HAZAMA ANDO CORPORATION

FINANCIAL REVIEW 2022

Year ended March 31, 2022

HAZAMA ANDO CORPORATION

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HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2022, 2021, 2020, 2019 and 2018

Summary

	Millions of yen					Thousands of U.S. dollars
	2022	2021	2020	2019	2018	**2022**
Operating results:						
Revenues						
Construction contracts	**¥316,154**	¥331,695	¥358,191	¥334,245	¥348,879	**$2,582,747**
Other activities	**24,140**	20,451	19,945	25,727	28,142	**197,206**
Total	**340,294**	352,146	378,136	359,972	377,021	**2,779,953**
Cost of sales	**293,432**	303,981	330,918	314,180	319,666	**2,397,124**
Gross profit	**46,862**	48,165	47,218	45,792	57,355	**382,829**
Selling, general and administrative expenses	**20,261**	20,808	22,517	22,100	21,640	**165,518**
Operating income	**26,601**	27,357	24,701	23,692	35,715	**217,311**
Profit attributable to owners of parent	**17,671**	17,189	16,804	8,863	23,862	**144,359**
Financial position:						
Total assets	**¥295,333**	¥339,387	¥339,772	¥349,657	¥329,778	**$2,412,654**
Total liabilities	**153,650**	192,711	202,873	215,974	207,378	**1,255,208**
Total net assets	**141,683**	146,676	136,899	133,683	122,400	**1,157,446**
Cash flows:						
Cash flows from operating activities	**¥(36,086)**	¥29,155	¥(3,103)	¥5,900	¥38,127	**$(294,796)**
Cash flows from investing activities	**(4,549)**	(3,954)	(3,016)	(2,357)	(2,261)	**(37,162)**
Cash flows from financing activities	**(22,565)**	(12,656)	(13,244)	(7,780)	(3,962)	**(184,340)**
	Yen					U.S. dollars
Per share amounts:						
Profit attributable to owners of parent						
Basic	**¥98.84**	¥89.80	¥84.42	¥45.21	¥128.97	**$0.81**
Diluted	**98.84**	89.78	84.40	44.20	119.41	**0.81**
Dividends						
Common stock	**40.00**	30.00	30.00	30.00	25.00	**0.33**
Net assets	**834.00**	782.28	704.86	664.78	651.77	**6.81**

Note: 1. U.S. dollar amounts in this Financial Review are translated from yen at the rate of ¥122.41 to US$1.00 for convenience.
2. The dividend per share for 2018 includes a ¥5 special dividend.
3. The Company has adopted ASBJ Statement No.29, "Accounting Standard for Revenue Recognition" (March 31, 2020), etc. since the beginning of fiscal year 2022, thereby information above for the fiscal year 2021 have been adjusted retrospectively.

Financial Review

Note on Figures for The Previous Consolidated Fiscal Year
The Company has adopted ASBJ Statement No.29, “Accounting Standard for Revenue Recognition” (March 31, 2020), etc. since the beginning of the current consolidated fiscal year, and thereby each figure for the consolidated fiscal year 2021 in this “Financial Review” is retroactively adjusted.

Revenues
Revenues in fiscal 2022 totaled ¥340,294 million (US$2,779,953 thousand), of which ¥316,154 million (US$2,582,747 thousand) came from construction projects and ¥24,140 million (US$197,206 thousand) from other activities. These two business segments accounted for 92.9% and 7.1%, respectively, of total revenues.

Costs and Expenses
Cost of sales amounted to ¥293,432 million (US$2,397,124 thousand), which is equivalent to 86.2% of revenues. Selling, general and administrative expenses amounted to ¥20,261 million (US$165,518 thousand), which is equivalent to 6.0% of revenues. Operating income reached ¥26,601 million (US$217,311 thousand), and the operating margin was 7.8%. Profit attributable to owners of parent amounted to ¥17,671 million (US$144,359 thousand). Basic profit attributable to owners of parent per share was ¥98.84 (US$0.81). HAZAMA ANDO CORPORATION paid dividend of ¥20 (US$0.163) per share for the fiscal year ended March 31, 2021 on June 30, 2021, and paid interim dividend of ¥20 (US$0.163) per share for the fiscal year ended March 31, 2022 on December 6, 2021.

Financial Position and Analysis
Total assets amounted to ¥295,333 million (US$2,412,654 thousand), total liabilities amounted to ¥153,650 million (US$1,255,208 thousand), and total net assets amounted to ¥141,683 million (US$1,157,446 thousand) at the end of fiscal 2022.

Net worth to total assets ratio was 47.7%. Net assets per share amounted to ¥834.00 (US$6.81).

Cash Flows
Cash and cash equivalents at the end of the year decreased by ¥63,295 million (US$517,074 thousand) to ¥64,740 million (US$528,878 thousand).

Net cash used in operating activities amounted to ¥(36,086) million (US$(294,796) thousand) mainly as the result of decrease in notes and accounts payable amounted to ¥23,506 million (US$192,027 thousand), increase in notes and accounts receivable amounted to ¥18,962 million (US$154,906 thousand), decrease in advances received on uncompleted construction contracts amounted to ¥9,151 million (US$74,757 thousand), income before income taxes amounted to ¥25,390 million (US$207,418 thousand), and increase in deposit received amounted to ¥3,525 million (US$28,797 thousand).

Net cash used in investing activities amounted to ¥(4,549) million (US$(37,162) thousand) mainly as a result of purchase of property, plant and equipment amounted to ¥2,558 million (US$20,897 thousand), payments for investments in capital of subsidiaries and associates amounted to ¥1,876 million (US$15,326 thousand), and proceeds from withdrawal of time deposits amounted to ¥1,282 million (US$10,473 thousand).

Net cash used in financing activities amounted to ¥(22,565) million (US$(184,340) thousand) mainly as a result of purchase of treasury stock amounted to ¥15,328 million (US$125,219 thousand), cash dividends paid amounted to ¥6,423 million (US$52,471 thousand), repayment of long-term loans payable amounted to ¥4,571 million (US$37,342 thousand), and proceeds from long-term loans payable amounted to ¥4,291 million (US$35,054 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.

	Millions of yen					Thousands of U.S. dollars
Revenues	**2022**	2021	2020	2019	2018	**2022**
Civil engineering						
Domestic						
Government sector	**¥76,436**	¥85,011	¥78,588	¥70,268	¥88,070	**$624,426**
Private sector	**48,201**	43,690	35,983	40,531	34,072	**393,767**
Overseas	**7,627**	7,275	9,743	7,991	5,331	**62,307**
Subtotal	**132,264**	135,976	124,314	118,790	127,473	**1,080,500**
Building construction						
Domestic						
Government sector	**26,662**	18,592	30,131	26,932	27,716	**217,809**
Private sector	**144,759**	164,058	180,720	161,430	168,806	**1,182,575**
Overseas	**7,106**	9,563	16,363	20,497	19,473	**58,051**
Subtotal	**178,527**	192,213	227,214	208,859	215,995	**1,458,435**
Total construction projects	**¥310,791**	¥328,189	¥351,528	¥327,649	¥343,468	**$2,538,935**

Revenue from the civil engineering category accounted for ¥132,264 million (US$1,080,500 thousand), or 42.6% of total revenue from construction projects, with domestic projects contributing ¥124,637 million (US$1,018,193 thousand), or 94.2%.

The government sector contributed ¥76,436 million (US$624,426 thousand), or 61.3% of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥48,201 million (US$393,767 thousand), or 38.7% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥7,627 million (US$62,307 thousand), equivalent to 5.8% of total revenue in the civil engineering category.

Revenue from the building construction category accounted for ¥178,527 million (US$1,458,435 thousand), or 57.4% of total construction revenue. Domestic projects accounted for ¥171,421 million (US$1,400,384 thousand), or 96.0%.

The government sector contributed ¥26,662 million (US$217,809 thousand), or 15.6% of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥144,759 million (US$1,182,575 thousand), or 84.4% of total domestic building construction revenue. Overseas building construction revenue reached ¥7,106 million (US$58,051 thousand), equivalent to 4.0% of total revenue in the building construction category.

Total overseas construction revenue reached ¥14,733 million (US$120,358 thousand) and accounted for 4.7% of total construction revenue. Civil engineering projects accounted for 51.8% of this total, and building construction for 48.2%.

	Millions of yen					Thousands of U.S. dollars
Orders Received	**2022**	2021	2020	2019	2018	**2022**
Civil engineering	**¥122,593**	¥101,528	¥193,575	¥192,179	¥123,469	**$1,001,495**
Building construction	**187,250**	199,341	186,706	235,473	225,723	**1,529,695**
Total construction projects	**¥309,843**	¥300,869	¥380,281	¥427,652	¥349,192	**$2,531,190**

Orders received for construction projects during fiscal 2022 amounted to ¥309,843 million (US$2,531,190 thousand). Overseas work contributed 4.2% of orders in the construction category. Civil engineering orders amounted to ¥122,593 million (US$1,001,495 thousand), or 39.6% of total construction orders. Building construction orders amounted to ¥187,250 million (US$1,529,695 thousand), which is equivalent to 60.4% of total construction orders.

