

HAZAMA ANDO CORPORATION- and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

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, 2019, which was ¥111.01 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 losses on fire disaster

To prepare for future losses due to the fire, the amount of estimated losses other than construction costs at the end of the current fiscal year is recorded in the provision for losses on fire disaster.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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 ¥664.78 (US\$5.99) and ¥ 651.77 at March 31, 2019 and 2018, respectively.

(19) Changes in presentation

(Consolidated Balance Sheet)

From the beginning of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) which requires deferred tax assets to be classified as part of "Investments and other assets," and deferred tax liabilities to be classified as part of "Long-term liabilities."

As a result, in the balance sheet for the fiscal year ended March 31, 2018, deferred tax assets of ¥3,135 million presented under "Current assets" and ¥2 million of "Deferred tax liabilities" under "Long-term liabilities" have been reclassified to "Investments and other assets" and included in the balance of deferred tax assets of ¥5,228 million and "Deferred tax liabilities" under "Long-term liabilities" are presented at ¥50 million.

(20) New accounting standards not yet applied

- “Accounting Standard for Revenue Recognition”(ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(a) Summary

The accounting standard is comprehensive accounting standard for revenue recognition. An entity recognizes revenue based on the following five-steps.

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(b) Scheduled date of application

Scheduled date of application is from April 1, 2021.

(c) Effect of application of the accounting standard

The effect on the consolidated financial statements is currently under evaluation.

(21) Additional information

Performance-linked stock compensation plan for directors and executive officers

(a) Transaction summary

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.

(b) The Company’s own stock in the Trust

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 as of the current fiscal year were ¥208 million (\$1,874 thousand) and 364,751 shares, respectively.

Occurrence of losses on fire disaster

A fire occurred at the building under construction by the Company in Tama city, Tokyo on July 26, 2018, a number of people were injured by this fire and a part of the building was damaged.

At the end of the current fiscal year, based on the current discussions with the parties concerned, the Company made the reasonable estimation of the cost at which the Company restored and repaired the construction and recorded as the provision for losses on construction contracts amounted to ¥1,344 million (\$12,107 thousand) in the cost of completed construction.

Other than the construction costs, the Company also recognized expected compensation for damages under the construction contracts and fire-damaged equipment outside of the construction range amounted to ¥9,333 million (\$84,074 thousand), in losses on fire disaster under a special loss caption.

Refer to “10 Contingent Liabilities” for items regarding contingencies.

3. Securities

(1) The following tables summarize book values and acquisition costs of available-for-sale securities at March 31, 2019 and 2018:

Type	Millions of yen					
	2019			2018		
	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	¥17,737	¥11,261	¥6,476	¥14,966	¥8,403	¥6,563
Sub total	17,737	11,261	6,476	14,966	8,403	6,563
Securities with book values not exceeding acquisition costs						
Equity securities	¥1,454	¥1,654	¥(200)	¥3,205	¥3,316	¥(111)
Corporate bonds	2,000	2,000	—	2,000	2,000	—
Negotiable certificates of deposit	12,000	12,000	—	28,000	28,000	—
Other	2,000	2,000	—	—	—	—
Sub total	17,454	17,654	(200)	33,205	33,316	(111)
Total	¥35,191	¥28,915	¥6,276	¥48,171	¥41,719	¥6,452

Type	Thousands of U.S. dollars		
	2019		
	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	\$159,778	\$101,441	\$58,337
Sub total	159,778	101,441	58,337
Securities with book values not exceeding acquisition costs			
Equity securities	\$13,098	\$14,900	\$(1,802)
Corporate bonds	18,016	18,016	—
Negotiable certificates of deposit	108,098	108,098	—
Other	18,017	18,017	—
Sub total	157,229	159,031	(1,802)
Total	\$317,007	\$260,472	\$56,535

(2) Total sales, related gains and losses of available-for-sale securities for the year ended March 31, 2019 and 2018 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Equity securities			
Sales	¥8	¥185	\$72
Related gains	0	156	0

4. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2019 and 2018 were reconciled with cash and time deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits	¥120,303	¥110,768	\$1,083,713
Time deposits with maturities of exceeding 3-month from the date of acquisition	(1,209)	(1,578)	(10,891)
Securities with remaining maturities of 3-month or less	16,000	30,000	144,131
Total: Cash and cash equivalents	¥135,094	¥139,190	\$1,216,953

5. The contents of significant non-cash transactions

The contents of significant non-cash transactions for the year ended March 31, 2019 and 2018 are as follows:

(1) Exercise of share subscription rights in convertible bond-type bonds with subscription rights

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Increase in capital stock by exercise of share subscription rights	¥4,355	¥651	\$39,231
Increase in capital surplus by exercise of share subscription rights	4,355	651	39,231
Decrease in convertible bond-type bonds with subscription rights by exercise of share subscription rights	¥8,710	¥1,302	\$78,462

(2) The amount of significant asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Significan asset retirement obligations	¥—	¥434	\$—

6. Inventories

Inventories at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Accumulated Costs on uncompleted construction contracts	¥7,755	¥5,320	\$69,859
Others	5,031	3,933	45,320
Total	¥12,786	¥9,253	\$115,179

7. 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 1.5% and 1.2% at March 31, 2019 and 2018.

Bonds at March 31, 2019 and 2018 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Long-term debt from bonds, insurance companies and others due serially through 2024:			
Unsecured 0.4%	¥1,070	¥932	\$9,639
Less current maturities	(358)	(362)	(3,225)
Sub total	712	570	6,414
Convertible bond-type bonds with subscription rights to shares	—	¥8,714	—
Total	¥712	¥9,284	\$6,414

Long-term loans payable at March 31, 2019 and 2018 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Long-term debt from banks, insurance companies and others due serially through 2029:			
Secured 0.8% to 1.6%	¥728	¥814	\$6,558
Unsecured 0.2% to 2.8%	15,212	12,789	137,032
Less current maturities	(6,875)	(5,206)	(61,931)
Total	¥9,065	¥8,397	\$81,659

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥358	\$3,225
2021	270	2,432
2022	220	1,982
2023	166	1,495
2024	56	505
Total	¥1,070	\$9,639

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

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥6,875	\$61,931
2021	4,072	36,681
2022	2,265	20,404
2023	1,758	15,836
2024	670	6,036
2025~	300	2,702
Total	¥15,940	\$143,590

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.

8. Pledged Assets

The following assets were pledged to secure short-term bank loans, long-term debt and certain other obligation at March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Property, plant and equipment	¥1,614	¥1,669	\$14,539
Investment securities	4,456	5,091	40,141
Other assets	132	130	1,189
Total	¥6,202	¥6,890	\$55,869

9. 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
	2019	2018	2019
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	¥1,497	¥119	\$13,485

10. Contingent Liabilities

(1) At March 31, 2019 and 2018, the Companies had the following contingent liabilities for loan guaranteed:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Guarantees for loan			
Loans of employees	¥1	¥2	\$9
Total	¥1	¥2	\$9

(2) other

Regarding the fire occurred at the building under construction by the Company in Tama city, Tokyo on July 26, 2018, the Company recognized expected compensation for damages under the construction contracts and fire-damaged equipment outside of the construction range other than the construction costs, in the provision for losses on fire disaster.

However, the Company does not record expected compensation for damages that cannot be reasonably estimated and amount of insurance to cover losses caused by the fire, in the provision for losses on fire disaster.

If the events different from those for which the provision for losses on fire disaster are based occur, the Company reconsiders the provision for losses which may have effect on the Company's consolidated financial statements.

11. 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, 2019 and 2018 were ¥313,618 million (US\$2,825,133 thousand) and ¥327,195 million, respectively.

12. 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, 2019 and 2018 were ¥1,504 million (US\$13,548 thousand) and ¥151 million, respectively.

13. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥2,519 million (US\$22,692 thousand) and ¥3,612 million for the years ended March 31, 2019 and 2018, respectively.

14. Impairment Loss

Impairment loss for the year ended March, 31, 2019 is as follows:

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Fukushima prefecture	Idle asset	Land	¥46	\$414
Total			¥46	\$414

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

Location	Use	Type of assets	Millions of yen
Kanagawa prefecture	Asset for lease	Land	¥24
Chiba prefecture and Saitama prefecture	Idle asset	Land, leasehold right	728
Total			¥752

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.

15. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the year ended March 31, 2019 and 2018 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Land and Buildings	¥49	¥67	\$441
Other	—	16	—
Total	¥49	¥83	\$441

16. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets for the year ended March 31, 2019 and 2018 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Land and Buildings	—	¥47	—
other	—	—	—
Total	—	¥47	—

17. 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.

18. 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
	2019	2018	2019
(1) Movement in retirement benefit obligations			
Balance at April 1, 2018 and 2017	¥31,218	¥30,634	\$281,218
Service cost	1,408	1,376	12,683
Interest cost	312	306	2,811
Actuarial loss (gain)	270	567	2,432
Benefits paid	(1,596)	(1,665)	(14,377)
Balance at March 31, 2019 and 2018	¥31,612	¥31,218	\$284,767
(2) Movement in plan assets			
Balance at April 1, 2018 and 2017	¥20,221	¥20,256	\$182,154
Expected return on plan assets	228	219	2,054
Actuarial loss (gain)	(453)	(385)	(4,081)
Contributions paid by the employer	1,201	1,214	10,819
Benefits paid	(1,010)	(1,083)	(9,098)
Balance at March 31, 2019 and 2018	¥20,187	¥20,221	\$181,848
(3) Movement in simplified method			
Balance at April 1, 2018 and 2017	¥1,501	¥1,540	\$13,522
Retirement benefit costs	268	262	2,414
Benefits paid	(228)	(303)	(2,054)
Other	(6)	2	(54)
Balance at March 31, 2019 and 2018	¥1,535	¥1,501	\$13,828
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits			
Funded retirement benefit obligation	¥31,612	¥31,218	\$284,767
Plan assets	(20,187)	(20,221)	(181,848)
	11,425	10,997	102,919
Unfunded retirement benefit obligation	1,534	1,501	13,818
Total net liability (asset) for retirement benefits at March 31, 2019 and 2018	12,959	12,498	116,737
Net defined benefit liability	12,959	12,498	116,737
Total net liability (asset) for retirement benefits at March 31, 2019 and 2018	¥12,959	¥12,498	\$116,737

(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
	2019	2018	2019
(5) Retirement benefit costs			
Service cost	¥1,408	¥1,376	\$12,683
Interest cost	312	306	2,811
Expected return on plan assets	(228)	(220)	(2,054)
Net actuarial loss amortization	204	394	1,838
Retirement benefit expenses by simplified method	267	262	2,405
Total retirement benefit costs for the fiscal year ended March 31, 2019 and 2018	¥1,963	¥2,118	\$17,683
(6) Remeasurements of defined benefit plans			
Net actuarial loss	¥(520)	¥(558)	\$(4,684)
Total adjustments for retirement benefit	¥(520)	¥(558)	\$(4,684)
(7) Accumulated remeasurements of defined benefit plans			
Actuarial gains and losses that are yet to be recognized	¥1,956	¥1,436	\$17,620
Total accumulated adjustments for retirement benefit	¥1,956	¥1,436	\$17,620
(8) Plan assets			
1. Plan assets comprise:			
	2019	2018	
Bonds	43%	41%	
Equity securities	20	21	
General account assets	16	16	
Cash and deposits	3	3	
Other	18	19	
Total	100%	100%	

(Note) The retirement benefit trust that has been established for the corporate pension plan accounts for 12% and 12% of the total plan assets for the year ended March 31, 2019 and 2018.

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, 2019 and 2018 (expressed as weighted averages) follow:

	2019	2018
Discount rate	1.0%	1.0%
Long-term expected rate of return	1.2%	1.1%

19. Income Taxes

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2019 and 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.

