

HAZAMA ANDO CORPORATION

FINANCIAL REVIEW 2023

Year ended March 31, 2023



HAZAMA ANDO CORPORATION

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Consolidated Financial Review

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2023, 2022, 2021, 2020 and 2019

Summary

	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Operating results:						
Revenues						
Construction contracts	¥345,858	¥316,154	¥331,695	¥358,191	¥334,245	\$2,589,921
Other activities	26,288	24,140	20,451	19,945	25,727	196,855
Total	372,146	340,294	352,146	378,136	359,972	2,786,776
Cost of sales	330,123	293,432	303,981	330,918	314,180	2,472,091
Gross profit	42,023	46,862	48,165	47,218	45,792	314,685
Selling, general and administrative expenses	22,170	20,261	20,808	22,517	22,100	166,018
Operating income	19,853	26,601	27,357	24,701	23,692	148,667
Profit attributable to owners of parent	15,188	17,671	17,189	16,804	8,863	113,734
Financial position:						
Total assets	¥318,014	¥295,333	¥339,387	¥339,772	¥349,657	\$2,381,414
Total liabilities	176,689	153,650	192,711	202,873	215,974	1,323,117
Total net assets	141,325	141,683	146,676	136,899	133,683	1,058,297
Cash flows:						
Cash flows from operating activities	¥32,272	¥(36,086)	¥29,155	¥(3,103)	¥5,900	\$241,666
Cash flows from investing activities	(4,740)	(4,549)	(3,954)	(3,016)	(2,357)	(35,495)
Cash flows from financing activities	(18,425)	(22,565)	(12,656)	(13,244)	(7,780)	(137,974)
			Yen			U.S. dollars
Per share amounts:						
Profit attributable to owners of parent						
Basic	¥94.02	¥98.84	¥89.80	¥84.42	¥45.21	\$0.70
Diluted	—	98.84	89.78	84.40	44.20	—
Dividends						
Common stock	40.00	40.00	30.00	30.00	30.00	0.30
Net assets	897.84	834.00	782.28	704.86	664.78	6.72

Note: 1. U.S. dollar amounts in this Financial Review are translated from yen at the rate of ¥133.54 to US\$1.00 for convenience.

2. The Company has applied Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, “Accounting Standard for Revenue Recognition” (March 31, 2020), etc. since the beginning of the fiscal year ended March 31, 2022 (“fiscal 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 applied ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition” (March 31, 2020), etc. since the beginning of the consolidated fiscal year 2022, and thereby each figure for the consolidated fiscal year 2021 in this “Financial Review” is retroactively adjusted.

Revenues

Revenues in fiscal 2023 totaled ¥372,146 million (US\$2,786,776 thousand), of which ¥345,858 million (US\$2,589,921 thousand) came from construction projects and ¥26,288 million (US\$196,855 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 ¥330,123 million (US\$2,472,091 thousand), which is equivalent to 88.7% of revenues. Selling, general and administrative expenses amounted to ¥22,170 million (US\$166,018 thousand), which is equivalent to 6.0% of revenues. Operating income reached ¥19,853 million (US\$148,667 thousand), and the operating margin was 5.3%. Profit attributable to owners of parent amounted to ¥15,188 million (US\$113,734 thousand). Basic profit attributable to owners of parent per share was ¥94.02 (US\$0.70). HAZAMA ANDO CORPORATION paid dividend of ¥20 (US\$0.150) per share for the fiscal year ended March 31, 2022 on June 30, 2022, and paid interim dividend of ¥20 (US\$0.150) per share for the fiscal year ended March 31, 2023 on December 5, 2022.

Financial Position and Analysis

Total assets amounted to ¥318,014 million (US\$2,381,414 thousand), total liabilities amounted to ¥176,689 million (US\$1,323,117 thousand), and total net assets amounted to ¥141,325 million (US\$1,058,297 thousand) at the end of fiscal 2023.

Net worth to total assets ratio was 44.2%. Net assets per share amounted to ¥897.84 (US\$6.72).

Cash Flows

Cash and cash equivalents at the end of the year increased by ¥9,586 million (US\$71,784 thousand) to ¥74,326 million (US\$556,582 thousand).

Net cash provided by operating activities amounted to ¥32,272 million (US\$241,666 thousand) mainly because cash increasing factors such as income before income taxes of ¥22,299 million (US\$166,984 thousand) and an increase in advances received of ¥15,021 million (US\$112,483 thousand) absorbed cash decreasing factors such as an increase in notes and accounts receivable of ¥4,647 million (US\$34,799 thousand) and an increase in consumption taxes refund receivable of ¥3,737 million (US\$27,984 thousand).

Net cash used in investing activities amounted to ¥(4,740) million (US\$(35,495) thousand) mainly because cash decreasing factors such as purchase of marketable securities and investment securities of ¥3,071 million (US\$22,997 thousand), and purchase of property, plant and equipment of ¥2,999 million (US\$22,458 thousand) absorbed cash increasing factors such as proceeds from withdrawal of time deposits of ¥1,467 million (US\$10,986 thousand).

Net cash used in financing activities amounted to ¥(18,425) million (US\$(137,974) thousand) mainly because cash decreasing factors such as purchase of treasury stock of ¥10,632 million (US\$79,617 thousand), cash dividends paid of ¥6,656 million (US\$49,843 thousand), and repayment of long-term loans payable of ¥4,953 million (US\$37,090 thousand) absorbed cash increasing factors such as proceeds from long-term loans payable of ¥4,611 million (US\$34,529 thousand).