	Millions of yen					Thousands of U.S. dollars
Year-end Backlog	**2022**	2021	2020	2019	2018	**2022**
Civil engineering	**¥320,145**	¥329,718	¥364,120	¥294,914	¥221,679	**$2,615,350**
Building construction	**198,538**	189,606	182,579	223,318	196,300	**1,621,910**
Total construction projects	**¥518,683**	¥519,324	¥546,699	¥518,232	¥417,979	**$4,237,260**

Order backlog for construction projects at the end of fiscal 2022 amounted to ¥518,683 million (US$4,237,260 thousand), with civil engineering work accounting for ¥320,145 million (US$2,615,350 thousand), or 61.7%, and building construction accounting for ¥198,538 million (US$1,621,910 thousand), or 38.3%.

Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 28)	**¥66,081**	¥129,317	**$539,833**
Receivables (Note 28):			
Notes	**6,900**	6,901	**56,368**
Accounts	**133,531**	114,560	**1,090,850**
Inventories (Notes 5 and 8)	**12,006**	14,417	**98,080**
Other (Note 7)	**9,567**	9,023	**78,155**
Less allowance for doubtful accounts	**(14)**	(12)	**(114)**
Total current assets	**228,071**	274,206	**1,863,172**
Property, plant and equipment (Notes 7, 9,15, 16 and 17)**:**			
Land	**15,853**	15,800	**129,507**
Buildings and structures	**22,894**	23,649	**187,028**
Machinery and equipment	**12,925**	12,013	**105,588**
Other	**1,915**	818	**15,644**
	53,587	52,280	**437,767**
Less accumulated depreciation	**(23,400)**	(22,724)	**(191,161)**
Net property, plant and equipment	**30,187**	29,556	**246,606**
Investments and other assets:			
Investment securities (Notes 3, 7 and 28)	**20,784**	21,521	**169,790**
Investments in unconsolidated subsidiaries and affiliates	**176**	176	**1,438**
Long-term loans receivable (Note 7)	**74**	133	**605**
Net defined benefit asset	**2,546**	707	**20,799**
Deferred tax assets (Note 21)	**7,091**	7,819	**57,928**
Other (Note 7)	**6,405**	5,270	**52,324**
Less allowance for doubtful accounts	**(1)**	(1)	**(8)**
Total investments and other assets	**37,075**	35,625	**302,876**
Total assets	**¥295,333**	¥339,387	**$2,412,654**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 6 and 28)	**¥12,178**	¥12,166	**$99,485**
Current maturities of long-term loans payable (Notes 6 and 28)	**4,498**	4,147	**36,745**
Current portion of bonds (Notes 6 and 28)	**237**	292	**1,936**
Payables (Note 28):			
Notes	**—**	17,824	**—**
Accounts	**52,745**	55,841	**430,888**
Income taxes payable	**3,072**	4,907	**25,096**
Advances received (Note 18)	**23,553**	32,405	**192,411**
Accrued expenses	**36**	36	**294**
Provision for losses on construction contracts (Note 8)	**596**	1,249	**4,869**
Provision for losses on fire disaster	**3,921**	5,996	**32,032**
Other	**39,553**	38,899	**323,119**
Total current liabilities	**140,389**	173,762	**1,146,875**
Long-term liabilities:			
Bonds (Notes 6 and 27)	**163**	400	**1,332**
Long-term loans payable, less current maturities (Notes 6 and 28)	**7,640**	8,271	**62,413**
Net defined benefit liability (Note 20)	**3,816**	8,858	**31,174**
Provision for environmental spending	**139**	139	**1,135**
Provision for management board incentive plan trust	**163**	117	**1,332**
Deferred tax liabilities (Note 21)	**37**	37	**302**
Other	**1,303**	1,127	**10,645**
Total long-term liabilities	**13,261**	18,949	**108,333**
Total liabilities	**153,650**	192,711	**1,255,208**
Net assets (Notes 23 and 24)**:**			
Shareholders' equity:			
Capital stock			
Common stock Authorized - 400,000,000 shares			
Issued – 181,021,197 shares	**17,006**	17,006	**138,927**
Capital surplus	**17,058**	19,919	**139,351**
Retained earnings	**114,124**	115,086	**932,309**
Less treasury stock, at cost	**(10,422)**	(10,188)	**(85,140)**
Total shareholders' equity	**137,766**	141,823	**1,125,447**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**2,997**	3,755	**24,483**
Deferred gains or losses on hedges	**(346)**	—	**(2,827)**
Foreign currency translation adjustment	**86**	56	**703**
Accumulated remeasurements of defined benefit plans	**418**	281	**3,415**
Total accumulated other comprehensive income	**3,155**	4,092	**25,774**
Share subscription rights	**—**	3	**—**
Non-controlling interests	**762**	758	**6,225**
Total net assets	**141,683**	146,676	**1,157,446**
Total liabilities and net assets	**¥295,333**	¥339,387	**$2,412,654**

Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Revenues (Notes 19, 25, and 26):			
Construction contracts	**¥316,154**	¥331,695	**$2,582,747**
Other activities	**24,140**	20,451	**197,206**
	340,294	352,146	**2,779,953**
Cost of sales (Notes 13, 25, and 26):			
Construction contracts	**273,099**	287,252	**2,231,019**
Other activities	**20,333**	16,729	**166,105**
	293,432	303,981	**2,397,124**
Gross profit	**46,862**	48,165	**382,829**
Selling, general and administrative expenses (Notes 14 and 26):	**20,261**	20,808	**165,518**
Operating income	**26,601**	27,357	**217,311**
Other income (expenses):			
Interest and dividends income	**317**	366	**2,590**
Late charges income	**166**	—	**1,356**
Gain on extinguishment of debt	**187**	24	**1,528**
Interest expense	**(321)**	(333)	**(2,622)**
Foreign exchange loss	**(104)**	(19)	**(850)**
Compensation for damage	**(377)**	(134)	**(3,080)**
Share of loss of entities accounted for using equity method	**(273)**	—	**(2,230)**
Gain on sales of noncurrent assets (Note 16)	—	13	—
Gain on sales of investment securities	**241**	160	**1,969**
Gain on reversal of provision for losses on fire disaster	—	28	—
Subsidy income	**67**	355	**547**
Loss on sales of noncurrent assets (Note 17)	**(19)**	—	**(155)**
Loss on tax purpose reduction entry of noncurrent assets	**(67)**	(355)	**(547)**
Loss on valuation of investments securities	**(27)**	—	**(221)**
Loss on retirement of noncurrent assets	**(115)**	(20)	**(939)**
Head office relocation expenses	**(306)**	—	**(2,500)**
Impairment loss (Note 15)	—	(885)	—
Loss on litigation	**(42)**	(75)	**(343)**
Losses on fire disaster	**(181)**	(25)	**(1,479)**
Other, net	**(357)**	(1,370)	**(2,917)**
	(1,211)	(2,270)	**(9,893)**
Income before income taxes	**25,390**	25,087	**207,418**
Income taxes (Note 21):			
Current	**6,769**	7,790	**55,298**
Deferred	**949**	138	**7,753**
	7,718	7,928	**63,051**
Profit	**17,672**	17,159	**144,367**
Profit (loss) attributable to non-controlling interests	**1**	(30)	**8**
Profit attributable to owners of parent	**¥17,671**	¥17,189	**$144,359**

	Yen		U.S. dollars (Note 1)
	2022	**2021**	**2022**
Per share amounts (Note 27):			
Profit attributable to owners of parent			
Basic	**¥98.84**	**¥89.80**	**$0.81**
Diluted	**98.84**	**89.78**	**0.81**
Cash dividends applicable to the year			
Common stock	40.00	30.00	0.326

See accompanying notes.

Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Profit	**¥17,672**	¥17,159	**$144,367**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(758)**	1,875	**(6,192)**
Foreign currency translation adjustment	**35**	(108)	**286**
Remeasurements of defined benefit plans	**137**	1,568	**1,119**
Share of other comprehensive income of entities accounted for using equity method	**(345)**	―	**(2,818)**
Total other comprehensive income (Note 22)	**(931)**	3,335	**(7,605)**
Comprehensive income	**16,741**	20,494	**136,762**
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	**16,735**	20,571	**136,713**
Comprehensive income attribute to non-controlling interests	**6**	(77)	**49**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
Balance at April 1, 2020	¥17,006	¥19,926	¥103,700	¥(5,284)
Cumulative effects of changes in accounting policies			1	
Restated balance	¥17,006	¥19,926	¥103,700	¥(5,284)
Cash dividends paid			(5,803)	
Profit attributable to owners of parent			17,189	
Acquisition of treasury stock				(4,936)
Disposal of treasury stock		(7)		32
Cancellation of treasury stock				
Transfer from other retained earnings to other capital surplus				
Net changes in items other than shareholders' equity				
Balance at April 1, 2021	¥17,006	¥19,919	¥115,086	¥(10,188)
Cash dividends paid			**(6,423)**	
Profit attributable to owners of parent			**17,671**	
Acquisition of treasury stock				**(15,328)**
Disposal of treasury stock		**(23)**		**46**
Cancellation of treasury stock		**(15,048)**		**15,048**
Transfer from other retained earnings to other capital surplus		**12,210**	**(12,210)**	
Net changes in items other than shareholders' equity				
Balance at March 31, 2022	**¥17,006**	**¥17,058**	**¥114,124**	**¥(10,422)**

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Share subscription rights	Non-controlling interests	Total
Balance at April 1, 2020	¥1,880	¥—	¥117	¥(1,287)	¥4	¥837	¥136,899
Cumulative effects of changes in accounting policies							1
Restated balance	¥1,880	¥—	¥117	¥(1,287)	¥4	¥837	¥136,899
Cash dividends paid							(5,803)
Profit attributable to owners of parent							17,189
Acquisition of treasury stock							(4,936)
Disposal of treasury stock							25
Cancellation of treasury stock							—
Transfer from other retained earnings to other capital surplus							—
Net changes in items other than shareholders' equity	1,875	—	(61)	1,568	(1)	(79)	3,302
Balance at April 1, 2021	¥3,755	¥—	¥56	¥281	¥3	¥758	¥146,676
Cash dividends paid							**(6,423)**
Profit attributable to owners of parent							**17,671**
Acquisition of treasury stock							**(15,328)**
Disposal of treasury stock							**23**
Cancellation of treasury stock							**—**
Transfer from other retained earnings to other capital surplus							**—**
Net changes in items other than shareholders' equity	**(758)**	**(346)**	**30**	**137**	**(3)**	**4**	**(936)**
Balance at March 31, 2022	**¥2,997**	**¥(346)**	**¥86**	**¥418**	**¥—**	**¥762**	**¥141,683**

	Thousands of U.S. dollars (Note 1)			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained Earnings	Treasury stock
Balance at April 1, 2021	**$138,927**	**$162,723**	**$940,168**	**$(83,228)**
Cumulative effects of changes in accounting policies				
Restated balance	**$138,927**	**$162,723**	**$940,168**	**$(83,228)**
Cash dividends paid			**(52,471)**	
Profit attributable to owners of parent			**144,359**	
Acquisition of treasury stock				**(125,219)**
Disposal of treasury stock		**(188)**		**376**
Cancellation of treasury stock		**(122,931)**		**122,931**
Transfer from other retained earnings to other capital surplus		**99,747**	**(99,747)**	
Net changes in items other than shareholders' equity				
Balance at March 31, 2022	**$138,927**	**$139,351**	**$932,309**	**$(85,140)**

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Share subscription rights	Non-controlling interests	Total
Balance at April 1, 2021	**$30,675**	**$—**	**$457**	**$2,296**	**$25**	**$6,192**	**$1,198,235**
Cumulative effects of changes in accounting policies							
Restated balance	**$30,675**	**$—**	**$457**	**$2,296**	**$25**	**$6,192**	**$1,198,235**
Cash dividends paid							**(52,471)**
Profit attributable to owners of parent							**144,359**
Acquisition of treasury stock							**(125,219)**
Disposal of treasury stock							**188**
Cancellation of treasury stock							**—**
Transfer from other retained earnings to other capital surplus							**—**
Net changes in items other than shareholders' equity	**(6,192)**	**(2,827)**	**246**	**1,119**	**(25)**	**33**	**(7,646)**
Balance at March 31, 2022	**$24,483**	**$(2,827)**	**$703**	**$3,415**	**$—**	**$6,225**	**$1,157,446**

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash flows from operating activities:			
Income before income taxes	**¥25,390**	¥25,087	**$207,418**
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**2,410**	2,080	**19,688**
Impairment loss	**—**	885	**—**
Loss on tax purpose reduction entry of noncurrent assets	**67**	355	**547**
Subsidy income	**(67)**	(355)	**(547)**
Loss on fire disaster	**181**	25	**1,479**
Increase (decrease) in allowance for doubtful accounts	**2**	(2)	**16**
Increase (decrease) in provision for warranties for completed construction	**(687)**	(241)	**(5,612)**
Increase (decrease) in provision for loss on construction contracts	**(653)**	294	**(5,335)**
Increase (decrease) in provision for losses on fire disaster	**(2,075)**	(703)	**(16,951)**
Increase (decrease) in net benefit defined liability	**(4,965)**	(1,912)	**(40,560)**
Decrease (increase) in net benefit defined asset	**(1,719)**	(448)	**(14,043)**
Interest and dividends income	**(317)**	(366)	**(2,590)**
Interest expense	**321**	333	**2,622**
Foreign exchange loss (gain)	**181**	(73)	**1,479**
Loss (gain) on sales of investment securities	**(241)**	(160)	**(1,969)**
Loss (gain) on sales of property, plant and equipment	**14**	(13)	**114**
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	**(18,962)**	16,247	**(154,906)**
Decrease (increase) in costs on uncompleted construction contracts	**1,518**	(668)	**12,401**
Decrease (increase) in other inventories	**893**	(4,137)	**7,295**
Decrease (increase) in advances paid	**606**	991	**4,951**
Increase (decrease) in notes and accounts payable	**(23,506)**	(8,290)	**(192,027)**
Increase (decrease) in advances received	**(9,151)**	(3,469)	**(74,757)**
Increase (decrease) in deposit received	**3,525**	3,050	**28,797**
Increase (decrease) in consumption tax payable	**(2,521)**	3,254	**(20,595)**
Share of loss (profit) of entities accounted for using equity method	**273**	—	**2,230**
Other, net	**4,298**	5,866	**35,112**
Subtotal	**(25,185)**	37,630	**(205,743)**
Interest and dividends received	**291**	393	**2,377**
Interest paid	**(298)**	(356)	**(2,434)**
Compensation for damage paid	**(2,211)**	(756)	**(18,062)**
Income taxes paid	**(8,683)**	(7,756)	**(70,934)**
Net cash provided by (used in) operating activities	**(36,086)**	29,155	**(294,796)**
Cash flows from investing activities:			
Payments into time deposits	**(1,346)**	(61)	**(10,996)**
Proceeds from withdrawal of time deposits	**1,282**	221	**10,473**
Purchase of marketable securities and investment securities	**(434)**	(429)	**(3,545)**
Proceeds from sales of short-term and long-term investment securities	**359**	299	**2,933**
Purchase of property, plant and equipment	**(2,558)**	(2,935)	**(20,897)**
Proceeds from sales of property, plant and equipment	**21**	17	**172**
Proceeds from subsidies	**67**	355	**547**
Payments for investments in capital of subsidiaries and associates	**(1,876)**	—	**(15,326)**
Payments of leasehold and guarantee deposits	**(104)**	(955)	**(850)**
Other, net	**40**	(466)	**327**
Net cash used in investing activities	**(4,549)**	(3,954)	**(37,162)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(31)**	(92)	**(253)**
Proceeds from long-term loans payable	**4,291**	4,107	**35,054**
Repayments of long-term loans payable	**(4,571)**	(5,535)	**(37,342)**
Redemption of bonds	**(292)**	(342)	**(2,386)**
Purchase of treasury stock	**(15,328)**	(4,936)	**(125,219)**
Cash dividends paid	**(6,423)**	(5,803)	**(52,471)**
Dividends paid to non-controlling interests	**(2)**	(3)	**(16)**
Other, net	**(209)**	(52)	**(1,707)**
Net cash used in financing activities	**(22,565)**	(12,656)	**(184,340)**
Effect of exchange rate changes on cash and cash equivalents	**(95)**	28	**(776)**
Net increase (decrease) in cash and cash equivalents	**(63,295)**	12,573	**(517,074)**
Cash and cash equivalents at beginning of year	**128,035**	115,462	**1,045,952**
Cash and cash equivalents at end of year (Note 4)	**¥64,740**	¥128,035	**$528,878**

See accompanying notes.

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 amount into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.41 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) Significant recognition criteria for revenue and cost

(a)Recognition criteria for revenue arising from contracts with customers

The Company's primary performance obligation is construction of civil engineering and building in Japan and overseas. In principle, the Company estimates for every construction contract. The Company enters into a construction contract with a customer after an agreement on a contract amount based on the estimate and contract terms (e.g., payment term), and afterwards, recognizes a contract amount (excluding consumption tax) as a transaction price. This process is also applied to a construction for additional and specification changes to an original agreement. Even if a construction contract has not yet been entered into, an expected contract amount is to be recognized as a transaction price only if the construction contract is certainly expected to be made in the future.