Significant components of deferred tax assets and liabilities at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Net defined benefit liability	¥5,150	¥5,452	\$46,392
Others	9,381	6,076	84,506
Gross deferred tax assets	14,531	11,528	130,898
Less: Valuation allowance	(2,475)	(2,575)	(22,295)
Total deferred tax assets	12,056	8,953	108,603
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	1,789	1,839	16,116
Others	1,885	1,936	16,980
Total deferred tax liabilities	3,674	3,775	33,096
Net deferred tax assets	¥8,382	¥5,178	\$75,507

20. Comprehensive Income

Amounts reclassified to profit for the fiscal year ended March 31, 2019 and 2018 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
	2019	2018	2019
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥(176)	¥1,050	\$(1,585)
Reclassification adjustment	—	(58)	—
Sub-total, before tax	(176)	992	(1,585)
Tax (expense) or benefit	51	(237)	459
Sub-total, net of tax	(125)	755	(1,126)
Deferred gains or losses on hedges:			
Increase (decrease) during the year	¥1	¥(19)	\$9
Reclassification adjustment	6	—	54
Acquisition cost of assets adjustments	19	6	171
Sub-total, before tax	26	(13)	234
Tax (expense) or benefit	(9)	4	(81)
Sub-total, net of tax	17	(9)	153
Foreign currency translation adjustment:			
Increase (decrease) during the year	¥(100)	¥76	\$(901)
Reclassification adjustment	—	—	—
Sub-total, before tax	(100)	76	(901)
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	(100)	76	(901)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥(724)	¥(953)	\$(6,522)
Reclassification adjustment	204	395	1,838
Sub-total, before tax	(520)	(558)	(4,684)
Tax (expense) or benefit	159	171	1,432
Sub-total, net of tax	(361)	(387)	(3,252)
Total other comprehensive income	¥(569)	¥435	\$(5,126)

21. 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.

22. Consolidated Statements of Changes in Net Assets

(1) Common stock issued

	Number of shares
	Common stock
Balance at April 1, 2017	185,209,189
Increase during the year	1,951,072
Decrease during the year	—
Balance at April 1, 2018	187,160,261
Increase during the year	13,183,136
Decrease during the year	—
Balance at March 31, 2019	200,343,397

(2) Treasury stock outstanding

	Number of shares
	Common stock
Balance at April 1, 2017	686,755
Increase during the year	3,525
Decrease during the year	28,659
Balance at April 1, 2018	661,621
Increase during the year	2,277
Decrease during the year	97,068
Balance at March 31, 2019	566,830

(Note) Stock owned by BIP Trust is included in Treasury stock at March 31, 2019 (Included amount: 364,751 shares).

23. 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, 2019 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2019:								
Revenues:								
Outside customers	¥ 118,760	¥ 208,851	¥ 27,326	¥ 354,937	¥ 5,035	¥ 359,972	¥ —	¥ 359,972
Intersegment	—	8	42,306	42,314	15	42,329	(42,329)	—
Total	118,760	208,859	69,632	397,251	5,050	402,301	(42,329)	359,972
Segment profit	18,078	9,142	1,152	28,372	705	29,077	(5,385)	23,692
Assets	Note 4	Note 4	33,301	198,212	7,956	206,168	143,489	349,657
Other material items:								
Depreciation and amortization	481	846	278	1,605	91	1,696	98	1,794
Capital expenditures	Note 4	Note 4	954	2,071	—	2,071	21	2,092
Thousands of U.S. dollars								
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2019:								
Revenues:								
Outside customers	\$1,069,814	\$1,881,371	\$246,158	\$3,197,343	\$45,356	\$3,242,699	\$ —	\$3,242,699
Intersegment	—	72	381,101	381,173	135	381,308	(381,308)	—
Total	1,069,814	1,881,443	627,259	3,578,516	45,491	3,624,007	(381,308)	3,242,699
Segment profit	162,850	82,353	10,378	255,581	6,351	261,932	(48,509)	213,423
Assets	Note 4	Note 4	299,982	1,785,533	71,669	1,857,202	1,292,577	3,149,779
Other material items:								
Depreciation and amortization	4,332	7,621	2,505	14,458	819	15,277	884	16,161
Capital expenditures	Note 4	Note 4	8,594	18,656	—	18,656	189	18,845