Construction Business (Non-Consolidated Construction Projects)

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

Revenues	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Civil engineering						
Domestic						
Government sector	¥77,905	¥76,436	¥85,011	¥78,588	¥70,268	\$583,383
Private sector	48,299	48,201	43,690	35,983	40,531	361,682
Overseas	7,226	7,627	7,275	9,743	7,991	54,111
Subtotal	133,430	132,264	135,976	124,314	118,790	999,176
Building construction						
Domestic						
Government sector	33,388	26,662	18,592	30,131	26,932	250,023
Private sector	152,339	144,759	164,058	180,720	161,430	1,140,774
Overseas	20,477	7,106	9,563	16,363	20,497	153,340
Subtotal	206,204	178,527	192,213	227,214	208,859	1,544,137
Total construction projects	¥339,634	¥310,791	¥328,189	¥351,528	¥327,649	\$2,543,313

Revenue from the civil engineering category accounted for ¥133,430 million (US\$999,176 thousand), or 39.3% of total revenue from construction projects, with domestic projects contributing ¥126,204 million (US\$945,065 thousand), or 94.6%.

The government sector contributed ¥77,905 million (US\$583,383 thousand), or 61.7% of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥48,299 million (US\$361,682 thousand), or 38.3% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥7,226 million (US\$54,111 thousand), equivalent to 5.4% of total revenue in the civil engineering category.

Revenue from the building construction category accounted for ¥206,204 million (US\$1,544,137 thousand), or 60.7% of total construction revenue. Domestic projects accounted for ¥185,727 million (US\$1,390,797 thousand), or 90.1%.

The government sector contributed ¥33,388 million (US\$250,023 thousand), or 18.0% of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥152,339 million (US\$1,140,774 thousand), or 82.0% of total domestic building construction revenue. Overseas building construction revenue reached ¥20,477 million (US\$153,340 thousand), equivalent to 9.9% of total revenue in the building construction category.

Total overseas construction revenue reached ¥27,703 million (US\$207,451 thousand) and accounted for 8.2% of total construction revenue. Civil engineering projects and building construction accounted for 26.1% and 73.9% of this total, respectively.

Orders Received	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Civil engineering	¥103,275	¥122,593	¥101,528	¥193,575	¥192,179	\$773,364
Building construction	244,946	187,250	199,341	186,706	235,473	1,834,252
Total construction projects	¥348,221	¥309,843	¥300,869	¥380,281	¥427,652	\$2,607,616

Orders received for construction projects during fiscal 2023 amounted to ¥348,221 million (US\$2,607,616 thousand). Overseas work contributed 7.9% of orders in the construction category. Civil engineering orders amounted to ¥103,275 million (US\$773,364 thousand), or 29.7% of total construction orders. Building construction orders amounted to ¥244,946 million (US\$1,834,252 thousand), which is equivalent to 70.3% of total construction orders.

Year-end Backlog	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Civil engineering	¥290,138	¥320,145	¥329,718	¥364,120	¥294,914	\$2,172,668
Building construction	237,932	198,538	189,606	182,579	223,318	1,781,728
Total construction projects	¥528,070	¥518,683	¥519,324	¥546,699	¥518,232	\$3,954,396

Order backlog for construction projects at the end of fiscal 2023 amounted to ¥528,070 million (US\$3,954,396 thousand), with civil engineering work accounting for ¥290,138 million (US\$2,172,668 thousand), or 54.9%, and building construction accounting for ¥237,932 million (US\$1,781,728 thousand), or 45.1%.

Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets			
Current assets:			
Cash and time deposits (Notes 20 and 21)	¥75,598	¥66,081	\$566,108
Receivables (Notes 8, 21 and 26):			
Notes	3,219	6,900	24,105
Accounts	141,875	133,531	1,062,416
Inventories (Notes 3 and 6)	10,746	12,006	80,470
Other (Note 5)	14,102	9,567	105,601
Less allowance for doubtful accounts	(160)	(14)	(1,198)
Total current assets	245,380	228,071	1,837,502
Property, plant and equipment (Notes 5, 7, 13, 14 and 15):			
Land	15,487	15,853	115,973
Buildings and structures	23,489	22,894	175,895
Machinery and equipment	11,298	12,925	84,604
Other	3,206	1,915	24,007
	53,480	53,587	400,479
Less accumulated depreciation	(22,125)	(23,400)	(165,680)
Net property, plant and equipment	31,355	30,187	234,799
Investments and other assets:			
Investment securities (Notes 5, 21 and 22)	24,739	20,784	185,255
Investments in unconsolidated subsidiaries and affiliates (Note 21)	282	176	2,112
Long-term loans receivable (Note 5)	63	74	472
Net defined benefit asset (Note 24)	3,519	2,546	26,352
Deferred tax assets (Note 25)	6,455	7,091	48,337
Other (Note 5)	6,692	6,405	50,112
Less allowance for doubtful accounts	(471)	(1)	(3,527)
Total investments and other assets	41,279	37,075	309,113
Total assets	¥318,014	¥295,333	\$2,381,414

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 4 and 21)	¥12,157	¥12,178	\$91,036
Current maturities of long-term loans payable (Notes 4 and 21)	4,333	4,498	32,447
Current portion of bonds (Notes 4 and 21)	127	237	951
Payables (Note 21):			
Accounts	58,037	52,745	434,604
Income taxes payable	3,962	3,072	29,669
Advances received (Notes 9, 10 and 26)	37,539	23,553	281,107
Accrued expenses	83	36	622
Provision for losses on construction contracts (Note 6)	654	596	4,897
Provision for losses on fire disaster	—	3,921	—
Other (Notes 9 and 26)	47,325	39,553	354,388
Total current liabilities	164,217	140,389	1,229,721
Long-term liabilities:			
Bonds (Notes 4 and 21)	36	163	270
Long-term loans payable, less current maturities (Notes 4 and 21)	7,463	7,640	55,886
Net defined benefit liability (Note 24)	3,198	3,816	23,948
Provision for environmental spending	139	139	1,041
Provision for management board incentive plan trust	207	163	1,550
Provision for employee stock ownership plan trust	304	—	2,276
Deferred tax liabilities (Note 25)	32	37	240
Other	1,093	1,303	8,185
Total long-term liabilities	12,472	13,261	93,396
Total liabilities	176,689	153,650	1,323,117
Net assets (Notes 18 and 19):			
Shareholders' equity:			
Capital stock			
Common stock	Authorized – 400,000,000 shares		
	Issued – 181,021,197 shares	17,006	127,348
Capital surplus		17,058	127,737
Retained earnings		122,656	918,496
Less treasury stock, at cost		(21,106)	(158,050)
Total shareholders' equity		135,614	1,015,531
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		3,846	28,800
Deferred gains or losses on hedges		179	1,340
Foreign currency translation adjustment		(346)	1,520
Accumulated remeasurements of defined benefit plans		203	1,520
Total accumulated other comprehensive income		644	4,823
Total accumulated other comprehensive income		4,872	36,483
Non-controlling interests		839	6,283
Total net assets		141,325	1,058,297
Total liabilities and net assets		¥318,014	\$2,381,414

Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Revenues (Notes 16, 26 and 27):			
Construction contracts	¥345,858	¥316,154	\$2,589,921
Other activities	26,288	24,140	196,855
	372,146	340,294	2,786,776
Cost of sales:			
Construction contracts (Note 11)	306,531	273,099	2,295,425
Other activities (Note 12)	23,592	20,333	176,666
	330,123	293,432	2,472,091
Gross profit	42,023	46,862	314,685
Selling, general and administrative expenses (Note 12):	22,170	20,261	166,018
Operating income	19,853	26,601	148,667
Other income (expenses):			
Interest and dividends income	448	317	3,355
Foreign exchange gain	330	—	2,471
Late charges income	—	166	—
Interest expense	(351)	(321)	(2,628)
Share of loss of entities accounted for using equity method	(53)	(273)	(397)
Foreign exchange loss	—	(104)	—
Commission fee	(187)	(155)	(1,400)
Compensation for damage	(428)	(377)	(3,205)
Compensation received for damage	2,700	—	20,219
Reversal of provision for losses on fire disaster	306	—	2,292
Subsidy income	95	67	711
Gain on sales of noncurrent assets (Note 13)	64	—	479
Gain on sales of investment securities (Note 22)	180	241	1,348
Losses on fire disaster	—	(181)	—
Impairment losses (Note 15)	(75)	—	(562)
Loss on tax purpose reduction entry of noncurrent assets	(91)	(67)	(681)
Loss on sales of noncurrent assets (Note 14)	—	(19)	—
Loss on retirement of noncurrent assets	(73)	(115)	(547)
Loss on valuation of investment securities (Note 22)	(72)	(27)	(539)
Head office relocation expenses	(339)	(306)	(2,539)
Loss on litigation	(4)	(42)	(30)
Other, net	(4)	(15)	(30)
	2,446	(1,211)	18,317
Income before income taxes	22,299	25,390	166,984
Income taxes (Note 25):			
Current	6,978	6,769	52,254
Deferred	143	949	1,071
	7,121	7,718	53,325
Profit	15,178	17,672	113,659
Profit (loss) attributable to non-controlling interests	(10)	1	(75)
Profit attributable to owners of parent	¥15,188	¥17,671	\$113,734
	Yen		U.S. dollars (Note 1)
	2023	2022	2023
Per share amounts (Note 28):			
Profit attributable to owners of parent			
Basic	¥94.02	¥98.84	\$0.70
Diluted	—	98.84	—
Cash dividends applicable to the year			
Common stock	40.00	40.00	0.300

See accompanying notes.

Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Profit	¥15,178	¥17,672	\$113,659
Other comprehensive income			
Valuation difference on available-for-sale securities	849	(758)	6,358
Foreign currency translation adjustment	207	35	1,550
Remeasurements of defined benefit plans	226	137	1,692
Share of other comprehensive income of entities accounted for using equity method	525	(345)	3,931
Total other comprehensive income (Note 17)	1,807	(931)	13,531
Comprehensive income	16,985	16,741	127,190
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	16,905	16,735	126,591
Comprehensive income attribute to non-controlling interests	80	6	599

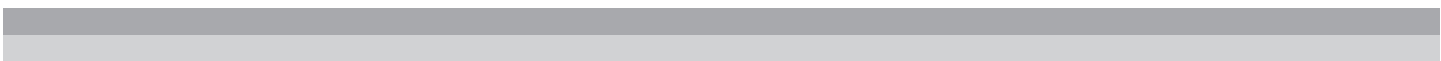
See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
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 April 1, 2022	¥17,006	¥17,058	¥114,124	¥(10,422)
Cash dividends paid			(6,656)	
Profit attributable to owners of parent			15,188	
Acquisition of treasury stock				(10,692)
Disposal of treasury stock				8
Net changes in items other than shareholders' equity				
Balance at March 31, 2023	¥17,006	¥17,058	¥122,656	¥(21,106)

	Millions of yen						
	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans			
Balance at April 1, 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 April 1, 2022	¥2,997	¥(346)	¥86	¥418	¥—	¥762	¥141,683
Cash dividends paid							(6,656)
Profit attributable to owners of parent							15,188
Acquisition of treasury stock							(10,692)
Disposal of treasury stock							8
Net changes in items other than shareholders' equity	849	525	117	226	—	77	1,794
Balance at March 31, 2023	¥3,846	¥179	¥203	¥644	¥—	¥839	¥141,325



	Thousands of U.S. dollars (Note 1)			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained Earnings	Treasury stock
Balance at April 1, 2022	\$127,348	\$127,737	\$854,605	\$(78,044)
Cash dividends paid			(49,843)	
Profit attributable to owners of parent			113,734	
Acquisition of treasury stock				(80,066)
Disposal of treasury stock				60
Net changes in items other than shareholders' equity				
Balance at March 31, 2023	\$127,348	\$127,737	\$918,496	\$(158,050)

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans			
Balance at April 1, 2022	\$22,442	\$(2,591)	\$644	\$3,131	\$—	\$5,706	\$1,060,978
Cash dividends paid							(49,843)
Profit attributable to owners of parent							113,734
Acquisition of treasury stock							(80,066)
Disposal of treasury stock							60
Net changes in items other than shareholders' equity	6,358	3,931	876	1,692	—	577	13,434
Balance at March 31, 2023	\$28,800	\$1,340	\$1,520	\$4,823	\$—	\$6,283	\$1,058,297