The Company recognizes revenue from construction of civil engineering and building at an amount expected to be received in exchange for goods or services when control over the promised goods or services is transferred to the customer. The Company recognizes revenue over time as a performance obligation to transfer goods or services to a customer is satisfied when control over the goods or services is transferred to the customer over time. The Company measures progress related to satisfaction of a performance obligation based on a percentage of the construction costs incurred by the end of each reporting period to the total expected construction costs. If it is impossible to estimate reasonably a progress of satisfaction of a performance obligation, but probable that the costs incurred will be recovered, the Company recognizes revenue using "the cost recovery method". For a construction contract where the period from the date of the contract commencement to the date when the performance obligation is expected to be fully satisfied is very short, the Company applies the alternative treatment; and recognizes revenue when the performance obligation is fully satisfied, instead of recognizing revenue over time. Incidentally, the Company has no significant financing components in contracts with customers at the end of the current consolidated fiscal year.

The performance obligation and the timing for revenue recognition in reportable segments (including civil engineering and building) are as follows:

Business segments	Major performance obligations	When to recognize revenue
Civil engineering and Building	Construction in Japan and overseas	As described above.
Group business	Sales of construction materials and Construction of civil engineering and building by consolidated subsidiaries	Sales of construction materials: at a point in time when a deliverable of business is transferred to the customer. Construction of civil engineering and building: same as business segment “Civil engineering and Building.
Other business	Commissioned business in research and study	At a point in time when a deliverable of business is transferred to the customer.

(b)Recognition criteria for recording revenue and cost from finance lease transaction
Revenue and cost are recognized at a point in time of receipt of lease payment.

(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
Available-for-sales securities are as follows:
Securities other than those without market prices are stated at fair values (with the entire amounts of valuation differences recorded directly into net assets, and the cost of sales calculated using the moving average method).
Securities without market value 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 ¥834.00 (US$6.81) and ¥782.28 at March 31, 2022 and 2021, respectively.

(19) Other significant matters in preparation of the consolidate 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.

(20) Significant accounting estimates

(Estimate of total construction costs in relation to revenue recognition)

(a) Amount recorded in the consolidated financial statements for the current consolidated fiscal year:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Net sales of completed construction contracts calculated by the recognizing-revenue-over-time method	**¥301,927**	316,618	**$2,466,522**
Total	**¥301,927**	316,618	**$2,466,522**

(b) Information on nature of significant accounting estimate for identified item

The Company adopts the recognizing-revenue-over-time method and uses it to record “Net sales of completed construction contracts” and “Cost of completed construction contracts” of constructions whose total amounts of revenues, costs, and progresses can be estimated reliably as of the account closing date. In estimating total amount of cost, the Company creates an individual working budget which incorporates factors specific to each project based on past construction results, and reflects modifications of construction nature due to changes in the situations after the start of construction and so on in the budget as they arise. However, an increase in construction cost caused by an unexpected event (e.g., increasing costs of subcontract, material, equipment, and additional cost for correction) will affect its future business performance.

(21) Changes in accounting policy

(Application of “Accounting Standard for Revenue Recognition”, etc.)

The Company has adopted ASBJ Statement No.29, “Accounting Standard for Revenue Recognition” (March 31, 2020) (hereinafter referred to as “the Accounting Standard”), etc. since the beginning of the current consolidated fiscal year; and recognizes revenue at an amount expected to be received in exchange for goods or services when control over the promised goods or services is transferred to the customer. The Company had previously adopted the percentage of completion method for recognizing revenue from a construction contract when an outcome of progress part of the construction was deemed certain ; otherwise the completed contract method was adopted; however, thereby the Company has changed it to the method which recognizes revenue over time as a performance obligation to transfer goods or services to a customer is satisfied when control over the goods or services is transferred to the customer over time. The Company measures progress related to satisfaction of a performance obligation based on a percentage of the construction costs incurred by the end of each reporting period to the total expected construction costs. If it is impossible to estimate reasonably a progress of satisfaction of a performance obligation, but probable that the costs incurred will be recovered, the Company recognizes revenue using “the cost recovery method”. For a construction contract where the period from the date of the contract commencement to the date when the performance obligation is expected to be fully satisfied is very short, the Company applies the alternative treatment; and recognizes revenue when the performance obligation is fully satisfied, instead of recognizing revenue over time. In principle, this change in accounting policy has been applied retrospectively; and financial statements for the previous consolidated fiscal year have been adjusted retrospectively. However, the following methods specified in the Accounting Standard, paragraph 85 have been applied.

(1) For contracts in which almost all amounts of revenue were recognized in accordance with a previous treatment prior to the beginning of previous consolidated fiscal year, the comparative information shall not be adjusted retrospectively.

(2) For amounts of variable consideration included in contracts in which almost all amounts of the revenue were recognized in accordance with a previous treatment prior to the beginning of current consolidated fiscal year, the comparative information shall be adjusted retrospectively using the amount at the time when an uncertainty regarding the amount of variable consideration is resolved.

As a result, compared with those before the retrospective application;

In the consolidated balance sheet for the previous consolidated fiscal year, “Accounts receivables” increased by ¥71 million ($580 thousand), “Inventories” decreased by ¥294 million ($2,402 thousand), “Advances received” decreased by ¥223 million ($1,822 thousand). In addition, the balance of retained earnings brought forward at the beginning of previous consolidated fiscal year increased by ¥0 million, as the cumulative effect was reflected in net assets at the beginning of previous consolidated fiscal year.

In the consolidated statements of income for the previous consolidated fiscal year, “Revenues” increased by ¥145 million ($1,185 thousand), “Cost of sales” increased by ¥146 million ($1,193 thousand), and “Operating income” and “Income before income taxes” decreased by ¥0 million respectively.

In the consolidated statement of cash flows for the previous consolidated fiscal year, “Income before income taxes” decreased by ¥0 million ($0 thousand).

In the consolidated statement of shareholders' equity for the current consolidated fiscal year, the balance of retained earnings brought forward at the beginning of current consolidated fiscal year increased by ¥0 million ($0 thousand), as the cumulative effect was reflected in net assets at the beginning of previous consolidated fiscal year.

Net income per share decreased by ¥0.00 (US$0.00).

In accordance with the transitional treatment specified in the Accounting Standard Paragraph 89-3, “Notes on revenue recognition” for the previous consolidated fiscal year is not prepared.

(Accounting Standard for Fair Value Measurement.)

The Company has adopted ASBJ Statement No.30 “Accounting Standard for Fair Value Measurement” (July 4, 2019) (hereinafter referred to as “the Accounting Standard”), etc. since the beginning of current consolidated fiscal year; and adopts the new accounting policies specified in the Accounting Standard , etc. into the future, in accordance with the transitional treatment specified in both the Accounting Standard paragraph 19 and ASBJ Statement No.10 “Accounting Standard for Financial Instruments” (July 4, 2019) Paragraph 44-2. For your information, there is no impact caused by the application on the consolidated financial statements.

In addition, in “28. Financial Instruments” details of financial instrument by fair value levels, etc. is prepared. However, in accordance with the transitional treatment specified in ASBJ Guidance No.19 “Guidance on Disclosures about Fair Value of Financial Instruments” (July 4, 2019) Paragraph 7-4, one for the previous consolidated fiscal year is not prepared.

(22) Changes in presentation

(Consolidated Statements of Income)

“Gain on extinguishment of debt” 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 incomes 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, ¥104 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 ¥24 million in “Gain on extinguishment of debt” and ¥80 million in “Other, net”.

“Commission fee” 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. “Compensation for damages” 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, ¥(850) million in “Commission fee” and ¥(733) 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 ¥(134) million in “Compensation for damages” and ¥(1,448) million in “Other, net”.

(23) New accounting standard, etc. not yet applied

・ “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(a) Summary

The guidance establishes;

treatment for calculation of investment trust fair value and note.

treatment for note on fair value of investment in partnership, etc. whose net amount of equity interest is to be recorded on balance sheet.

(b) Scheduled date of application

Scheduled date of application is from April 1, 2022.

(c) Effect of application of accounting standard

There is no impact on consolidated financial statements.

(24) 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 ¥ 453 million ($3,701 thousand) and 639,519shares, respectively.