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 ¥(5,385) million (US\$(48,509) thousand), which included ¥(7) million (US\$(63) thousand) of intersegment eliminations and others, and ¥(5,378) million (US\$(48,446) 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 ¥143,489 million (US\$1,292,577 thousand), which included ¥(17,786) million (US\$(160,220) thousand) of intersegment eliminations and others, and ¥161,275 million (US\$1,452,797 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 23. (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 ¥164,911 million (US\$1,485,551 thousand), and capital expenditures of these segments are amounted to ¥1,117 million (US\$10,062 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2018 is as follows:

	Millions of yen							
	Reportable segments			Sub total	Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries					
Year ended March 31, 2018:								
Revenues:								
Outside customers	¥127,590	¥215,944	¥27,026	¥370,560	¥6,461	¥377,021	¥ —	¥377,021
Intersegment	—	51	41,282	41,333	16	41,349	(41,349)	—
Total	127,590	215,995	68,308	411,893	6,477	418,370	(41,349)	377,021
Segment profit	22,365	16,562	1,441	40,368	660	41,028	(5,313)	35,715
Assets	Note 4	Note 4	36,162	179,355	8,590	187,945	141,833	329,778
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

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 ¥(5,313) million, which included ¥(12) million of intersegment eliminations and others, and ¥(5,301) million of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
 - Reconciliations amount of segment assets was to ¥141,833 million, which included ¥(21,435) million of intersegment eliminations and others, and ¥163,268 million of corporate assets. Corporate assets were mainly cash and time deposits, investment securities and others, which are not attributed to reportable segments.
- Segment profit was adjusted to operating income of consolidated statements of income.
- As discussed in Note 23. (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 ¥143,193 million, and capital expenditures of these segments are amounted to ¥2,238 million.

(4) Related information

(a) Information about products and services

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

(b) Information about geographic areas

(Revenues)

Revenues information about geographic areas for the year ended March 31, 2019 and 2018 are as follows:

Geographic Areas	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥329,729	¥350,798	\$2,970,264
Other	30,243	26,223	272,435
Total	¥359,972	¥377,021	\$3,242,699

(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, 2019.

(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, 2019 and 2018 are as follows:

Millions of yen						
2019						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥46	¥46

Thousands of U.S. dollars						
2019						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	\$ —	\$ —	\$ —	\$ —	\$414	\$414

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

24. 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, 2019 is as follows:

Year ended March 31, 2019:	Profit attributable to owners of parent	Weighted-average shares	EPS	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Profit attributable to owners of parent	¥8,863			
Basic EPS-Profit available to common shareholders	¥8,863	196,038	¥45.21	\$0.41
Effect of dilution				
Shares adjusted by share subscription rights	(3)	4,401		
Diluted EPS-Profit for computation	¥8,866	200,439	¥44.20	\$0.40

(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, 2019 were 612 thousand including 383 thousand of shares in BIP Trust at the year ended March 31, 2019.

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:

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

25. 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 26 "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 10.6% 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, 2019:

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	¥120,303	¥120,303	¥ —	\$1,083,713	\$1,083,713	\$ —
(b) Receivables:						
Notes	8,236	8,236	—	74,192	74,192	—
Accounts	110,518	110,507	(11)	995,568	995,469	(99)
(c) Marketable securities and						
Investment securities:						
Available-for-sale securities	35,191	35,191	—	317,007	317,007	—
Total assets	¥274,248	¥274,237	¥(11)	\$2,470,480	\$2,470,381	\$(99)
Liabilities						
(a) Payables:						
Notes	¥17,873	¥17,873	¥ —	\$161,004	\$161,004	\$ —
Accounts	58,019	58,019	—	522,647	522,647	—
(b) Short-term loans payable	12,264	12,264	—	110,477	110,477	—
Current maturities of						
long-term loans payable	6,875	6,875	—	61,931	61,931	—
Current portion of bonds	358	358	—	3,225	3,225	—
(c) Bonds	712	714	2	6,414	6,431	17
(d) Long-term loans payable,						
less current maturities	9,065	9,099	34	81,659	81,965	306
Total liabilities	¥105,166	¥105,202	¥36	\$947,357	\$947,680	\$323
Derivative transactions	¥(5)	¥(5)	¥ —	\$(45)	\$(45)	\$ —

