

HAZAMA ANDO CORPORATION

FINANCIAL REVIEW 2021

Year ended March 31, 2021



HAZAMA ANDO CORPORATION

CONTENTS

Consolidated Financial Review	1
Consolidated Balance Sheets	4
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Net Assets.....	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	12
Independent Auditor’s Report	35

Consolidated Financial Review

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2021, 2020, 2019, 2018 and 2017

Summary

	Millions of yen					Thousands of U.S. dollars
	2021	2020	2019	2018	2017	2021
Operating results:						
Revenues						
Construction contracts	¥331,550	¥358,191	¥334,245	¥348,879	¥378,983	\$2,994,491
Other activities	20,451	19,945	25,727	28,142	29,011	184,709
Total	352,001	378,136	359,972	377,021	407,994	3,179,200
Cost of sales	303,836	330,918	314,180	319,666	348,836	2,744,184
Gross profit	48,165	47,218	45,792	57,355	59,158	435,016
Selling, general and administrative expenses	20,808	22,517	22,100	21,640	22,140	187,933
Operating income	27,357	24,701	23,692	35,715	37,018	247,083
Profit attributable to owners of parent	17,189	16,804	8,863	23,862	26,277	155,247
Financial position:						
Total assets	¥339,611	¥339,772	¥349,657	¥329,778	¥318,387	\$3,067,296
Total liabilities	192,935	202,873	215,974	207,378	217,643	1,742,549
Total net assets	146,676	136,899	133,683	122,400	100,744	1,324,747
Cash flows:						
Cash flows from operating activities	¥29,155	¥(3,103)	¥5,900	¥38,127	¥(1,802)	\$263,322
Cash flows from investing activities	(3,954)	(3,016)	(2,357)	(2,261)	6,317	(35,712)
Cash flows from financing activities	(12,656)	(13,244)	(7,780)	(3,962)	(3,376)	(114,306)
	Yen					U.S. dollars
Per share amounts:						
Profit attributable to owners of parent						
Basic	¥89.80	¥84.42	¥45.21	¥128.97	¥142.30	\$0.81
Diluted	89.78	84.40	44.20	119.41	131.60	0.81
Dividends						
Common stock	30.00	30.00	30.00	25.00	20.00	0.27
Net assets	782.28	704.86	664.78	651.77	541.43	7.07

Note: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥110.72 to US\$1.00 for convenience.
2. The dividend per share for 2018 includes a ¥5 special dividend.

Financial Review

Revenues

Revenues in fiscal 2021 totaled ¥352,001 million (US\$3,179,200 thousand), of which ¥331,550 million (US\$2,994,491 thousand) came from construction projects and ¥20,451 million (US\$184,709 thousand) from other activities. These two business segments accounted for 94.2% and 5.8%, respectively, of total revenues.

Costs and Expenses

Cost of sales amounted to ¥303,836 million (US\$2,744,184 thousand), which is equivalent to 86.3% of revenues. Selling, general and administrative expenses amounted to ¥20,808 million (US\$187,933 thousand), which is equivalent to 5.9% of revenues. Operating income reached ¥27,357 million (US\$247,083 thousand), and the operating margin was 7.8%. Profit attributable to owners of parent amounted to ¥17,189 million (US\$155,247 thousand). Basic profit attributable to owners of parent per share was ¥89.80 (US\$0.81). HAZAMA ANDO CORPORATION paid dividend of ¥15 (US\$0.135) per share for the fiscal year ended March 31, 2020 on June 29, 2020, and paid interim dividend of ¥15 (US\$0.135) per share for the fiscal year ended March 31, 2021 on December 4, 2020.

Financial Position and Analysis

Total assets amounted to ¥339,611 million (US\$3,067,296 thousand), total liabilities amounted to ¥192,935 million (US\$1,742,549 thousand), and total net assets amounted to ¥146,676 million (US\$1,324,747 thousand) at the end of fiscal 2021.

Net worth to total assets ratio was 43.0%. Net assets per share amounted to ¥782.28 (US\$7.07).

Cash Flows

Cash and cash equivalents at the end of the year increased by ¥12,573 million (US\$113,557 thousand) to ¥128,035 million (US\$1,156,385 thousand).

Net cash provided by operating activities amounted to ¥29,155 million (US\$263,322 thousand) mainly as the result of income before income taxes amounted to ¥25,087 million (US\$226,581 thousand), decrease in notes and accounts payable amounted to ¥8,290 million (US\$74,874 thousand), increase in other inventories amounted to ¥4,137 million (US\$37,365 thousand) and income taxes paid amounted to ¥7,756 million (US\$70,051 thousand).

Net cash used in investing activities amounted to ¥(3,954) million (US\$(35,712) thousand) mainly as a result of purchase of property, plant and equipment amounted to ¥2,935 million (US\$26,508 thousand).

Net cash used in financing activities amounted to ¥(12,656) million (US\$(114,306) thousand) mainly as a result of Cash dividends paid amounted to ¥5,803 million (US\$52,411 thousand), Repayment of long-term loans payable amounted to ¥5,535 million (US\$49,991 thousand), purchase of treasury stock amounted to ¥4,936 million (US\$44,581 thousand) and proceeds from long-term loans payable amounted to ¥4,107 million (US\$37,094 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
	2021	2020	2019	2018	2017	2021
Civil engineering						
Domestic						
Government sector	¥85,020	¥78,588	¥70,268	¥88,070	¥99,198	\$767,883
Private sector	43,638	35,983	40,531	34,072	31,434	394,129
Overseas	7,275	9,743	7,991	5,331	3,543	65,706
Subtotal	135,933	124,314	118,790	127,473	134,175	1,227,718
Building construction						
Domestic						
Government sector	18,592	30,131	26,932	27,716	45,292	167,919
Private sector	164,052	180,720	161,430	168,806	169,470	1,481,684
Overseas	9,467	16,363	20,497	19,473	24,161	85,504
Subtotal	192,111	227,214	208,859	215,995	238,923	1,735,107
Total construction projects	¥328,044	¥351,528	¥327,649	¥343,468	¥373,098	\$2,962,825

Revenue from the civil engineering category accounted for ¥135,933 million (US\$1,227,718 thousand), or 41.4% of total revenue from construction projects, with domestic projects contributing ¥128,658 million (US\$1,162,012 thousand), or 94.6%.