3. Securities

(1) The following tables summarize book values and acquisition costs of available-for-sale securities at March 31, 2022 and 2021:

	Millions of yen					
	2022			2021		
Type	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	**¥12,984**	**¥7,840**	**¥5,144**	¥14,890	¥8,886	¥6,004
Sub total	**12,984**	**7,840**	**5,144**	14,890	8,886	6,004
Securities with book values not exceeding acquisition costs						
Equity securities	**¥3,478**	**¥4,233**	**¥(755)**	**¥2,719**	**¥3,294**	**¥(575)**
Sub total	**3,478**	**4,233**	**(755)**	**2,719**	**3,294**	**(575)**
Total	**¥16,462**	**¥12,073**	**¥4,389**	**¥17,609**	**¥12,180**	**¥5,429**

	Thousands of U.S. dollars		
	2022		
Type	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	**$106,070**	**$64,047**	**$42,023**
Sub total	**106,070**	**64,047**	**42,023**
Securities with book values not exceeding acquisition costs			
Equity securities	**$28,413**	**$34,581**	**$(6,168)**
Sub total	**28,413**	**34,581**	**(6,168)**
Total	**$134,483**	**$98,628**	**$35,855**

(2) Total sales, related gains and losses of available-for-sale securities for the year ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type	**2022**	2021	**2022**
Equity securities			
Sales	**¥358**	¥299	**$2,925**
Related gains	**241**	160	**1,969**

4. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2022 and 2021 were reconciled with cash and time deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and time deposits	**¥66,081**	¥129,317	**$539,833**
Time deposits with maturities of exceeding 3-month from the date of acquisition	**(1,341)**	(1,282)	**(10,955)**
Total: Cash and cash equivalents	**¥64,740**	¥128,035	**$528,878**

5. Inventories

Inventories at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Accumulated Costs on uncompleted construction contracts	**¥4,076**	¥5,594	**$33,298**
Others	**7,930**	8,823	**64,782**
Total	**¥12,006**	¥14,417	**$98,080**

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, 2022 and 2021.

Bonds at March 31, 2022 and 2021 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Long-term debt from bonds, insurance companies, and others due serially through 2024:			
Unsecured 0.2% (average interest rates)	**¥400**	¥692	**$3,268**
Less current maturities	**(237)**	(292)	**(1,936)**
Total	**¥163**	¥400	**$1,332**

Long-term loans payable at March 31, 2022 and 2021 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Long-term debt from banks, insurance companies, and others due serially through 2029:			
Secured 1.5% (average interest rates)	**¥471**	¥557	**$3,847**
Unsecured 1.2% (average interest rates)	**11,667**	11,861	**95,311**
Less current maturities	**(4,498)**	(4,147)	**(36,745)**
Total	**¥7,640**	¥8,271	**$62,413**

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	**¥237**	**$1,936**
2024	**127**	**1,038**
2025	**36**	**294**
2026	**—**	**—**
2027	**—**	**—**
Total	**¥400**	**$3,268**

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

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	**¥4,498**	**$36,745**
2024	**3,410**	**27,857**
2025	**2,304**	**18,822**
2026	**1,323**	**10,808**
2027	**480**	**3,921**
Total	**¥12,015**	**$98,153**

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, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Property, plant and equipment	**¥1,450**	¥1,504	**$11,845**
Investment securities	**84**	84	**686**
Investments and other assets: other (Investments in capital)	**1,257**	—	**10,269**
Other assets	**82**	96	**670**
Total	**¥2,873**	¥1,684	**$23,470**

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
	2022	2021	**2022**
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	**$—**

9. Tax Purpose Reduction Entry

Amount of tax purpose reduction entry deducted from corresponding acquisition costs due to receiving subsidies for the year ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type of assets	**2022**	2021	**2022**
Buildings and structures	**¥434**	¥395	**$3,545**
Machinery and equipment	**28**	―	**229**
Total	**¥462**	¥395	**$3,774**

10. Contingent Liabilities

(1) At March 31, 2022 and 2021, the Companies had the following contingent liabilities for loan guaranteed:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Guarantees for loan			
Loans of employees	**¥―**	¥0	**$―**
Total	**¥―**	¥0	**$―**

(2) other

Regarding the fire occurred at the building under construction then 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 in the provision for losses on fire disaster.

For the contingent liability above, the Company has reached a final agreement with the parties concerned regarding compensation for damages between the end of the current consolidated fiscal year and the date of securities report filing, and therefore the amount of loss on compensation for damages and others has been almost fixed. The details are described in "30. Events after the reporting period".

11. Receivables from Contracts with Customers and Contract Assets

Of "Receivables" recorded in the consolidated balance sheet, amounts of "Receivables from contracts with customer" and "Contract assets" are as follows:

	Millions of yen	Thousands of U.S. dollars
Receivable	**2022**	
Notes	**¥3,947**	**$32,244**
Electronically recorded monetary claim - operating	**2,952**	**24,116**
Accounts		
Completed construction contracts	**15,794**	**129,025**
Others	**1,135**	**9,272**
Contract assets	**116,580**	**952,373**
Total	**¥140,408**	**$1,147,030**

12. Contract Liabilities

Contract liabilities included in "Advances received" and "Other" on the consolidated balance sheet are as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	
Contract liabilities	**¥23,500**	**$191,978**
Total	**¥23,500**	**$191,978**

13. 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, 2022 and 2021 were ¥546 million (US$4,460 thousand) and ¥1,154 million, respectively.

14. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥2,755 million (US$22,506 thousand) and ¥2,832 million for the years ended March 31, 2022 and 2021, respectively.

15. Impairment Loss

No impairment loss is recognized for the year ended March 31, 2022.
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 had been used as a business asset. At the same time, the Company 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, the Company 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.

16. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the year ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type of assets	**2022**	2021	**2022**
Other	**¥－**	¥13	**$－**
Total	**¥－**	¥13	**$－**

17. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets for the year ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type of assets	**2022**	2021	**2022**
Land and Buildings	**¥19**	¥－	**$155**
Total	**¥19**	¥－	**$155**

18. 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.

19. Revenue Arising from Contracts with Customers

"Revenues" in consolidated statements of income are not represented as "Revenue arising from contracts with customers" and "Other revenue" separately. "Revenue arising from contracts with customers" are ¥338,910 million (US$2,768,646 thousand).

20. 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 of April 1, 2013, the Company integrated these retirement benefit plans and migrated into defined benefit plans as of April 1, 2014.

Defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
(1) Movement in retirement benefit obligations			
Balance at April 1, 2021 and 2020	**¥30,170**	¥30,744	**$246,467**
Service cost	**1,372**	1,410	**11,208**
Interest cost	**302**	307	**2,467**
Actuarial loss (gain)	**142**	(349)	**1,160**
Benefits paid	**(1,730)**	(1,942)	**(14,133)**
Balance at March 31, 2022 and 2021	**¥30,256**	¥30,170	**$247,169**
(2) Movement in plan assets			
Balance at April 1, 2021 and 2020	**¥23,467**	¥19,454	**$191,708**
Expected return on plan assets	**294**	225	**2,402**
Actuarial loss (gain)	**269**	1,537	**2,198**
Contributions paid by the employer	**2,547**	3,571	**20,807**
Contribution of securities to retirement benefit trust	**5,000**	—	**40,846**
Benefits paid	**(1,115)**	(1,320)	**(9,109)**
Balance at March 31, 2022 and 2021	**¥30,462**	¥23,467	**$248,852**
(3) Movement in simplified method			
Balance at April 1, 2021 and 2020	**¥1,448**	¥1,486	**$11,829**
Retirement benefit costs	**243**	251	**1,985**
Benefits paid	**(218)**	(300)	**(1,781)**
Other	**3**	11	**25**
Balance at March 31, 2022 and 2021	**¥1,476**	¥1,448	**$12,058**
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits			
Funded retirement benefit obligation	**¥30,256**	¥30,170	**$247,169**
Plan assets	**(30,462)**	(23,467)	**(248,852)**
Sub total	**(206)**	6,703	**(1,683)**
Unfunded retirement benefit obligation	**1,476**	1,448	**12,058**
Total net liability (asset) for retirement benefits at March 31, 2022 and 2021	**1,270**	8,151	**10,375**
Net defined benefit liability	**3,816**	8,858	**31,174**
Net defined benefit asset	**(2,546)**	(707)	**(20,799)**
Total net liability (asset) for retirement benefits at March 31, 2022 and 2021	**¥1,270**	¥8,151	**$10,375**

(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
	2022	2021	**2022**
(5) Retirement benefit costs			
Service cost	**¥1,372**	¥1,410	**$11,209**
Interest cost	**302**	307	**2,467**
Expected return on plan assets	**(294)**	(225)	**(2,402)**
Net actuarial loss amortization	**70**	375	**572**
Retirement benefit expenses by simplified method	**243**	251	**1,985**
Total retirement benefit costs for the fiscal year ended March 31, 2022 and 2021	**¥1,693**	¥2,118	**$13,831**

(6) Remeasurements of defined benefit plans			
Net actuarial loss	**¥197**	¥2,261	**$1,609**
Total adjustments for retirement benefit	**¥197**	¥2,261	**$1,609**

(7) Accumulated remeasurements of defined benefit plans			
Actuarial gains and losses that are yet to be recognized	**¥(602)**	¥(405)	**$(4,918)**
Total accumulated adjustments for retirement benefit	**¥(602)**	¥(405)	**$(4,918)**

(8) Plan assets

1. Plan assets comprise:

	2022	2021
Bonds	**40%**	38%
Equity securities	**19**	18
General account assets	**15**	14
Cash and deposits	**10**	14
Other	**16**	16
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, 2022 and 2021.