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

Type	Millions of yen		
	Book values	Fair values	Difference
Assets			
(a) Cash and time deposits	¥110,768	¥110,768	¥ —
(b) Receivables:			
Notes	7,244	7,244	—
Accounts	98,191	98,185	(6)
(c) Marketable securities and			
Investment securities:			
Available-for-sale securities	48,171	48,171	—
Total assets	¥264,374	¥264,368	¥(6)
Liabilities			
(a) Payables:			
Notes	¥36,526	¥36,526	¥ —
Accounts	51,936	51,936	—
(b) Short-term loans payable	16,674	16,674	—
Current maturities of			
long-term loans payable	5,206	5,206	—
Current portion of bonds	362	362	—
(c) Bonds	570	571	1
(d) Long-term loans payable,			
less current maturities	8,397	8,431	34
Total liabilities	¥119,671	¥119,706	¥35
Derivative transactions	¥(30)	¥(30)	¥ —

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 26 “Derivative Financial Instruments”.

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

Non-marketable securities (book values of ¥3,250 million (US\$29,277 thousand) and ¥3,636 million at March 31, 2019 and 2018, respectively) are not included in the above “Assets (c) Marketable securities and investment securities”; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

3. Redemption schedules for cash and time deposits, receivables, held-to-maturity debt securities and other at March 31, 2019 and 2018 are as follows:

	Millions of yen							
	2019				2018			
	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	¥120,303	¥ —	¥ —	¥ —	¥110,768	¥ —	¥ —	¥ —
Receivables:								
Notes	8,236	—	—	—	7,244	—	—	—
Accounts	100,092	10,426	—	—	93,913	4,278	—	—
Corporate bonds	2,000	—	—	—	2,000	—	—	—
Negotiable certificates of deposit	12,000	—	—	—	28,000	—	—	—
Other	2,000	—	—	—	—	—	—	—
Total	¥244,631	¥10,426	¥ —	¥ —	¥241,925	¥4,278	¥ —	¥ —

Thousands of U.S. dollars				
2019				
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	\$1,083,713	\$ —	\$ —	\$ —
Receivables:				
Notes	74,192	—	—	—
Accounts	901,648	93,920	—	—
Corporate bonds	18,017	—	—	—
Negotiable certificates of deposit	108,098	—	—	—
Other	18,016	—	—	—
Total	\$2,203,684	\$93,920	\$ —	\$ —

26. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting at March 31, 2019 and 2018 are as follows:

(Currency-related transactions)

		Millions of yen					
		2019			2018		
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		
		2019		
Type of derivative transactions	Main items hedged	Contract amount		Fair value
		Total	Settled over 1 year	
Benchmark method:				
Foreign exchange forward contract ((Buy EUR)	Forecasted transactions denominated Buy in foreign currencies	\$ —	\$ —	\$ —

Note:

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

(Interest-related transactions)

		Millions of yen					
		2019			2018		
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	¥648	¥576	¥(5)	¥720	¥648	¥(10)
Short-cut method:							
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	¥2,544	¥378	Note 2	¥4,072	¥2,544	Note 2

		Thousands of U.S. dollars			
		2019			
Type of derivative transactions	Main items hedged	Contract amount		Fair value	
		Total	Settled over 1 year		
Benchmark method:					
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	\$5,837	\$5,189	¥(45)	
Short-cut method:					
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	\$22,917	\$3,405	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.

27. Stock Option Plans

(1) No cost for stock options is recognized for the years ended March 31, 2019 and 2018.

(2) The stock options outstanding at March 31, 2019 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	18,400	31,500	33,000
Vested during the year	—	—	—	—
Exercised during the year	8,800	18,400	4,500	9,900
Forfeited or expired during the year	—	—	—	—
Unexercised at the end of the year	—	—	27,000	23,100
Exercise price	¥1	¥1	¥1	¥1
Average stock price at exercise	¥761	¥736	¥758	¥929
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.