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥22,299	¥25,390	\$166,984
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2,100	2,410	15,726
Loss on tax purpose reduction entry of noncurrent assets	91	67	681
Subsidy income	(95)	(67)	(711)
Compensation received for damage	(2,700)	—	(20,219)
Loss on fire disaster	—	181	—
Impairment losses	75	—	562
Increase (decrease) in allowance for doubtful accounts	615	2	4,605
Increase (decrease) in provision for warranties for completed construction	1,341	(687)	10,042
Increase (decrease) in provision for losses on construction contracts	58	(653)	434
Increase (decrease) in provision for losses on fire disaster	(306)	(2,075)	(2,291)
Increase (decrease) in net benefit defined liability	(195)	(4,965)	(1,460)
Decrease (increase) in net benefit defined asset	(1,077)	(1,719)	(8,065)
Interest and dividends income	(448)	(317)	(3,355)
Interest expense	351	321	2,628
Foreign exchange loss (gain)	(370)	181	(2,771)
Loss (gain) on sales of investment securities	(180)	(241)	(1,348)
Share of loss (profit) of entities accounted for using equity method	53	273	397
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(4,647)	(18,962)	(34,799)
Decrease (increase) in costs on uncompleted construction contracts	409	1,518	3,063
Decrease (increase) in other inventories	851	893	6,373
Decrease (increase) in advances paid	(169)	606	(1,266)
Decrease (increase) in consumption taxes refund receivable	(3,737)	(118)	(27,984)
Increase (decrease) in notes and accounts payable	7,327	(23,506)	54,867
Increase (decrease) in advances received	15,021	(9,151)	112,483
Increase (decrease) in deposit received	6,836	3,525	51,191
Increase (decrease) in consumption tax payable	(1,027)	(2,521)	(7,691)
Other, net	(2,430)	4,430	(18,196)
Subtotal	40,046	(25,185)	299,880
Interest and dividends received	419	291	3,138
Interest paid	(350)	(298)	(2,621)
Compensation for damage paid	(5,468)	(2,211)	(40,947)
Income taxes paid	(6,205)	(8,683)	(46,465)
Proceeds from compensation received for damage	2,700	—	20,219
Proceeds from insurance income	1,130	—	8,462
Net cash provided by (used in) operating activities	32,272	(36,086)	241,666
Cash flows from investing activities:			
Payments into time deposits	(1,241)	(1,346)	(9,293)
Proceeds from withdrawal of time deposits	1,467	1,282	10,986
Purchase of marketable securities and investment securities	(3,071)	(434)	(22,997)
Proceeds from sales of marketable securities and investment securities	336	359	2,516
Purchase of property, plant and equipment	(2,999)	(2,558)	(22,458)
Proceeds from sales of property, plant and equipment	347	21	2,599
Proceeds from refund of leasehold and guarantee deposits	713	236	5,339
Payments for investments in capital of subsidiaries and affiliates	—	(1,876)	—
Proceeds from subsidies	95	67	711
Other, net	(387)	(300)	(2,898)
Net cash used in investing activities	(4,740)	(4,549)	(35,495)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(81)	(31)	(607)
Proceeds from long-term loans payable	4,611	4,291	34,529
Repayments of long-term loans payable	(4,953)	(4,571)	(37,090)
Redemption of bonds	(237)	(292)	(1,775)
Purchase of treasury stock	(10,632)	(15,328)	(79,617)
Cash dividends paid	(6,656)	(6,423)	(49,843)
Dividends paid to non-controlling interests	(3)	(2)	(22)
Other, net	(474)	(209)	(3,549)
Net cash used in financing activities	(18,425)	(22,565)	(137,974)
Effect of exchange rate changes on cash and cash equivalents	479	(95)	3,587
Net increase (decrease) in cash and cash equivalents	9,586	(63,295)	71,784
Cash and cash equivalents at beginning of year	64,740	128,035	484,798
Cash and cash equivalents at end of year (Note 20)	¥74,326	¥64,740	\$556,582

See accompanying notes.

Notes to Consolidated Financial Statements

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of HAZAMA ANDO CORPORATION (“the Company”) and its consolidated subsidiaries (collectively, “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act 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 Act. 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, 2023, which was ¥133.54 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 and equity method accounting

(a) Consolidation

As of March 31, 2023 and 2022, the number of consolidated subsidiaries was six, namely, Hazama Ando Kogyo Co., Ltd., Aoyama Kiko Co., Ltd., Ryoko Kaihatsu Co., Ltd., HAZAMA ANDO (THAILAND) CO., LTD., PT. Hazama Ando Murinda (Indonesia) and VIETNAM DEVELOPMENT CONSTRUCTION CO., LTD.

The Company had one principal unconsolidated subsidiary, Todai Interact PFI Co., Ltd. Todai Interact PFI Co., Ltd. was excluded from the scope of consolidation because it does not have a significant impact on the group or its consolidated financial statements in terms of total assets, revenues, profit (loss) (amount corresponding to the Company’s equity) and retained earnings (amount corresponding to the Company’ equity), and is immaterial as a whole.

(b) Equity method accounting

As of March 31, 2023 and 2022, there were no unconsolidated subsidiaries. The Company had one affiliate accounted for using the equity method, namely, Sakaide Biomass Power LLC. Sakaide Biomass Power LLC was accounted for using the equity method from the fiscal year ended March 31, 2022 because it was established in that year. The Company had one principal unconsolidated subsidiary not accounted for using the equity method, namely, Todai Interact PFI Co., Ltd. The Company had one principal affiliate not accounted for using the equity method, namely, Choshi Gakko Kyushoku Service Co., Ltd. These companies were excluded from the scope of the equity method as they do not have a significant impact on the consolidated financial statements in terms of profit (loss) (amount corresponding to the Company’s equity) and retained earnings (amount corresponding to the Company’ equity), and are immaterial as a whole.

(c) Fiscal years of consolidated subsidiaries

The fiscal year closes on December 31 at three foreign consolidated subsidiaries including HAZAMA ANDO (THAILAND) CO., LTD. These subsidiaries were consolidated using their financial statements as of that date, with necessary adjustments made to reflect any significant transactions that occurred from January to March 31.