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, 2022 and 2021 (expressed as weighted averages) follow:

	2022	2021
Discount rate	**1.0%**	1.0%
Long-term expected rate of return	**1.3%**	1.2%

21. Income Taxes

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2022 and 2021 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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Deferred tax assets:			
Net defined benefit liability	**¥4,252**	¥4,161	**$34,735**
Others	**8,955**	9,838	**73,156**
Gross deferred tax assets	**13,207**	13,999	**107,891**
Less: Valuation allowance	**(2,299)**	(2,628)	**(18,781)**
Total deferred tax assets	**10,908**	11,371	**89,110**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**1,387**	1,669	**11,331**
Others	**2,467**	1,920	**20,153**
Total deferred tax liabilities	**3,854**	3,589	**31,484**
Net deferred tax assets	**¥7,054**	¥7,782	**$57,626**

22. Comprehensive Income

Amounts reclassified to profit for the fiscal year ended March 31, 2022 and 2021 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
	2022	2021	**2022**
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	**¥(794)**	¥2,903	**$(6,486)**
Reclassification adjustment	**(246)**	(158)	**(2,010)**
Sub-total, before tax	**(1,040)**	2,745	**(8,496)**
Tax (expense) or benefit	**282**	(870)	**2,304**
Sub-total, net of tax	**(758)**	1,875	**(6,192)**
Foreign currency translation adjustment:			
Increase (decrease) during the year	**¥35**	¥(108)	**$286**
Reclassification adjustment	**—**	—	**—**
Sub-total, before tax	**35**	(108)	**286**
Tax (expense) or benefit	**—**	—	**—**
Sub-total, net of tax	**35**	(108)	**286**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**¥127**	¥1,886	**$1,037**
Reclassification adjustment	**70**	375	**572**
Sub-total, before tax	**197**	2,261	**1,609**
Tax (expense) or benefit	**(60)**	(693)	**(490)**
Sub-total, net of tax	**137**	1,568	**1,119**
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	**¥(345)**	¥—	**$(2,818)**
Reclassification adjustment	—	—	—
Sub-total, before tax	**(345)**	—	**(2,818)**
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	**(345)**	—	**(2,818)**
Total other comprehensive income	**¥(931)**	¥3,335	**$(7,605)**

23. 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.

24. Consolidated Statements of Changes in Net Assets

(1) Common stock issued

	Number of shares Common stock
Balance at April 1, 2020	200,343,397
Increase during the year	–
Decrease during the year	–
Balance at April 1, 2021	200,343,397
Increase during the year	–
Decrease during the year	19,322,200
Balance at March 31, 2022	**181,021,197**

(2) Treasury stock outstanding

	Number of shares Common stock
Balance at April 1, 2020	7,315,545
Increase during the year	6,555,972
Decrease during the year	52,956
Balance at April 1, 2021	13,818,561
Increase during the year	**17,618,601**
Decrease during the year	**19,386,242**
Balance at March 31, 2022	**12,050,920**

(Note) Stock owned by BIP Trust is included in Treasury stock at March 31, 2022 (Included amount: 639,519 shares).

25. Revenue Recognition

(1) Information on disaggregation of revenue arising from contracts with customers for the year ended March 31, 2022 is as follows:

	Millions of yen					
	Reportable segments				Other	Total
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total		
Goods or Services transferred over time	**¥131,595**	**¥165,277**	**¥5,055**	**¥301,927**	**¥—**	**¥301,927**
Goods or Services transferred at a point in time	**334**	**13,250**	**18,884**	**32,468**	**4,515**	**36,983**
Revenue arising from contracts with customers	**131,929**	**178,527**	**23,939**	**334,395**	**4,515**	**338,910**
Other revenue	—	—	**837**	**837**	**547**	**1,384**
Sales from external customers	**131,929**	**178,527**	**24,776**	**335,232**	**5,062**	**340,294**

	Thousands of U.S. dollars					
	Reportable segments				Other	Total
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total		
Goods or Services transferred over time	**$1,075,034**	**$1,350,192**	**$41,296**	**$2,466,522**	**$—**	**$2,466,522**
Goods or Services transferred at a point in time	**2,729**	**108,243**	**154,268**	**265,240**	**36,884**	**302,124**
Revenue arising from contracts with customers	**1,077,763**	**1,458,435**	**195,564**	**2,731,762**	**36,884**	**2,768,646**
Other revenue	—	—	**6,838**	**6,838**	**4,469**	**11,307**
Sales from external customers	**1,077,763**	**1,458,435**	**202,402**	**2,738,600**	**41,353**	**2,779,953**

Notes:

1.“Other” is the segments not included in “Reportable segments” and consists of mainly research and other activities.

2. By applying the alternative treatment specified in “Implementation Guidance on Accounting Standard for Revenue Recognition” Paragraph 95, “Goods or Services transferred at a point in time” includes construction contracts whose revenues are recognized when the performance obligations are fully satisfied.

(2) Fundamental information for understanding revenue

As described in “2. Summary of Significant Accounting policies (2) Significant recognition criteria for revenue and cost (a) Recognition criteria for revenue arising from contracts with customers”.

(3) Information for understanding amount of revenue in current and subsequent consolidated fiscal years.

(a)Balance of Receivables from contracts with customers, Contract assets, and Contract liabilities at beginning and end of period

	Current consolidated fiscal year	
	Millions of yen	Thousands of U.S. dollars
Receivables from contracts with customers (Balance at beginning of period)	**¥24,416**	**$199,461**
Receivables from contracts with customers (Balance at end of period)	**23,828**	**194,657**
Contract assets (Balance at beginning of period)	**97,029**	**792,656**
Contract assets (Balance at end of period)	**116,580**	**952,373**
Contract liabilities (Balance at beginning of period)	**32,338**	**264,178**
Contract liabilities (Balance at end of period)	**23,500**	**191,978**

“Contract assets” are assets related to rights to remuneration for revenues recognized over time from constructions whose obligations (e.g., completion and delivery of a construction contract object) are not yet fully satisfied. The assets are transferred to “Receivables from the contracts with the customers” when the performance obligations are fully satisfied.

“Contract liabilities” are liabilities recorded as advance received (e.g., “advances received on uncompleted construction contracts”) from constructions whose revenues are recognized over time and reduced as the corresponding revenues are recognized. The balance at beginning of period is largely recognized as revenue in current consolidated fiscal year.

(b)Total amount of transaction price allocated to remaining (or partially satisfied) performance obligations at the end of period
At the end of the current consolidated fiscal year, ¥ 518,683million (US$4,237,260 thousand) is the total amount of transaction prices allocated to remaining performance obligations. The amount is largely from constructions of civil engineering and building and approximately 80% is expected to be recognized as revenue within 2 years.

26. 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, 2022 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2022:								
Revenues:								
Outside customers	**¥131,929**	**¥178,527**	**¥24,776**	**¥335,232**	**¥5,062**	**¥340,294**	**¥ —**	**¥340,294**
Intersegment	**—**	**0**	**61,483**	**61,483**	**16**	**61,499**	**(61,499)**	**—**
Total	**131,929**	**178,527**	**86,259**	**396,715**	**5,078**	**401,793**	**(61,499)**	**340,294**
Segment profit	**15,825**	**13,331**	**2,490**	**31,646**	**596**	**32,242**	**(5,641)**	**26,601**
Assets	**Note 4**	**Note 4**	**42,163**	**216,853**	**7,497**	**224,350**	**70,983**	**295,333**
Other material items:								
Depreciation and amortization	**593**	**800**	**617**	**2,010**	**75**	**2,085**	**325**	**2,410**
Capital expenditures	**Note 4**	**Note 4**	**604**	**2,668**	**79**	**2,747**	**437**	**3,184**

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2022:								
Revenues:								
Outside customers	**$1,077,763**	**$1,458,435**	**$202,402**	**$2,738,600**	**$41,353**	**$2,779,953**	**$ —**	**$2,779,953**
Intersegment	**—**	**0**	**502,271**	**502,271**	**131**	**502,402**	**(502,402)**	**—**
Total	**1,077,763**	**1,458,435**	**704,673**	**3,240,871**	**41,484**	**3,282,355**	**(502,402)**	**2,779,953**
Segment profit	**129,279**	**108,905**	**20,341**	**258,525**	**4,869**	**263,394**	**(46,083)**	**217,311**
Assets	**Note 4**	**Note 4**	**344,441**	**1,771,530**	**61,245**	**1,832,775**	**579,879**	**2,412,654**
Other material items:								
Depreciation and amortization	**4,844**	**6,535**	**5,041**	**16,420**	**613**	**17,033**	**2,655**	**19,688**
Capital expenditures	**Note 4**	**Note 4**	**4,934**	**21,796**	**645**	**22,441**	**3,570**	**26,011**