The government sector contributed ¥85,020 million (US\$767,883 thousand), or 66.1%, of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥43,638 million (US\$394,129 thousand), or 33.9% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥7,275 million (US\$65,706 thousand), equivalent to 5.4% of total revenue in the civil engineering category.

Revenue from the building construction category accounted for ¥192,111 million (US\$1,735,107 thousand), or 58.6% of total construction revenue. Domestic projects accounted for ¥182,644 million (US\$1,649,603 thousand), or 95.1%.

The government sector contributed ¥18,592 million (US\$167,919 thousand), or 10.2%, of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥164,052 million (US\$1,481,684 thousand), or 89.8%, of total domestic building construction revenue. Overseas building construction revenue reached ¥9,467 million (US\$85,504 thousand), equivalent to 4.9% of total revenue in the building construction category.

Total overseas construction revenue reached ¥16,742 million (US\$151,210 thousand) and accounted for 5.1% of total construction revenue. Civil engineering projects accounted for 43.5% of this total, and building construction for 56.5%.

Orders Received	Millions of yen					Thousands of U.S. dollars
	2021	2020	2019	2018	2017	2021
Civil engineering	¥101,528	¥193,575	¥192,179	¥123,469	¥193,008	\$916,980
Building construction	199,341	186,706	235,473	225,723	236,278	1,800,406
Total construction projects	¥300,869	¥380,281	¥427,652	¥349,192	¥429,286	\$2,717,386

Orders received for construction projects during fiscal 2021 amounted to ¥300,869 million (US\$2,717,386 thousand). Overseas work contributed 1.4% of orders in the construction category. Civil engineering orders amounted to ¥101,528 million (US\$916,980 thousand), or 33.7% of total construction orders. Building construction orders amounted to ¥199,341 million (US\$1,800,406 thousand), which is equivalent to 66.3% of total construction orders.

Year-end Backlog	Millions of yen					Thousands of U.S. dollars
	2021	2020	2019	2018	2017	2021
Civil engineering	¥329,836	¥364,120	¥294,914	¥221,679	¥226,120	\$2,979,010
Building construction	189,782	182,579	223,318	196,300	186,748	1,714,072
Total construction projects	¥519,618	¥546,699	¥518,232	¥417,979	¥412,868	\$4,693,082

Order backlog for construction projects at the end of fiscal 2021 amounted to ¥519,618 million (US\$4,693,082 thousand), with civil engineering work accounting for ¥329,836 million (US\$2,979,010 thousand), or 63.5%, and building construction for ¥189,782 million (US\$1,714,072 thousand), or 36.5%.

Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 25)	¥129,317	¥102,972	\$1,167,964
Marketable securities (Notes 3 and 25)	—	14,000	—
Receivables (Note 25):			
Notes	6,901	2,930	62,328
Accounts	114,490	134,800	1,034,050
Inventories (Notes 5 and 8)	14,711	9,615	132,867
Other (Note 7)	9,023	13,280	81,494
Less allowance for doubtful accounts	(12)	(14)	(108)
Total current assets	274,430	277,583	2,478,595
Property, plant and equipment (Notes 7, 9, 14, 15 and 16):			
Land	15,800	15,505	142,702
Buildings and structures	23,649	22,297	213,593
Machinery and equipment	12,013	11,456	108,499
Other	818	1,467	7,388
	52,280	50,725	472,182
Less accumulated depreciation	(22,724)	(21,577)	(205,238)
Net property, plant and equipment	29,556	29,148	266,944
Investments and other assets:			
Investment securities (Notes 3, 7 and 25)	21,521	18,513	194,373
Investments in unconsolidated subsidiaries and affiliates	176	185	1,590
Long-term loans receivable (Note 7)	133	145	1,201
Net defined benefit asset	707	—	6,385
Deferred tax assets (Note 19)	7,819	9,528	70,619
Other (Note 7)	5,270	4,671	47,598
Less allowance for doubtful accounts	(1)	(1)	(9)
Total investments and other assets	35,625	33,041	321,757
Total assets	¥339,611	¥339,772	\$3,067,296

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 6 and 25)	¥12,166	¥12,258	\$109,881
Current maturities of long-term loans payable (Notes 6 and 25)	4,147	5,133	37,455
Current portion of bonds (Notes 6 and 25)	292	342	2,637
Payables (Note 25):			
Notes	17,824	20,203	160,983
Accounts	55,841	61,658	504,344
Income taxes payable	4,907	4,812	44,319
Advances received (Note 17)	32,629	34,244	294,698
Accrued expenses	36	38	325
Provision for losses on construction contracts (Note 8)	1,249	955	11,281
Provision for losses on fire disaster	5,996	6,699	54,155
Other	38,899	33,045	351,328
Total current liabilities	173,986	179,387	1,571,406
Long-term liabilities:			
Bonds (Notes 6 and 25)	400	692	3,613
Long-term loans payable, less current maturities (Notes 6 and 25)	8,271	8,713	74,702
Net defined benefit liability (Note 18)	8,858	12,776	80,003
Provision for environmental spending	139	148	1,255
Provision for management board incentive plan trust	117	94	1,057
Deferred tax liabilities (Note 19)	37	46	334
Other	1,127	1,017	10,179
Total long-term liabilities	18,949	23,486	171,143
Total liabilities	192,935	202,873	1,742,549
Net assets (Notes 21 and 22):			
Shareholders' equity:			
Capital stock			
Common stock	Authorized - 400,000,000 shares		
	Issued - 200,343,397 shares	17,006	153,595
Capital surplus		19,919	179,904
Retained earnings		115,086	1,039,433
Less treasury stock, at cost		(10,188)	(92,016)
Total shareholders' equity		141,823	1,280,916
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	3,755	1,880	33,914
Foreign currency translation adjustment	56	117	506
Accumulated remeasurements of defined benefit plans	281	(1,287)	2,538
Total accumulated other comprehensive income	4,092	710	36,958
Share subscription rights	3	4	27
Non-controlling interests	758	837	6,846
Total net assets	146,676	136,899	1,324,747
Total liabilities and net assets	¥339,611	¥339,772	\$3,067,296

Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Revenues (Notes 11 and 23):			
Construction contracts	¥331,550	¥358,191	\$2,994,491
Other activities	20,451	19,945	184,709
	352,001	378,136	3,179,200
Cost of sales (Notes 12 and 23):			
Construction contracts	287,107	314,013	2,593,091
Other activities	16,729	16,905	151,093
	303,836	330,918	2,744,184
Gross profit	48,165	47,218	435,016
Selling, general and administrative expenses (Notes 13 and 23):	20,808	22,517	187,933
Operating income	27,357	24,701	247,083
Other income (expenses):			
Interest and dividends income	366	426	3,306
Interest expense	(333)	(422)	(3,008)
Foreign exchange loss	(19)	(336)	(171)
Commission fee	(850)	(136)	(7,677)
Gain on sales of noncurrent assets (Note 15)	13	87	117
Gain on sales of investment securities	160	255	1,445
Gain on reversal of provision for losses on fire disaster	28	733	253
Subsidy income	355	—	3,206
Loss on sales of noncurrent assets (Note 16)	(20)	(30)	(181)
Loss on tax purpose reduction entry of noncurrent assets	(355)	—	(3,206)
Loss on sales of investments securities	—	(143)	—
Loss on valuation of investments securities	—	(70)	—
Impairment loss (Note 14)	(885)	—	(7,993)
Loss on litigation	(75)	(47)	(677)
Losses on fire disaster	(25)	(315)	(226)
Other, net	(630)	(248)	(5,690)
	(2,270)	(246)	(20,502)
Income before income taxes	25,087	24,455	226,581
Income taxes (Note 19):			
Current	7,790	7,875	70,358
Deferred	138	(147)	1,247
	7,928	7,728	71,605
Profit	17,159	16,727	154,976
Profit attributable to non-controlling interests	(30)	(77)	(271)
Profit attributable to owners of parent	¥17,189	¥16,804	\$155,247

	Yen		U.S. dollars (Note 1)
	2021	2020	2021
Per share amounts (Note 24):			
Profit attributable to owners of parent			
Basic	¥89.80	¥84.42	\$0.81
Diluted	89.78	84.40	0.81
Cash dividends applicable to the year			
Common stock	30.00	30.00	0.271

See accompanying notes.

Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥17,159	¥16,727	\$154,976
Other comprehensive income			
Valuation difference on available-for-sale securities	1,875	(2,602)	16,934
Deferred gains or losses on hedges	—	3	—
Foreign currency translation adjustment	(108)	104	(975)
Remeasurements of defined benefit plans	1,568	69	14,162
Total other comprehensive income (Note 20)	3,335	(2,426)	30,121
Comprehensive income	20,494	14,301	185,097
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	20,571	14,328	185,793
Comprehensive income attribute to non-controlling interests	(77)	(27)	(696)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
Balance at April 1, 2019	¥17,006	¥19,927	¥92,945	¥ (256)
Cash dividends paid			(6,004)	
Profit attributable to owners of parent			16,804	
Disposal of treasury stock		(1)		38
Acquisition of treasury stock				(5,066)
Change of scope of consolidation			(45)	
Net changes in items other than shareholders' equity				
Balance at April 1, 2020	¥17,006	¥19,926	¥103,700	¥ (5,284)
Cash dividends paid			(5,803)	
Profit attributable to owners of parent			17,189	
Disposal of treasury stock		(7)		32
Acquisition of treasury stock				(4,936)
Change of scope of consolidation				
Net changes in items other than shareholders' equity				
Balance at March 31, 2021	¥17,006	¥19,919	¥115,086	¥ (10,188)

	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, 2019	¥4,483	¥ (3)	¥63	¥ (1,357)	¥5	¥870	¥133,683
Cash dividends paid							(6,004)
Profit attributable to owners of parent							16,804
Disposal of treasury stock							37
Acquisition of treasury stock							(5,066)
Change of scope of Consolidation							(45)
Net changes in items other than shareholders' equity	(2,603)	3	54	70	(1)	(33)	(2,510)
Balance at April 1, 2020	¥1,880	¥—	¥117	¥(1,287)	¥4	¥837	136,899
Cash dividends paid							(5,803)
Profit attributable to owners of parent							17,189
Disposal of treasury stock							25
Change of scope of Consolidation							—
Acquisition of treasury stock							(4,936)
Net changes in items other than shareholders' equity	1,875		(61)	1,568	(1)	(79)	3,302
Balance at March 31, 2021	¥3,755	¥—	¥56	¥281	¥3	¥758	¥146,676

Thousands of U.S. dollars (Note 1)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained Earnings	Treasury stock
Balance at April 1, 2020	\$153,595	\$179,967	\$936,597	\$(47,724)
Cash dividends paid			(52,411)	
Profit attributable to owners of parent			155,247	
Disposal of treasury stock		(63)		289
Acquisition of treasury stock				(44,581)
Change of scope of Consolidation				
Net changes in items other than shareholders' equity				
Balance at March 31, 2021	\$153,595	\$179,904	\$1,039,433	\$(92,016)

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, 2020	\$16,979	\$—	\$1,057	\$(11,624)	\$36	\$7,560	\$1,236,443	
Cash dividends paid							(52,411)	
Profit attributable to owners of parent							155,247	
Disposal of treasury stock							226	
Acquisition of treasury stock							(44,581)	
Change of scope of Consolidation								
Net changes in items other than shareholders' equity	16,935		(551)	14,162	(9)	(714)	29,823	
Balance at March 31, 2021	\$33,914	\$—	\$506	\$2,538	\$27	\$6,846	\$1,324,747	