All other consolidated subsidiaries close their fiscal years on March 31.

(2) 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.

(3) Securities

Available-for-sales securities are accounted for as follows:

(a) Securities other than those without market prices are stated at fair value (with the entire amounts of valuation differences recorded directly into net assets, and cost of sales calculated using the moving-average method).

(b) Securities without market prices are stated at moving-average cost.

Investments in investment limited partnerships and similar partnerships (that are deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the amount corresponding to the Company’s interests of the partnership’s equity based on the latest financial statements available according to the financial reporting dates stipulated in the partnership agreements. The amount corresponding to the Company’s interests of profits or losses resulting from the operations of the partnership is recorded in other income or expenses and added to or deducted from investment securities.

(4) Derivatives

Derivatives are stated at fair value.

(5) Inventories

(a) Real estate for sale

Real estate for sale is stated at cost based on the specific-identification method (with amount shown on balance sheet written down as profitability declines).

(b) Costs on uncompleted construction contracts

Costs on uncompleted construction contracts are stated at cost based on the specific-identification method.

(c) Costs on other business

Costs on other business are stated at cost based on the specific-identification method (with amount shown on balance sheet written down as profitability declines).

(d) Raw materials and supplies

Raw materials and supplies are stated at cost based on the moving-average method (with amount shown on balance sheet written down as profitability declines).

(6) Property, plant and equipment and intangible assets

(a) Property, plant and equipment (except for leased assets)

Depreciation of buildings (excluding facilities attached to buildings) and facilities attached to buildings and structures which were acquired on or after April 1, 2016 is recorded using the straight-line method, except that the declining-balance method is applied to buildings of one consolidated subsidiary. Depreciation of other property, plant and equipment is recorded using the declining-balance method over estimated useful lives.

Useful lives and residual values are estimated according to Japanese tax regulations.

(b) Intangible assets (except for leased assets)

Amortization of intangible fixed assets is recorded using the straight-line method. Useful lives are estimated according to Japanese tax regulations.

Software for internal use is amortized over the estimated useful life of five years, using the straight-line method.

(7) Lease transactions

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.

(8) 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.

(9) Provision for warranties for completed construction

To prepare for repairs on completed construction, the provision is recorded based on the actual repair rate in a certain period of time, and based on the estimated future repair costs of specific projects.

(10) Provision for bonuses

To prepare for the payment of employee bonuses, an amount corresponding to the amount of estimated bonus payments to employees is recorded.

(11) 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.

(12) 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 consolidated fiscal year is recorded in the provision for losses on fire disaster.

(13) 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.

(14) Provision for management board incentive plan trust

To prepare for future awards of the Company's stock to the directors and executive officers, the estimated cost for stock award obligation based on predetermined regulations for awarding stock is recorded.

(15) Provision for employee stock ownership plan trust

To prepare for future awards of the Company's stock to employees, the estimated cost for stock award obligation based on predetermined regulations for awarding stock is recorded.

(16) Retirement and severance benefits

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 periods less than the average of the estimated remaining years of service (9 years) commencing with the succeeding period. Prior service costs are recognized in expenses using the straight-line method over periods less than the average of the estimated remaining years of service (3 years) commencing with the present period.

Some of the Companies including the Company adopt certain lump-sum payment plans, and apply a simplified method where the amount that would be required for voluntary termination at the fiscal year-end is recorded as retirement benefit obligation in the calculation of net defined benefit liability and retirement benefit costs.

(17) 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 makes estimates for every construction contract. The Company enters into a construction contract with a customer after agreeing 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 the transaction price. This process is also applied to construction works for additional and specification changes to an original agreement. If a customer agrees on additional construction works, but a construction contract has not yet been concluded, revenue is recognized as the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

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. If control over the promised goods or services is transferred to the customer over time, revenue is recognized based on progress toward complete satisfaction of a performance obligation. The outcome of a construction contract is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. In some circumstances, the Company may not be able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. 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 buildings by consolidated subsidiaries	Sales of construction materials: at a point in time when the product is transferred to the customer. Construction of civil engineering and buildings: same as the Civil engineering and Building segment.
Other business	Commissioned business in research and study	At a point in time when the deliverables are transferred to the customer.

(b) Recognition criteria for recording revenue and cost from finance lease transactions

Revenue and cost are recognized at a point in time of receipt of lease payment.

(18) Hedging transactions

(a) Hedge accounting method

In principle, the deferred hedge method is applied. For monetary receivables and payables denominated in foreign currencies with forward foreign exchange contracts, the allocation method is applied. For interest rate swap contracts that meet specific matching criteria, special case interest swap treatment is applied.

(b) Hedging instruments and hedged items

Hedging instruments are derivative transactions such as interest rate swap contracts and forward foreign currency contracts. Hedged items are assets or liabilities with a probability of losses due to fluctuations in markets and other factors for which fluctuations are not reflected in their valuation, or whose cash flows are fixed and thereby such fluctuations are avoided.

(c) Hedging policy

Currently or in the future, the Company uses derivative transactions only when there are assets or liabilities to be hedged, and does not use them for trading or speculative purposes.

(d) Method of evaluating hedge effectiveness

The Company evaluates hedge effectiveness by comparing the cumulative changes in markets or cash flows of hedged items and those of the hedging instruments during the period from the inception date of hedging to the evaluation date of hedge effectiveness. However, the evaluation of hedge effectiveness is omitted for interest rate swap contracts to which special case interest swap treatment is applied.

(19) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are readily convertible into cash and are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

See Note 20 “Cash and Cash Equivalents” for 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.

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

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

The Company accounts for joint venture constructions according to the investment ratio.

(21) 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
	2023	2022	2023
Revenues from completed construction contracts recognized over time	¥332,100	¥301,927	\$2,486,895
Total	¥332,100	¥301,927	\$2,486,895

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

The Company recognizes over time “Revenues 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 content due to changes in the situations after the start of construction and so on in the budget as they arise. However, increases in construction cost caused by an unexpected event (e.g., surges in subcontracting, material, and equipment costs, and additional cost for correction) will affect the Company’s future business performance.