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, 2019 and 2018, 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, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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 23, 2019
Tokyo, Japan

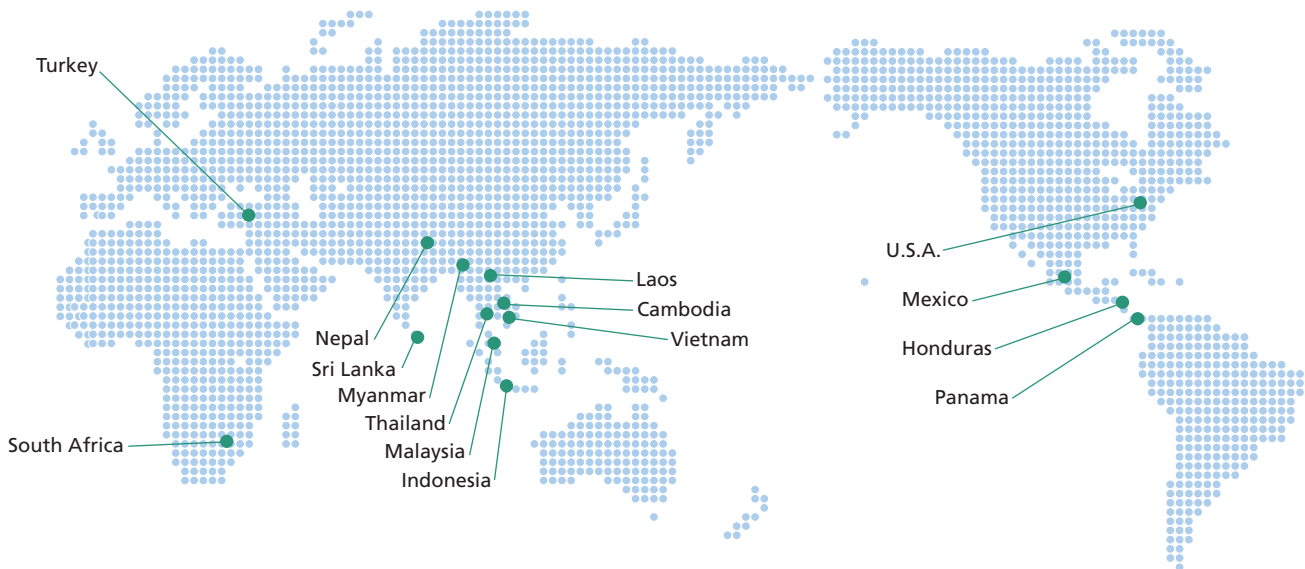
KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Global Network

Japan

Head Office	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3600
Branches	Sapporo, Tohoku, Hokuriku, Tokyo, Kanto, 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 Panamá	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, 2019)

Name HAZAMA ANDO CORPORATION	Authorized Shares Common stock 400,000,000	Issued Shares Common stock 200,343,397	Number of Shareholders 29,202
Established October 1, 2003			Number of Employees 3,493
Capital ¥17,006,123,275			

Directors, Officers (As of June 27, 2019)

Board Directors Representative Director and President Masato Fukutomi Board Directors and Vice Presidents Toru Ikegami Muneo Gomi Haruyuki Kaneko Board Directors/ Managing Executive Officers Shinya Miyamori Katsuhiko Tabuchi	Board Directors (External Board Directors) Masami Fujita Mariko Kitagawa Mieko Kuwayama Auditors Auditors Norio Chonan Tomoki Kitagawa Corporate Auditors (External Auditors) Shigeo Kamimura Masamitsu Takahara	Executive Officers Senior Managing Executive Officer Hikari Yamazaki Managing Executive Officers Kazuya Ozawa Hajime Tsukizu Shin Terauchi Executive Officers Shinkichi Komatsubara Tatsumi Asao Masaaki Tomita Ken Moriyasu Kazutaka Miyazaki	Hiroshi Ono Takeshi Komatsu Fuminori Hirose Ryo Onishi Ichiro Kato Tetsuo Tomoike Akio Fujimoto Naoto Aida Michio Yoshida
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Major Subsidiaries and Affiliates (As of March 31, 2019)

Name	Stated Capital	Principal Business	Address /Phone
Hazama Ando Kogyo Co., Ltd.	152 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.	14 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
VIETNAM DEVELOPMENT CONSTRUCTION CO.,LTD.	1 Million USD	Construction	18th Floor, Harbour View Tower, 35 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam 84-28-38299533



HAZAMA ANDO
CORPORATION