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Income before income taxes	¥25,087	¥24,455	\$226,581
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2,080	1,815	18,786
Impairment loss	885	—	7,993
Loss on tax purpose reduction entry of noncurrent assets	355	—	3,206
Subsidy income	(355)	—	(3,206)
Loss on fire disaster	25	315	226
Increase (decrease) in allowance for doubtful accounts	(2)	3	(18)
Increase (decrease) in provision for warranties for completed construction	(241)	484	(2,177)
Increase (decrease) in provision for loss on construction contracts	294	(779)	2,655
Increase (decrease) in provision for losses on fire disaster	(703)	(1,044)	(6,349)
Increase (decrease) in net benefit defined liability	(1,912)	(87)	(17,269)
Decrease (increase) in net benefit defined asset	(448)	—	(4,046)
Interest and dividends income	(366)	(426)	(3,306)
Interest expense	333	422	3,008
Foreign exchange loss (gain)	(73)	189	(659)
Loss (gain) on sales of investment securities	(160)	(112)	(1,445)
Loss (gain) on valuation of investment securities	—	70	—
Loss (gain) on sales of property, plant and equipment	(13)	(57)	(117)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	16,318	(19,060)	147,381
Decrease (increase) in costs on uncompleted construction contracts	(963)	2,834	(8,698)
Decrease (increase) in other inventories	(4,137)	340	(37,365)
Decrease (increase) in advances paid	991	1,224	8,951
Increase (decrease) in notes and accounts payable	(8,290)	6,339	(74,874)
Increase (decrease) in advances received	(3,245)	(15,154)	(29,308)
Increase (decrease) in deposit received	3,050	(3,101)	27,547
Increase (decrease) in consumption tax payable	3,254	281	29,389
Other, net	5,866	4,288	52,980
Subtotal	37,630	3,239	339,866
Interest and dividends received	393	446	3,550
Interest paid	(356)	(434)	(3,215)
Compensation for damage paid	(756)	(1,027)	(6,828)
Income taxes paid	(7,756)	(5,327)	(70,051)
Net cash provided by (used in) operating activities	29,155	(3,103)	263,322
Cash flows from investing activities:			
Payments into time deposits	(61)	(1,474)	(551)
Proceeds from withdrawal of time deposits	221	1,250	1,996
Purchase of marketable securities and investment securities	(429)	(856)	(3,875)
Proceeds from sales of short-term and long-term investment securities	299	1,145	2,701
Purchase of property, plant and equipment	(2,935)	(3,805)	(26,508)
Proceeds from sales of property, plant and equipment	17	235	153
Proceeds from subsidies	355	40	3,206
Proceeds from sales of intangible assets	—	290	—
Payments of leasehold and guarantee deposits	(955)	(11)	(8,625)
Other, net	(466)	170	(4,209)
Net cash used in investing activities	(3,954)	(3,016)	(35,712)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(92)	9	(831)
Proceeds from long-term loans payable	4,107	5,304	37,094
Repayments of long-term loans payable	(5,535)	(7,398)	(49,991)
Proceeds from issuance of bonds	—	358	—
Redemption of bonds	(342)	(394)	(3,089)
Purchase of treasury stock	(4,936)	(5,066)	(44,581)
Cash dividends paid	(5,803)	(6,004)	(52,411)
Dividends paid to non-controlling interests	(3)	(5)	(27)
Other, net	(52)	(48)	(470)
Net cash used in financing activities	(12,656)	(13,244)	(114,306)
Effect of exchange rate changes on cash and cash equivalents	28	(184)	253
Net increase (decrease) in cash and cash equivalents	12,573	(19,547)	113,557
Cash and cash equivalents at beginning of year	115,462	135,094	1,042,828
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(85)	—
Cash and cash equivalents at end of year (Note 4)	¥128,035	¥115,462	\$1,156,385

See accompanying notes.

Notes to Consolidated Financial Statements

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

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, 2021, which was ¥110.72 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 consolidated 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 consolidated 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 ¥782.28 (US\$7.07) and ¥704.86 at March 31, 2021 and 2020, respectively.

(19) Other significant matters in preparation of the consolidated financial statements

(Accounting policies and procedures adopted in the absence of specific regulations in relevant accounting standards, etc.)

The Company does accounts processing for joint venture constructions according to each investment ratio.

(Consumption taxes)

Consumption tax and local consumption tax are accounted for under the tax-exclusive method.

(20) Significant accounting estimates

(Estimates for the application of the percentage-of-completion method)

(a) The amount recorded in the consolidated financial statements for the current consolidated fiscal year

Revenues from construction contracts recognized by the percentage-of-completion method for the fiscal year ended March 31, 2021 was ¥316,473 million (US\$2,858,318 thousand).

(b) Information on the nature of significant accounting estimates for identified items

The Company records revenues and cost of sales related to construction contracts by applying the percentage-of-completion method to the constructions whose total amounts of revenues, costs, and progresses as of the account closing date can be estimated reliably. In estimating total amount of costs, it creates individual working budgets which incorporate the factors specific to each project based on past construction results and reflects modifications of construction nature due to changes in the situations after starts of constructions and so on in the budgets as they arise. However, construction cost increases caused by unexpected events (e.g. increasing costs of subcontracts, materials, equipment, and additional costs for corrections) will affect its future business performance.

(21) Changes in presentation

(Application of Accounting Standards for Disclosure of Accounting Estimates)

The Company adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the previous consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

(Statements of Income)

“Compensation for damage” which was presented separately in the previous year is included in “Other, net” under other income (expenses), as it accounts for less than 10% of the total amount of non-operating expenses from the current consolidated fiscal year. “Commission fee” which was included in “Other, net” under other income (expenses) in the previous year is presented separately, as it accounts for more than 10% of the total amount of non-operating expenses from the current consolidated fiscal year. Consolidated financial statements for the previous consolidated fiscal year have been reclassified in order to reflect this change in presentation. As a result, ¥(170) million in “Compensation for damage” and ¥(214) million in “Other, net” presented in under other income (expenses) in the consolidated statements of income for the previous consolidated fiscal year has been reclassified into ¥(136) million in “Commission fee” and ¥(248) million in “Other, net”.

(Consolidated Statements of Cash Flows)

“Payments of leasehold and guarantee deposits” and “Proceeds from subsidies” which were included in “Other, net” under cash flows from investing activities in the previous year is presented separately from the current consolidated fiscal year, as its quantitative materiality has increased. Consolidated financial statements for the previous consolidated fiscal year have been reclassified in order to reflect this change in presentation. As a result, ¥199 million presented in “Other, net” under cash flows from investing activities in the consolidated cash flow statement for the previous consolidated fiscal year has been reclassified into ¥(11) million in “Payments of leasehold and guarantee deposits”, ¥40 million in “Proceeds from subsidies”, and ¥170 million in “Other, net”.

(22) New accounting standards not yet applied

· “Accounting Standard for Revenue Recognition”(ASBJ Statement No. 29, March 31, 2020)

· “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(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

In principal, the Company applies the new accounting principle to all previous accounting periods retrospectively according to accounting standard for revenue recognition, paragraph 84. However, the Company will implement the retroactive application based on the accounting standard, paragraph 85. The effect due to the application is currently under evaluation at the time of preparation of the consolidated financial statements but it is expected to be minor.