(22) Changes in accounting policy

For the fiscal year ended March 31, 2023

(Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”)

The Company has applied ASBJ Guidance No. 31 “Implementation Guidance on Accounting Standard for Fair Value Measurement” (June 17, 2021) (hereinafter referred to as “the Guidance”) since the beginning of the fiscal year ended March 31, 2023; and prospectively applies the new accounting policies specified in the Guidance, in accordance with the transitional treatment specified in Paragraph 27-2 of the Guidance. The application of the Guidance does not affect the consolidated financial statements for the fiscal year ended March 31, 2023.

For the fiscal year ended March 31, 2022

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

The Company has applied ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition” (March 31, 2020) (hereinafter referred to as “the Revenue Recognition Standard”), etc. since the beginning of the fiscal year ended March 31, 2022; 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 applied 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 applied; however, in accordance with the Revenue Recognition Standard, 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 outcome of a construction contract is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. In some circumstances, the Company may not be able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. 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.

(Accounting Standard for Fair Value Measurement.)

The Company has applied ASBJ Statement No. 30 “Accounting Standard for Fair Value Measurement” (July 4, 2019) (hereinafter referred to as “the Fair Value Measurement Standard”), etc. since the beginning of the fiscal year ended March 31, 2022; and prospectively applies the new accounting policies specified in the Fair Value Measurement Standard, etc., in accordance with the transitional treatment specified in both Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” (July 4, 2019). The application of the standards does not affect the consolidated financial statements for the fiscal year ended March 31, 2022.

In addition, notes on details of financial instrument by fair value levels, etc. have been made in Note 21 “Financial Instruments.”

(23) Changes in presentation

(Consolidated Statements of Income)

“Gain on extinguishment of debt” which was presented separately for the fiscal year ended March 31, 2022 is included in “Other, net” under other income (expenses) for the fiscal year ended March 31, 2023, as it accounts for less than 10% of the total amount of non-operating income.

On the other hand, “Commission fee” which was included in “Other, net” under other income (expenses) for the fiscal year ended March 31, 2022 is presented separately for the fiscal year ended March 31, 2023, as it accounts for more than 10% of the total amount of non-operating expenses.

The consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified in order to reflect these changes in presentation. As a result, “Gain on extinguishment of debt” of ¥187 million and “Other, net” of ¥(357) million under other income (expenses) in the consolidated statements of income for the fiscal year ended March 31, 2022 have been reclassified into “Commission fee” of ¥(155) million and “Other, net” of ¥(15) million.

(Consolidated Statements of Cash Flows)

“Loss (gain) on sales of property, plant and equipment” which was presented separately for the fiscal year ended March 31, 2022 is included in “Other, net” under cash flows from operating activities for the fiscal year ended March 31, 2023 due to a decrease in quantitative materiality.

On the other hand, “Decrease (increase) in consumption taxes refund receivable” which was included in “Other, net” under cash flows from operating activities for the fiscal year ended March 31, 2022 is presented separately for the fiscal year ended March 31, 2023 due to an increase in quantitative materiality.

The consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified in order to reflect these changes in presentation. As a result, “Loss (gain) on sales of property, plant and equipment” of ¥14 million and “Other, net” of ¥4,298 million under cash flows from operating activities in the consolidated statements of cash flows for the fiscal year ended March 31, 2022 have been reclassified into “Decrease (increase) in consumption taxes refund receivable” of ¥(118) million and “Other, net” of ¥4,430 million.

“Payments of leasehold and guarantee deposits” which was presented separately for the fiscal year ended March 31, 2022 is included in “Other, net” under cash flows from investing activities for the fiscal year ended March 31, 2023 due to a decrease in quantitative materiality.

On the other hand, “Proceeds from refund of leasehold and guarantee deposits” which was included in “Other, net” under cash flows from investing activities for the fiscal year ended March 31, 2022 is presented separately for the fiscal year ended March 31, 2023 due to an increase in quantitative materiality.

The consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified in order to reflect these changes in presentation. As a result, “Payments of leasehold and guarantee deposits” of ¥(104) million and “Other, net” of ¥40 million under cash flows from investing activities in the consolidated statements of cash flows for the fiscal year ended March 31, 2022 have been reclassified into “Proceeds from refund of leasehold and guarantee deposits” of ¥236 million and “Other, net” of ¥(300) million.

(24) Additional information

(Performance-linked stock compensation plan)

The Company has introduced a performance-linked stock compensation plan for directors and executive officers and an employee stock ownership plan trust as a performance-linked stock compensation plan.

(a) Performance-linked stock compensation plan for directors and executive officers

(i) Transaction summary

The Company has introduced 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 according to their rank and performance targets achieved.

(ii) 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 of these shares of treasury stock in the Trust at the end of fiscal years ended March 31, 2023 and 2022 were ¥445 million (US\$3,332 thousand) and ¥453 million, respectively, while the number of such treasury stock was 628,754 shares and 639,519 shares, respectively.

(b) Employee stock ownership plan trust

(i) Transaction summary

The Company resolved to introduce the Employee Stock Ownership Plan Trust (“ESOP Trust”) as an incentive plan for its employees (the “Employees”) at the Board of Directors meeting held on May 27, 2022. The ESOP Trust is an incentive plan intended to improve employee treatment and raise their awareness about the Company’s performance over the medium to long term and its stock price, thereby to further promote business operations aimed at the sustainable improvement of corporate value. At the same time, it is designed to strengthen the linkage with the development of the Company’s future management personnel and the development of the Company and its corporate value.

The Company’s stock is acquired through the ESOP Trust and awarded to beneficiaries, who are the Employees meeting certain requirements, according to their working status and performance targets achieved during the trust period.

(ii) Accounting treatment

To prepare for future awards of the Company’s stock to the Employees, the estimated cost for stock award obligation based on predetermined regulations for awarding stock is recorded as provision for employee stock ownership plan trust.