Notes:

1. "Other" consisted of mainly research and other activities, which are not included in reportable segment.
2. Reconciliations amounts were as follows:
   (i) Reconciliations amount of segment profit was to ¥(5,641) million (US$(46,083) thousand), which included ¥41 million (US$335 thousand) of intersegment eliminations and others, and ¥(5,682) million (US$(46,418) thousand) of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
   (ii) Reconciliations amount of segment assets was to ¥70,983 million (US$579,879 thousand), which included ¥(20,187) million (US$(164,913) thousand) of intersegment eliminations and others, and ¥91,170 million (US$744,792 thousand) of corporate assets. Corporate assets were mainly cash and time deposits, investment securities and others, which are not attributed to reportable segments.
3. Segment profit was adjusted to operating income of consolidated statements of income.
4. As discussed in Note 26. (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 ¥174,690 million (US$1,427,089 thousand), and capital expenditures of these segments are amounted to ¥2,064 million (US$16,862 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2021 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2021:								
Revenues:								
Outside customers	¥135,986	¥192,205	¥19,092	¥347,283	¥4,863	¥352,146	¥ —	¥352,146
Intersegment	—	7	46,093	46,100	15	46,115	(46,115)	—
Total	135,986	192,212	65,185	393,383	4,878	398,261	(46,115)	352,146
Segment profit	17,679	13,107	1,640	32,426	672	33,098	(5,741)	27,357
Assets	Note 4	Note 4	44,860	201,337	7,718	209,055	130,332	339,387
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

Notes:

1. "Other" consisted of mainly research and other activities, which are not included in reportable segment.
2. Reconciliations amounts were as follows:
   (i) Reconciliations amount of segment profit was to ¥(5,741) million, which included ¥3 million of intersegment eliminations and others, and ¥(5,744) million of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
   (ii) Reconciliations amount of segment assets was to ¥130,332 million, which included ¥(22,463) million of intersegment eliminations and others, and ¥152,795 million of corporate assets. Corporate assets were mainly cash and time deposits, investment securities and others, which are not attributed to reportable segments.
3. Segment profit was adjusted to operating income of consolidated statements of income.
4. As discussed in Note 26. (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 ¥156,477 million, and capital expenditures of these segments are amounted to ¥478 million.

(4) Changes in reportable segments

As described in "2. Summary of Significant accounting policy (21) Changes in accounting policy", the Company has adopted "Accounting Standard for Revenue Recognition", etc. since the beginning of the consolidated current fiscal year and changed a method of calculating sales and profit in reportable segments. Therefore, "(b) Segment information as of and for the fiscal year ended March 31, 2021" is prepared by applying a method after the change.

(5) 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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
Geographic Areas	**2022**	2021	**2022**
Japan	**¥324,476**	¥334,286	**$2,650,731**
Other	**15,818**	17,860	**129,222**
Total	**¥340,294**	¥352,146	**$2,779,953**

(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, 2022.

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

No impairment loss is recognized for the year ended March 31, 2022.

Impairment loss of fixed assets by reported segment of the year ended March 31, 2021 are as follows:

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

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

27. 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, 2022 is as follows:

	Profit attributable to owners of parent	Weighted-average shares	EPS	
Year ended March 31, 2022:	Millions of yen	Thousands of shares	Yen	U.S. dollars
Profit attributable to owners of parent	**¥17,671**			
Basic EPS-Profit available to common shareholders	**¥17,671**	**178,786**	**¥98.84**	**$0.81**
Effect of dilution				
Shares adjusted by share subscription rights	**ー**	**8**		
Diluted EPS-Profit for computation	**¥17,671**	**178,794**	**¥98.84**	**$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, 2022 were 13,506 thousand including 545 thousand of shares in BIP Trust at the year ended March 31, 2022.

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:

	Profit attributable to owners of parent	Weighted-average shares	EPS
Year ended March 31, 2021:	Millions of yen	Thousands of shares	Yen
Profit attributable to owners of parent	¥17,189		
Basic EPS-Profit available to common shareholders	¥17,189	191,421	¥89.80
Effect of dilution			
Shares adjusted by share subscription rights	ー	40	
Diluted EPS-Profit for computation	¥17,189	191,461	¥89.78

28. 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 credit 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 foreign exchange contracts to hedge foreign currency exchange risk involving oversea business and interest rate swap transactions 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 description of fair value of financial instruments

Since certain assumptions are used for estimating fair values, fair values could be different if different assumptions are applied. In addition, the derivative contract amounts described in Note 29 “Derivative Financial Instruments” are not indicative of actual market risk involved in derivative transactions.

(e) Concentration of credit risk

The trade receivables for specific and large-scale customers accounted for 10.3% 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

Following tables summarize book values and fair values of financial instruments at March 31, 2022:

	Millions of yen			Thousands of U.S. dollars		
Type	Book values	Fair values	Difference	Book values	Fair values	Difference
Assets						
Receivables:						
Notes	**¥6,900**	**¥6,900**	**¥—**	**$56,368**	**$56,368**	**$—**
Accounts	**133,531**	**133,497**	**(34)**	**1,090,850**	**1,090,572**	**(278)**
Marketable securities and Investment securities:						
Available-for-sale securities	**16,462**	**16,462**	**—**	**134,483**	**134,483**	**—**
Total assets	**¥156,893**	**¥156,859**	**¥(34)**	**$1,281,701**	**$1,281,423**	**$(278)**
Liabilities						
Bonds	**¥163**	**¥162**	**¥(1)**	**$1,332**	**$1,323**	**$(9)**
Long-term loans payable, less current maturities	**7,640**	**7,642**	**2**	**62,413**	**62,430**	**17**
Total liabilities	**¥7,803**	**¥7,804**	**¥1**	**$63,745**	**$63,753**	**$8**
Derivative transactions	**¥—**	**¥—**	**¥—**	**$—**	**$—**	**$—**

Stocks and other financial instruments with no market values are not included in “Marketable securities and Investment securities”. Their amounts recorded in consolidated balance sheet for the current fiscal year are as follows;

Unlisted stocks, etc. ¥4,498million (US$36,745 thousand).

Following tables summarize book values and fair values of financial instruments at March 31, 2021:

Type	Book values (Millions of yen)	Fair values (Millions of yen)	Difference (Millions of yen)
Assets			
Receivables:			
Notes	¥6,901	¥6,901	¥—
Accounts	114,560	114,542	(18)
Marketable securities and Investment securities:			
Available-for-sale securities	17,609	17,609	—
Total assets	¥139,070	¥139,052	¥(18)
Liabilities			
Bonds	¥400	¥399	¥(1)
Long-term loans payable, less current maturities	8,271	8,280	9
Total liabilities	¥8,671	¥8,679	¥8
Derivative transactions	¥—	¥—	¥—

Unlisted stocks, etc. have no market values and it is quite difficult to grasp their market values. Therefore, they are not included in "Marketable securities and Investment securities". Their amounts recorded in consolidated balance sheet for the previous fiscal year are as follows;

Unlisted stocks, etc. ¥4,088million.

Notes

1. "Cash and time deposits" consists of cash and deposits which are to be settled in a short period and have fair values approximating book values. Therefore, it is not mentioned in this section.

2. "Payables (Notes and Accounts in Current liabilities)", "Short-term loans payable", and "Current portion of bonds" are to be settled in a short period and have fair values approximating book values. Therefore, they are not mentioned in this section.

(3) Derivative transactions

See Note 29 "Derivative Financial Instruments".