- “Accounting Standard for Fair Value Measurement”(ASBJ Statement No. 30, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement”(ASBJ Guidance No. 31, July 4, 2019)
- “Accounting Standard for Measurement of Inventories”(ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments”(ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments”(ASBJ Guidance No. 19, March 31, 2020)

(a) Summary

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (together, hereinafter referred to as “Fair Value Accounting Standards”) were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following item.

- Financial instruments set forth in “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes set forth in “Accounting Standard for Measurement of Inventories”

Additionally, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and the notes related to the breakdown and other information, of fair value of financial instruments by level have been established.

(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.

(23) 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 ¥ 211million (\$1,906 thousand) and 357,131shares, respectively.

(Application of Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections)

The Company adopted “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year and disclosed “Accounting principles and procedures for the adopted accounting treatment in the absence of specific regulations in relevant accounting standards, etc. “.

3. Securities

(1) The following tables summarize book values and acquisition costs of available-for-sale securities at March 31, 2021 and 2020:

Type	Millions of yen					
	2021			2020		
	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	¥14,890	¥8,886	¥6,004	¥9,674	¥5,981	¥3,693
Sub total	14,890	8,886	6,004	9,674	5,981	3,693
Securities with book values not exceeding acquisition costs						
Equity securities	¥2,719	¥3,294	¥(575)	¥5,129	¥6,136	¥(1,007)
Negotiable certificates of deposit	—	—	—	12,000	12,000	—
Other	—	—	—	2,000	2,000	—
Sub total	2,719	3,294	(575)	19,129	20,136	(1,007)
Total	¥17,609	¥12,180	¥5,429	¥28,803	¥26,117	¥2,686

Type	Thousands of U.S. dollars		
	2021		
	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	\$134,484	\$80,257	\$54,227
Sub total	134,484	80,257	54,227
Securities with book values not exceeding acquisition costs			
Equity securities	\$24,557	\$29,750	\$(5,193)
Negotiable certificates of deposit	—	—	—
Other	—	—	—
Sub total	24,557	29,750	(5,193)
Total	\$159,041	\$110,007	\$49,034

(2) Total sales, related gains and losses of available-for-sale securities for the year ended March 31, 2021 and 2020 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Equity securities			
Sales	¥299	¥1,145	\$2,701
Related gains	160	255	1,445
Related losses	—	143	—

4. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2021 and 2020 were reconciled with cash and time deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and time deposits	¥129,317	¥102,972	\$1,167,964
Time deposits with maturities of exceeding 3-month from the date of acquisition	(1,282)	(1,510)	(11,579)
Securities with remaining maturities of 3-month or less	—	14,000	—
Total: Cash and cash equivalents	¥128,035	¥115,462	\$1,156,385

5. Inventories

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Accumulated Costs on uncompleted construction contracts	¥5,888	¥4,928	\$53,179
Others	8,823	4,687	79,688
Total	¥14,711	¥9,615	\$132,867

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

Short-term bank loans are represented mainly by loan on deed. The average interest rates of short-term loans were 1.1% and 1.2% at March 31, 2021 and 2020.

Bonds at March 31, 2021 and 2020 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt from bonds, insurance companies, and others due serially through 2024:			
Unsecured 0.2% (average interest rates)	¥692	¥1,034	\$6,250
Less current maturities	(292)	(342)	(2,637)
Total	¥400	¥692	\$3,613

Long-term loans payable at March 31, 2021 and 2020 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt from banks, insurance companies, and others due serially through 2026:			
Secured 1.5% (average interest rates)	¥557	¥643	\$5,031
Unsecured 1.2% (average interest rates)	11,861	13,203	107,126
Less current maturities	(4,147)	(5,133)	(37,455)
Total	¥8,271	¥8,713	\$74,702

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥292	\$2,637
2023	237	2,141
2024	127	1,147
2025	36	325
2026	—	—
Total	¥692	\$6,250

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

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥4,147	\$37,455
2023	3,640	32,876
2024	2,552	23,049
2025	1,445	13,051
2026	634	5,726
Total	¥12,418	\$112,157

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

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

7. Pledged Assets

The following assets were pledged to secure short-term bank loans, long-term debt and certain other obligation at March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Property, plant and equipment	¥1,504	¥1,559	\$13,584
Investment securities	84	84	759
Other assets	96	109	867
Total	¥1,684	¥1,752	\$15,210

8. Estimated loss on uncompleted construction contracts

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
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	¥363	¥327	\$3,279

9. Tax purpose reduction entry

The amount of tax purpose reduction entry deducted from the corresponding acquisition costs due to receiving subsidies for the year ended March 31, 2021 and 2020 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
buildings and structures	¥395	¥40	\$3,568
Total	¥395	¥40	\$3,568

10. Contingent Liabilities

(1) At March 31, 2021 and 2020, the Companies had the following contingent liabilities for loan guaranteed:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Guarantees for loan			
Loans of employees	¥0	¥1	\$0
Total	¥0	¥1	\$0

(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 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, 2021 and 2020 were ¥316,473 million (US\$2,858,318 thousand) and ¥340,091 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, 2021 and 2020 were ¥1,154 million (US\$10,423 thousand) and ¥741 million, respectively.

13. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥2,832 million (US\$25,578 thousand) and ¥2,633 million for the years ended March 31, 2021 and 2020, respectively.

14. Impairment Loss

No impairment loss is recognized for the year ended March 31, 2020.

Impairment loss for the year ended March 31, 2021 is as follows:

Location	Use	Type of assets	Millions of yen
Miyagi Prefecture	Real estate rent	Land	¥885
Total			¥885

The Company generally does asset grouping in the units of assets that it can continuously grasp their incomes and expenses. Due to an aging deterioration, the Company decided to rebuild “Tohoku branch building” which has been used as a business asset. At the same time, it changed the use of part of the said asset (building and its land) to rental use for the purpose of expanding profits from non-construction businesses. Accordingly, it considered the profitability of the rental use part and wrote down the book value to a recoverable amount.

For your information, recoverable amounts are measured based on net selling prices, and net selling prices are evaluated based on real estate appraisal values.

15. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the year ended March 31, 2021 and 2020 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land and Buildings	¥—	¥55	\$—
Other	13	32	117
Total	¥13	¥87	\$117

16. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets for the year ended March 31, 2021 and 2020 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land and Buildings	¥—	¥30	\$—
Total	¥—	¥30	\$—

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
	2021	2020	2021
(1) Movement in retirement benefit obligations			
Balance at April 1, 2020 and 2019	¥30,744	¥31,612	\$277,673
Service cost	1,410	1,436	12,735
Interest cost	307	316	2,773
Actuarial loss (gain)	(349)	(411)	(3,152)
Benefits paid	(1,942)	(2,209)	(17,540)
Balance at March 31, 2021 and 2020	¥30,170	¥30,744	\$272,489
(2) Movement in plan assets			
Balance at April 1, 2020 and 2019	¥19,454	¥20,187	\$175,704
Expected return on plan assets	225	232	2,032
Actuarial loss (gain)	1,537	(704)	13,882
Contributions paid by the employer	3,571	1,186	32,253
Benefits paid	(1,320)	(1,447)	(11,922)
Balance at March 31, 2021 and 2020	¥23,467	¥19,454	\$211,949
(3) Movement in simplified method			
Balance at April 1, 2020 and 2019	¥1,486	¥1,535	\$13,421
Retirement benefit costs	251	255	2,267
Benefits paid	(300)	(297)	(2,710)
Other	11	(7)	100
Balance at March 31, 2021 and 2020	¥1,448	¥1,486	\$13,078
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits			
Funded retirement benefit obligation	¥30,170	¥30,745	\$272,489
Plan assets	(23,467)	(19,454)	(211,949)
Sub total	6,703	11,291	60,540
Unfunded retirement benefit obligation	1,448	1,485	13,078
Total net liability (asset) for retirement benefits at March 31, 2021 and 2020	8,151	12,776	73,618
Net defined benefit liability	8,858	12,776	80,003
Net defined benefit asset	(707)	—	(6,385)
Total net liability (asset) for retirement benefits at March 31, 2021 and 2020	¥8,151	¥12,776	\$73,618

(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
	2021	2020	2021
(5) Retirement benefit costs			
Service cost	¥1,410	¥1,436	\$12,735
Interest cost	307	316	2,773
Expected return on plan assets	(225)	(232)	(2,032)
Net actuarial loss amortization	375	393	3,386
Retirement benefit expenses by simplified method	251	254	2,267
Total retirement benefit costs for the fiscal year ended March 31, 2021 and 2020	¥2,118	¥2,167	\$19,129
(6) Remeasurements of defined benefit plans			
Net actuarial loss	¥2,261	¥100	\$20,421
Total adjustments for retirement benefit	¥2,261	¥100	\$20,421
(7) Accumulated remeasurements of defined benefit plans			
Actuarial gains and losses that are yet to be recognized	¥(405)	¥1,856	\$(3,658)
Total accumulated adjustments for retirement benefit	¥(405)	¥1,856	\$(3,658)
(8) Plan assets			
1. Plan assets comprise:			
	2021	2020	
Bonds	38%	44%	
Equity securities	18	18	
General account assets	14	17	
Cash and deposits	14	3	
Other	16	18	
Total	100%	100%	

(Note) The retirement benefit trust that has been established for the corporate pension plan accounts for 11% and 11% of the total plan assets for the year ended March 31, 2021 and 2020.

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, 2021 and 2020 (expressed as weighted averages) follow:

	2021	2020
Discount rate	1.0%	1.0%
Long-term expected rate of return	1.2%	1.2%

19. Income Taxes

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2021 and 2020 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, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Net defined benefit liability	¥4,161	¥5,116	\$37,581
Others	9,838	9,278	88,855
Gross deferred tax assets	13,999	14,394	126,436
Less: Valuation allowance	(2,628)	(2,382)	(23,736)
Total deferred tax assets	11,371	12,012	102,700
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	1,669	799	15,074
Others	1,920	1,731	17,341
Total deferred tax liabilities	3,589	2,530	32,415
Net deferred tax assets	¥7,782	¥9,482	\$70,285

20. Comprehensive Income

Amounts reclassified to profit for the fiscal year ended March 31, 2021 and 2020 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
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥2,903	¥(3,652)	\$26,219
Reclassification adjustment	(158)	60	(1,427)
Sub-total, before tax	2,745	(3,592)	24,792
Tax (expense) or benefit	(870)	990	(7,858)
Sub-total, net of tax	1,875	(2,602)	16,934
Deferred gains or losses on hedges:			
Increase (decrease) during the year	¥—	¥0	\$—
Reclassification adjustment	—	5	—
Acquisition cost of assets adjustments	—	—	—
Sub-total, before tax	—	5	—
Tax (expense) or benefit	—	(2)	—
Sub-total, net of tax	—	3	—
Foreign currency translation adjustment:			
Increase (decrease) during the year	¥(108)	¥104	\$(975)
Reclassification adjustment	—	—	—
Sub-total, before tax	(108)	104	(975)
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	(108)	104	(975)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥1,886	¥(293)	\$17,034
Reclassification adjustment	375	393	3,387
Sub-total, before tax	2,261	100	20,421
Tax (expense) or benefit	(693)	(31)	(6,259)
Sub-total, net of tax	1,568	69	14,162
Total other comprehensive income	¥3,335	¥(2,426)	\$30,121

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 <hr/> Common stock
Balance at April 1, 2019	200,343,397
Increase during the year	—
Decrease during the year	—
Balance at April 1, 2020	200,343,397
Increase during the year	—
Decrease during the year	—
Balance at March 31, 2021	200,343,397

(2) Treasury stock outstanding

	Number of shares <hr/> Common stock
Balance at April 1, 2019	566,830
Increase during the year	6,815,350
Decrease during the year	66,635
Balance at April 1, 2020	7,315,545
Increase during the year	6,555,972
Decrease during the year	52,956
Balance at March 31, 2021	13,818,561

(Note) Stock owned by BIP Trust is included in Treasury stock at March 31, 2021 (Included amount: 357,131 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 are 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, 2021 is as follows:

	Millions of yen							
	Reportable segments			Sub total	Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries					
Year ended March 31, 2021:								
Revenues:								
Outside customers	¥135,942	¥192,104	¥19,092	¥347,138	¥4,863	¥352,001	¥ —	¥352,001
Intersegment	—	7	46,093	46,100	15	46,115	(46,115)	—
Total	135,942	192,111	65,185	393,238	4,878	398,116	(46,115)	352,001
Segment profit	17,679	13,107	1,640	32,426	672	33,098	(5,741)	27,357
Assets	Note 4	Note 4	44,860	201,561	7,718	209,279	130,332	339,611
Other material items:								
Depreciation and amortization	568	802	491	1,861	95	1,956	124	2,080
Capital expenditures	Note 4	Note 4	2,544	3,022	27	3,049	394	3,443
Thousands of U.S. dollars								
	Reportable segments			Sub total	Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries					
Year ended March 31, 2021:								
Revenues:								
Outside customers	\$1,227,800	\$1,735,043	\$172,435	\$3,135,278	\$43,922	\$3,179,200	\$ —	\$3,179,200
Intersegment	—	63	416,303	416,366	135	416,501	(416,501)	—
Total	1,227,800	1,735,106	588,738	3,551,644	44,057	3,595,701	(416,501)	3,179,200
Segment profit	159,673	118,380	14,812	292,865	6,069	298,934	(51,851)	247,083
Assets	Note 4	Note 4	405,166	1,820,457	69,707	1,890,164	1,177,132	3,067,296
Other material items:								
Depreciation and amortization	5,130	7,243	4,435	16,808	858	17,666	1,120	18,786
Capital expenditures	Note 4	Note 4	22,977	27,294	244	27,538	3,558	31,096

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 ¥(5,741) million (US\$(51,851) thousand), which included ¥3 million (US\$27 thousand) of intersegment eliminations and others, and ¥(5,744) million (US\$(51,878) 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 ¥130,332 million (US\$1,177,132 thousand), which included ¥(22,463) million (US\$(202,881) thousand) of intersegment eliminations and others, and ¥152,795 million (US\$1,380,013 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. Segment assets of Civil engineering segment and Building construction segment are amounted to ¥156,701 million (US\$1,415,291 thousand), and capital expenditures of these segments are amounted to ¥478 million (US\$4,317 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2020 is as follows:

	Millions of yen							
	Reportable segments			Sub total	Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries					
Year ended March 31, 2020:								
Revenues:								
Outside customers	¥124,276	¥227,210	¥21,746	¥373,232	¥4,904	¥378,136	¥ —	¥378,136
Intersegment	—	4	48,539	48,543	15	48,558	(48,558)	—
Total	124,276	227,214	70,285	421,775	4,919	426,694	(48,558)	378,136
Segment profit	16,246	11,926	1,397	29,569	844	30,413	(5,712)	24,701
Assets	Note 4	Note 4	36,615	216,014	7,130	223,144	116,628	339,772
Other material items:								
Depreciation and amortization	458	837	328	1,623	92	1,715	100	1,815
Capital expenditures	Note 4	Note 4	1,329	4,090	—	4,090	5	4,095

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 ¥(5,712) million, which included ¥9 million of intersegment eliminations and others, and ¥(5,721) 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 ¥116,628 million, which included ¥(18,083) million of intersegment eliminations and others, and ¥134,711 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. Segment assets of Civil engineering segment and Building construction segment are amounted to ¥179,399 million, and capital expenditures of these segments are amounted to ¥2,761 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, 2021 and 2020 are as follows:

Geographic Areas	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥334,237	¥350,266	\$3,018,759
Other	17,764	27,870	160,441
Total	¥352,001	¥378,136	\$3,179,200

(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 consolidated revenues of the consolidated statements of income for the year ended March 31, 2021.

(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, 2021 and 2020 are as follows:

Millions of yen						
2021						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	¥ —	¥ —	¥ —	¥885	¥ —	¥885

(Note) The amount of "Other" relates to the asset whose use has been changed to rental use.

Thousands of U.S. dollars						
2021						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	\$ —	\$ —	\$ —	\$7,993	\$ —	\$7,993

Millions of yen						
2020						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

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, 2021 is as follows:

Year ended March 31, 2021:	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	¥17,189			
Basic EPS-Profit available to common shareholders	¥17,189	191,421	¥89.80	\$0.81
Effect of dilution				
Shares adjusted by share subscription rights	—	40		
Diluted EPS-Profit for computation	¥17,189	191,461	¥89.78	\$0.81

(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, 2021 were 8,921 thousand including 370 thousand of shares in BIP Trust at the year ended March 31, 2021.

Basis of calculation of basic and diluted profit attributable to owners of parent per share (the "EPS") for the year ended March 31, 2020 is as follows:

Year ended March 31, 2020:	Profit attributable to owners of parent	Weighted-average shares	EPS	
	Millions of yen	Thousands of shares	Yen	
Profit attributable to owners of parent	¥16,804			
Basic EPS-Profit available to common shareholders	¥16,804	199,042	¥84.42	
Effect of dilution				
Shares adjusted by share subscription rights	—	47		
Diluted EPS-Profit for computation	¥16,804	199,089	¥84.40	

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.

The Fair value of investment securities is 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 11.9% of the total trade receivables in the consolidated financial statements of the current consolidated 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, 2021:

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	¥129,317	¥129,317	¥ —	\$1,167,964	\$1,167,964	\$ —
(b) Receivables:						
Notes	6,901	6,901	—	62,328	62,328	—
Accounts	114,490	114,471	(19)	1,034,050	1,033,879	(171)
(c) Marketable securities and Investment securities:						
Available-for-sale securities	17,609	17,609	—	159,041	159,041	—
Total assets	¥268,317	¥268,298	¥(19)	\$2,423,383	\$2,423,212	\$(171)
Liabilities						
(a) Payables:						
Notes	¥17,824	¥17,824	¥ —	\$160,983	\$160,983	\$ —
Accounts	55,841	55,841	—	504,344	504,344	—
(b) Short-term loans payable	12,166	12,166	—	109,881	109,881	—
Current maturities of long-term loans payable	4,147	4,147	—	37,455	37,455	—
Current portion of bonds	292	292	—	2,637	2,637	—
(c) Bonds	400	399	(1)	3,613	3,604	(9)
(d) Long-term loans payable, less current maturities	8,271	8,280	9	74,702	74,783	81
Total liabilities	¥98,941	¥98,949	¥8	\$893,615	\$893,687	\$72
Derivative transactions	¥—	¥—	¥—	\$—	\$—	\$ —

The following tables summarize book values and fair values of financial instruments at March 31, 2020:

Type	Millions of yen		
	Book values	Fair values	Difference
Assets			
(a) Cash and time deposits	¥102,972	¥102,972	¥ —
(b) Receivables:			
Notes	2,930	2,930	—
Accounts	134,800	134,773	(27)
(c) Marketable securities and Investment securities:			
Available-for-sale securities	28,803	28,803	—
Total assets	¥269,505	¥269,478	¥(27)
Liabilities			
(a) Payables:			
Notes	¥20,203	¥20,203	¥ —
Accounts	61,658	61,658	—
(b) Short-term loans payable	12,258	12,258	—
Current maturities of long-term loans payable	5,133	5,133	—
Current portion of bonds	342	342	—
(c) Bonds	692	691	(1)
(d) Long-term loans payable, less current maturities	8,713	8,731	18
Total liabilities	¥108,999	¥109,016	¥17
Derivative transactions	¥—	¥—	¥—

Notes:

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

(Assets)

(a) Cash and time deposits

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

(b) Notes and accounts receivables

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

(c) Marketable securities and Investment securities

The fair values of this account are based on the quoted market value. 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 ¥4,088 million (US\$36,922 thousand) and ¥3,895 million at March 31, 2021 and 2020, 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, 2021 and 2020 are as follows:

	Millions of yen							
	2021				2020			
	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	¥129,317	¥ —	¥ —	¥ —	¥102,972	¥ —	¥ —	¥ —
Receivables:								
Notes	6,901	—	—	—	2,930	—	—	—
Accounts	104,477	10,013	—	—	124,882	9,918	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Negotiable certificates of deposit	—	—	—	—	12,000	—	—	—
Other	—	—	—	—	2,000	—	—	—
Total	¥240,695	¥10,013	¥ —	¥ —	¥244,784	¥9,918	¥ —	¥ —

Thousands of U.S. dollars				
2021				
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	\$1,167,964	\$ —	\$ —	\$ —
Receivables:				
Notes	62,328	—	—	—
Accounts	943,615	90,435	—	—
Corporate bonds	—	—	—	—
Negotiable certificates of deposit	—	—	—	—
Other	—	—	—	—
Total	\$2,173,907	\$90,435	\$ —	\$ —

26. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting at March 31, 2021 and 2020 are as follows:

(Interest-related transactions)

		Millions of yen					
		2021			2020		
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	
Short-cut method:							
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	¥948	¥675	Note 2	¥627	¥321	Note 2

		Thousands of U.S. dollars			
		2021			
Type of derivative transactions	Main items hedged	Contract amount		Fair value	
		Total	Settled over 1 year		
Short-cut method:					
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	\$8,562	\$6,096	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, 2021 and 2020.

(2) The stock options outstanding at March 31, 2021 are mainly as follows:

(a) Content

	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 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	23,500	23,100
Vested during the year	—	—
Exercised during the year	5,500	6,600
Forfeited or expired during the year	—	—
Unexercised at the end of the year	18,000	16,500
Exercise price	¥1	¥1
Average stock price at exercise	¥778	¥618
Fair value price at the grant date	¥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 consolidated 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:

Opinion

We have audited the accompanying consolidated financial statements of HAZAMA ANDO CORPORATION (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Application of the percentage-of-completion method	
The key audit matter	How the matter was addressed in our audit
<p>The Company and its consolidated subsidiaries applied the percentage-of-completion method of revenue recognition to the construction contracts for which the realization of the portion completed by the end of the fiscal year is assured, and, otherwise, the completed-contract method, regarding the revenues from construction contracts, as described in Note “2. Summary of Significant Accounting Policies, (2) Revenue and cost recognition,” to the consolidated financial statements. The progress toward completion of construction was estimated based on the cost-to-cost method. Of the revenues from construction contracts, the revenues from construction contracts recognized using the percentage-of-completion method amounted to ¥316,473 million.</p> <p>The percentage-of-completion method is applied to construction contracts for which the realization of the completed portion is assured. In applying the percentage-of-completion method, it is necessary to reasonably estimate total construction revenue and costs, and the progress toward completion of construction at the end of the fiscal year.</p> <p>As described in Note “2. Significant Accounting Policies, (20) Significant accounting estimates,” total construction costs are based on the past construction works and reflect conditions specific to each project. Therefore, the preparation of a project budget, which provided the basis for estimating total construction costs for the project, involved a high degree of uncertainty. Specifically, management’s determination of the following aspects of construction had a significant effect on the estimated total construction costs at the end of the fiscal year.</p> <ul style="list-style-type: none"> ● Whether the work necessary to complete the construction contract was identified and the estimated costs were included in the project budget; and ● Whether any changes in work due to changes in circumstances that occurred subsequent to the start of construction were reflected within the project budget in a timely and appropriate manner. <p>We, therefore, determined that our assessment of the reasonableness of the Company’s estimate of total construction costs in applying the percentage-of-completion method was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, the key audit matter.</p>	<p>The primary procedures we performed to assess whether the Companies’ estimate of total construction costs in applying the percentage-of-completion method was reasonable included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of preparing a project budget. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> ● controls to ensure compliance with the internal rules for preparing a project budget, including how to accumulate work hours of each activity, what information and data to be used, and how to reflect the risk of any uncertainties within the budget; and ● controls to reflect any changes in circumstances that occur after the start of construction within the project budget in a timely and appropriate manner. <p>(2) Assessment of the reasonableness of the estimated total construction cost</p> <p>We selected mainly construction contracts for which total construction revenue exceeded a certain amount and those for which construction margin changed by more than a certain level, as construction contracts for which estimated total construction costs or their changes might have a significant effect. In order to assess the reasonableness of the key assumptions adopted in preparing the project budgets, which were used as the basis for estimating total construction costs, for the selected construction contracts, among others, we:</p> <ul style="list-style-type: none"> ● assessed whether the estimated costs of construction works necessary to complete the construction contract were included in the project budget by inquiring the personnel responsible for construction work about correspondence relationships between cost items and amounts of the project budget and the content of the relevant activities and comparing the estimated costs with various documents obtained, such as a construction timeline; ● compared the actual total cost of constructions and the future expected amount with the initial project budget, examined variances between them, and assessed whether the causes of those variances were reflected in the project budget to assess the accuracy of the project budget; and ● inquired of the person responsible for construction management, the one responsible

	<p>for accounting and others about their judgment on any changes in circumstances that occurred after the start of construction and updates of the project budget as well as compared their responses with the internal and external documents, which were the basis of them, to assess the appropriateness of their judgment.</p>
--	--

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Tatsunaga Fumikura
Designated Engagement Partner
Certified Public Accountant

Daio Aida
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 19, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



HAZAMA ANDO
CORPORATION