(iii) 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 shares of treasury stock in the Trust at the end of the fiscal year ended March 31, 2023 were ¥630 million (US\$ 4,718 thousand) and 706,400 shares, respectively.

(25) Income taxes

The Companies recognize tax effects of temporary differences between the book values 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.

(26) 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.

(27) 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. Diluted profit per share for the fiscal year ended March 31, 2023 is not presented because the Company had no potential shares.

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

Net assets per share of ¥897.84 (US\$6.72) and ¥834.00 were reported at March 31, 2023 and 2022, respectively.

3. Inventories

Inventories at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Costs on uncompleted construction contracts	¥3,667	¥4,076	\$27,460
Others	7,079	7,930	53,010
Total	¥10,746	¥12,006	\$80,470

4. Short-Term Loans Payable, Long-Term Loans Payable and Bonds

Short-term loans payable are represented mainly by loan on deed. The average interest rates of short-term loans payable were 1.3% and 1.1% at March 31, 2023 and 2022.

Bonds at March 31, 2023 and 2022 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bonds from insurance companies and others due serially through 2024:			
Unsecured 0.1% (average interest rates)	¥163	¥346	\$1,221
Less current maturities	(127)	(183)	(951)
Total	¥36	¥163	\$270

Long-term loans payable at March 31, 2023 and 2022 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Long-term loans payable from banks, insurance companies, and others due serially through 2029:			
Secured 1.5% (average interest rates)	¥386	¥471	\$2,891
Unsecured 1.2% (average interest rates)	11,410	11,667	85,442
Less current maturities	(4,333)	(4,498)	(32,447)
Total	¥7,463	¥7,640	\$55,886

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥127	\$951
2025	¥36	\$270
2026	—	—
2027	—	—
2028	—	—
Total	¥163	\$1,221

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

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥4,333	\$32,447
2025	3,225	24,150
2026	2,246	16,819
2027	1,402	10,499
2028	513	3,841
Total	¥11,719	\$87,756

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 loans payable that become due and in case of default and certain other specified events, against all other loans payable to the bank. Such rights have never been exercised by the bank.

5. Pledged Assets

The following assets were pledged to secure short-term loans payable, long-term loans payable and certain other obligation at March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Property, plant and equipment	¥1,396	¥1,450	\$10,454
Investment securities	84	84	629
Investments and other assets: other (Investments in capital)	1,676	1,257	12,551
Other assets	68	82	509
Total	¥3,224	¥2,873	\$24,143

6. Estimated Loss on Uncompleted Construction Contracts

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Amount of costs on uncompleted construction contracts for which a construction loss is anticipated, corresponding with provision for losses on construction contracts	¥11	¥—	\$82

7. Tax Purpose Reduction Entry

Amount of tax purpose reduction entry deducted from corresponding acquisition costs due to receiving subsidies at March 31, 2023 and 2022 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Land	¥91	¥—	\$681
Buildings and structures	434	434	3,250
Machinery and equipment	28	28	210
Total	¥553	¥462	\$4,141

8. Receivables from Contracts with Customers and Contract Assets

Of “Receivables” recorded in the consolidated balance sheets, amounts of “Receivables from contracts with customers” and “Contract assets” at March 31, 2023 and 2022 are as follows:

Receivables	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Notes	¥1,047	¥3,947	\$7,840
Electronically recorded monetary claims - operating	2,167	2,952	16,227
Accounts			
Completed construction contracts	30,155	15,794	225,813
Others	936	1,135	7,009
Contract assets	110,770	116,580	829,489
Total	¥145,075	¥140,408	\$1,086,378

9. Contract Liabilities

Contract liabilities included in “Advances received” and “Other” on the consolidated balance sheets at March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Contract liabilities	¥37,489	¥23,500	\$280,732
Total	¥37,489	¥23,500	\$280,732

10. 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.

11. Provision for Losses on Construction Contracts Included in Construction Contracts under Cost of Sales

Provision for losses on construction contracts included in construction contracts under cost of sales for the fiscal years ended March 31, 2023 and 2022 were ¥438 million (US\$3,280 thousand) and ¥546 million, respectively.

12. Research and Development Expenses

Research and development expenses included in manufacturing costs and general and administrative expenses amounted to ¥3,142 million (US\$23,529 thousand) and ¥2,755 million for the fiscal years ended March 31, 2023 and 2022, respectively.

13. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the fiscal years ended March 31, 2023 and 2022 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Land and buildings	¥41	¥—	\$307
Other	23	—	172
Total	¥64	¥—	\$479

14. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets for the fiscal years ended March 31, 2023 and 2022 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Land and buildings	¥—	¥19	\$—
Total	¥—	¥19	\$—

15. Impairment Losses

The Company recognized impairment losses for the fiscal year ended March 31, 2023 as follows:

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Rental assets	Land	Kanagawa Prefecture	¥26	\$195
Idle assets	Land	Chiba Prefecture	49	367
Total			¥75	\$562

The Company groups its assets based on the units that it can continuously grasp their incomes and expenses, in principle. In addition, rental assets and idle assets are grouped by individual property and determined whether or not impairment losses are recognized.

The Company wrote down the book value to the recoverable amounts of rental assets due to declines in market prices and profitability and for idle assets, due to a decline in market prices, and thereby recorded the amounts of such reduction as impairment losses in other expenses.

The recoverable amounts are measured at net selling prices, which are calculated based on real estate appraisal value.

No impairment losses were recognized for the fiscal year ended March 31, 2022.

16. Revenue Arising from Contracts with Customers

The Company does not disaggregate revenues from contracts with customers and other sources of revenue. Revenue arising from contracts with customers for the fiscal years ended March 31, 2023 and 2022 are ¥370,593 million (US\$2,775,146 thousand) ¥338,910 million, respectively.