(4) Redemption schedules for cash and time deposits, receivables, held-to-maturity debt securities, and other at March 31, 2022 and 2021 are as follows:

	Millions of yen							
	2022				2021			
	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	**¥66,081**	**¥ —**	**¥ —**	**¥ —**	¥129,317	¥ —	¥ —	¥ —
Receivables:								
Notes	**6,900**	**—**	**—**	**—**	6,901	—	—	—
Accounts	**121,585**	**11,946**	**—**	**—**	104,547	10,013	—	—
Total	**¥194,566**	**¥11,946**	**¥ —**	**¥ —**	¥240,766	¥10,013	¥ —	¥ —

	Thousands of U.S. dollars			
	2022			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	**$539,833**	**$ —**	**$ —**	**$ —**
Receivables:				
Notes	**56,368**	**—**	**—**	**—**
Accounts	**993,260**	**97,590**	**—**	**—**
Total	**$1,589,461**	**$97,590**	**$ —**	**$ —**

(5) Redemption schedules for bonds, long-term debt and other interest-bearing liabilities as of March 31, 2022 and 2021 is as follows:

	Millions of yen					
	2022					
	Within 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term loans payable	**¥12,178**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
bonds	**237**	**127**	**36**	**—**	**—**	**—**
Long-term loans payable	**4,498**	**3,410**	**2,304**	**1,323**	**480**	**123**
Total	**¥16,913**	**¥3,537**	**¥2,340**	**¥1,323**	**¥480**	**¥123**

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term loans payable	**$99,485**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
bonds	**1,936**	**1,038**	**294**	**—**	**—**	**—**
Long-term loans payable	**36,745**	**27,857**	**18,822**	**10,808**	**3,921**	**1,005**
Total	**$138,166**	**$28,895**	**$19,116**	**$10,808**	**$3,921**	**$1,005**

	Millions of yen					
	2021					
	Within 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term loans payable	¥12,166	¥ —	¥ —	¥ —	¥ —	¥ —
bonds	292	237	127	36	—	—
Long-term loans payable	4,147	3,640	2,552	1,445	634	—
Total	¥16,605	¥3,877	¥2,679	¥1,481	¥634	¥ —

(6) Details of financial instruments by fair value levels

Fair values of financial instrument are classified into following three levels according to their observability and importance of inputs for calculating the fair values.

Level 1 fair value: Fair values calculated by observable inputs that reflect market prices of subject assets or liabilities in active market.

Level 2 fair value: Fair values calculated by observable inputs other than Level 1 inputs.

Level 3 fair value: Fair values calculated by unobservable inputs.

If multiple inputs with significant effects on the calculation are applied, a fair value is to be classified into the lowest of levels in calculation priority to which the inputs belong.

(a) Financial instruments recorded at fair value in consolidated balance sheet for the current consolidated fiscal year

	Millions of yen				Thousands of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	total	Level 1	Level 2	Level 3	total
Marketable securities and investment securities								
Available-for-sale securities								
Stock	**¥16,462**	**¥ —**	**¥ —**	**¥16,462**	**$134,483**	**$ —**	**$ —**	**$134,483**
Total assets	**¥16,462**	**—**	**—**	**¥16,462**	**$134,483**	**—**	**—**	**$134,483**
Not applicable	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**$ —**	**$ —**	**$ —**	**$ —**
Total liabilities	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**$ —**	**$ —**	**$ —**	**$ —**

(b) Financial instruments other than those recorded at fair value in consolidated balance sheet for the current consolidated fiscal year

	Millions of yen				Thousands of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	total	Level 1	Level 2	Level 3	total
Receivables:								
Notes	¥ –	**¥6,900**	¥ –	**¥6,900**	$ –	**$56,368**	$ –	**$56,368**
Accounts	–	**133,497**	–	**133,497**	–	**1,090,572**	–	**1,090,572**
Total assets	¥ –	**¥140,397**	¥ –	**¥140,397**	$ –	**$1,146,940**	$ –	**$1,146,940**
Bonds	¥ –	**¥ 162**	¥ –	**¥ 162**	$ –	**$1,323**	$ –	**$1,323**
Long-term loans payable, less current maturities	–	**7,642**	–	**7,642**		**62,430**		**62,430**
Total liabilities	¥ –	**¥7,804**	¥ –	**¥7,804**	$ –	**$63,753**	$ –	**$63,753**

(Notes) Description of assessment method and input for calculating fair value.

Marketable securities and investment securities

Listed stocks are valued at market price. Fair values are classified into Level 1 fair value as traded in active markets.

Receivables

Fair values are classified by certain periods, and then calculated by "Discounted Cash Flow Method" at interest rates based on amounts of claim, remaining periods to maturity, and credit risks. Therefore, they are classified into Level 2 fair value.

Bonds

Fair values are calculated by "Discounted Cash Flow Method" at interest rates based on total amounts of principal and interest, remaining terms of bond, and its credit risks. Therefore, they are classified into Level 2 fair value.

Long-term loans payable, less current maturities

Fair values are calculated by discounting total amounts of principal and interest at interest rates assumed to be made if the Company were to newly borrow the same loans. However, fair values of long-term debt at variable interest rates are recorded at book values, since the interest rates are to be renewed at regular intervals based on conditions and reflect market interest rates in a short period of time, and therefore the fair values are considered to approximate book values. Part of them are subject to an exceptional treatment for interest rate swap. Therefore, they are calculated by discounting total amounts of principal and interest processed with the swap at interest rates reasonably estimated to be applied if the Company were to newly borrow the same loans. With these methods, they are classified into Level 2 fair value.

29. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting at March 31, 2022 and 2021 are as follows:

(Currency-related transactions)
Since the current consolidated fiscal year, an affiliated company accounted for by equity-method in the Company's group (hereinafter referred to as “the Affiliated Company”) has used foreign exchange contract to hedge foreign currency exchange risks in foreign currency transactions. For this foreign exchange contract, a hedge accounting is applied to forecasted foreign currency transactions as the hedged item. However, foreign exchange contract of the Affiliated Company is not recorded in the consolidated balance sheet, therefore the fair value is not contained in “Derivative transactions” in “28. Financial Instruments (2) Fair value of financial instruments”.

(Interest-related transactions)

		Millions of yen					
		2022			2021		
		Contract amount		Fair value	Contract amount		Fair value
Type of derivative transactions	Main items hedged	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	**¥1,077**	**¥745**	**Note 2**	¥948	¥675	Note 2

		Thousands of U.S. dollars		
		2022		
		Contract amount		Fair value
Type of derivative transactions	Main items hedged	Total	Settled over 1 year	
Short-cut method:				
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	**$8,798**	**$6,086**	**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.
3. the Affiliated Company has used interest rate swap transaction to hedge risks of fluctuations in interest rates on loan payable, but it is not contained in the above table. For this interest rate swap transaction, a hedge accounting is applied to the loan payable as the hedged item. However, the Affiliated Company’s loan payable is not recorded in the consolidated balance sheet, therefore the fair value is not contained in “Derivative transactions” in “28. Financial Instruments (2) Fair value of financial instruments”.

30. Events after the reporting period

Regarding the fire occurred at the building under construction then by the Company in Tama city, Tokyo on July 26, 2018, the Company has reached a final agreement with the parties concerned regarding the compensation for damages, and therefore the amount of loss on the compensation for damages and others has been almost fixed. Accordingly, following items will be recorded in "other income" in the next consolidated fiscal year.

・Gain on reversal of provision for loss on damage due to fire
¥306 million (US$2,500 thousand).

・Compensation for damage received based on an agreement on the burden of the loss with the subcontractor involved in the case
¥2,700 million (US$22,057 thousand).

31. Stock Option Plans

(1) No cost for stock options is recognized for the years ended March 31, 2022 and 2021.

(2) The stock options outstanding at March 31, 2022 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	18,000	16,500
Vested during the year	—	—
Exercised during the year	18,000	16,500
Forfeited or expired during the year	—	—
Unexercised at the end of the year	—	—
Exercise price	¥1	¥1
Average stock price at exercise	¥826	¥838
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, 2022 and 2021, 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, 2022 and 2021, 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.

<table>
<tr><th colspan="2">Reasonableness of the Company's estimate of the total construction costs in relation to revenue recognition</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The Company and its consolidated subsidiaries provide construction service, as described in Note 25 "Revenue recognition, (1) Information on disaggregation of revenue from contracts with customers" to the consolidated financial statements, of the revenue from the construction service, the revenue recognized for the performance obligation satisfied over time amounted to ¥301,927 million, representing 89% of the Revenues in the consolidated financial statements.
As described in Note 2 "Summary of Significant Accounting Policies, (2) Significant recognition criteria for revenue and cost" to the consolidated financial statements, the Company and its consolidated subsidiaries recognize the revenue for the performance obligation satisfied over time based on the progress towards satisfaction of performance obligations. The estimate of this progress is calculated as the percentage of incurred construction costs to the total construction costs.
As described in Note 2 "Summary of Significant Accounting Policies, (20) Significant accounting estimates (Estimate of total construction costs in relation to revenue recognition)" to the consolidated financial statements, 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.

Whether the work necessary to fulfill 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.

We, therefore, determined that our assessment of the reasonableness of the Company' estimate of total construction costs in relation to revenue recognition was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, the key audit matter.
</td><td>
The primary procedures we performed to assess whether the Companies' estimate of total construction costs in relation to revenue recognition was reasonable included the following:
(1) Internal control testing
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:

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.

(2) Assessment of the reasonableness of the estimated total construction cost
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:

assessed whether the estimated costs of construction work necessary to fulfill the construction contract were included in the project budget by inquiring the personnel responsible for construction work about 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 total of the actual 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 several people, including the personnel responsible for construction work and the head of accounting, 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, that served as the basis for their responses, to assess the appropriateness of their judgment.

</td></tr>
</table>

Other Information

The other information comprises the information included in the Financial Review, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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, 2022 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 22, 2022

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

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