17. Comprehensive Income

Amounts reclassified to profit for the fiscal years ended March 31, 2023 and 2022 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
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥1,417	¥(794)	\$10,611
Reclassification adjustment	(180)	(246)	(1,348)
Sub-total, before tax	1,237	(1,040)	9,263
Tax benefit or (expense)	(388)	282	(2,905)
Sub-total, net of tax	849	(758)	6,358
Foreign currency translation adjustment:			
Increase (decrease) during the year	¥207	¥35	\$1,550
Reclassification adjustment	—	—	—
Sub-total, before tax	207	35	1,550
Tax benefit or (expense)	—	—	—
Sub-total, net of tax	207	35	1,550
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	¥367	¥127	\$2,748
Reclassification adjustment	(41)	70	(307)
Sub-total, before tax	326	197	2,441
Tax benefit or (expense)	(100)	(60)	(749)
Sub-total, net of tax	226	137	1,692
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	¥573	¥(345)	\$4,291
Reclassification adjustment	—	—	—
Adjustment for acquisition cost of assets	(48)	—	(360)
Sub-total, before tax	525	(345)	3,931
Tax benefit or (expense)	—	—	—
Sub-total, net of tax	525	(345)	3,931
Total other comprehensive income	¥1,807	¥(931)	\$13,531

18. Net Assets

Under the Japanese Companies Act (“the Act”), 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 Act, 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 Act, 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 Act, 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 Act.

19. Consolidated Statements of Changes in Net Assets

(1) Common stock issued

The numbers of shares of common stock issued during the fiscal years ended March 31, 2023 and 2022 are as follows:

	Thousands of shares			
	2023			
	April 1, 2022	Increase	Decrease	March 31, 2023
Common stock	181,021	—	—	181,021

	Thousands of shares			
	2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Common stock	200,343	—	19,322	181,021

The reason for the changes is as follows:

Decrease due to cancellation of treasury stock 19,322 thousand shares

(2) Treasury stock outstanding

The numbers of shares of treasury stock outstanding during the fiscal years ended March 31, 2023 and 2022 are as follows:

	Thousands of shares			
	2023			
	April 1, 2022	Increase	Decrease	March 31, 2023
Common stock	12,050	12,511	11	24,550

Note: The number of shares of treasury stock at the beginning and the end of the fiscal year ended March 31, 2023 includes the Company’s stock held in the BIP Trust of 639 thousand shares and 628 thousand shares, respectively. In addition, the number of treasury stock at the end of the fiscal year ended March 31, 2023 includes the Company’s stock held in the ESOP Trust of 706 thousand shares.

The main reasons for the changes are as follows:

Increase due to repurchase of shares of less than one unit	2 thousand shares
Increase due to acquisition of the Company’s stock by the ESOP Trust	706 thousand shares
Increase due to repurchase of the Company’s stock based on the provision of the articles of incorporation in accordance with Article 459, Paragraph 1 of the Companies Act	11,734 thousand shares
Increase due to repurchase of stock owned by missing shareholders	68 thousand shares
Decrease due to claims to additionally purchase shares of less than one unit	0 thousand shares
Decrease due to the delivery of the Company’s stock by the BIP Trust	10 thousand shares

	Thousands of shares			
	2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Common stock	13,818	17,618	19,386	12,050

Note: The number of treasury stock at the beginning and the end of the fiscal year ended March 31, 2022 includes the Company's stock held in the BIP Trust of 357 thousand shares and 639 thousand shares, respectively.

The main reasons for the changes are as follows:

Increase due to repurchase of shares of less than one unit	3 thousand shares
Increase due to acquisition of the Company's stock by the BIP Trust	311 thousand shares
Increase due to repurchase of the Company's stock based on the provision of the articles of incorporation in accordance with Article 459, Paragraph 1 of the Companies Act	17,303 thousand shares
Decrease due to cancellation of treasury stock	19,322 thousand shares
Decrease due to the appropriation of treasury stock for delivery of stock	34 thousand shares
Decrease due to claims to additionally purchase shares of less than one unit	0 thousand shares
Decrease due to the delivery of the Company's stock by the BIP Trust	29 thousand shares

20. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2023 and 2022 were reconciled with cash and time deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and time deposits	¥75,598	¥66,081	\$566,108
Time deposits with maturities of exceeding 3-month from the date of acquisition	(1,272)	(1,341)	(9,526)
Total: Cash and cash equivalents	¥74,326	¥64,740	\$556,582

21. 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 low-risk assets such as deposits. Derivative transactions are employed for hedging the risk described below, and never used for speculation.

(b) Details of financial instruments and related risks

Notes and accounts receivable are exposed to the credit risk of customers. Foreign currency-dominated notes and accounts receivable are also exposed to foreign exchange risk.

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

Notes and accounts payable are mostly settled within one year.

Loans payable are primarily used to fund daily business transactions. Those with variable interest rates are exposed to interest rate risk.

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

Derivative transactions entered into by the Companies are forward foreign exchange contracts to hedge foreign currency exchange risk involving overseas business and interest rate swap contracts to hedge interest rate risk involving loans payable.

Refer to Note 2 (18) "Hedging transactions" for information about hedging instruments and hedging items, the 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 customers' 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 internal credit policies.

For the purpose of hedging foreign exchange risk, the Companies manage fluctuations in foreign exchange rates by project and currency, and forward foreign exchange contracts are used for a part of high probability transactions. In addition, the Companies monitor fluctuations in interest rates by loan contract, and use interest rate swap contracts on an individual contract basis to avoid interest rate risk and fix the interest expense of some long-term loans payable.

The fair value of investment securities is periodically reported to the officer in charge at each of the Companies. Holdings of investment securities are reviewed in an ongoing manner taking into account the relationship with the issuers.

With respect to derivative transactions, based on each company's internal rules prescribing the authority to execute and manage transactions, responsibilities and business practice, the head of the administrative division approves transactions while the finance division executes the transaction, confirms its details and manages its risk. The status of derivative transactions is periodically reported to the officer in charge at each of the Companies. In handling derivatives, the Companies deal only with credit-worthy banks to reduce credit risk.

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

(d) Supplementary description of fair value of financial instruments

Since certain assumptions are used for estimating fair value, fair value may fluctuate if different assumptions are applied. In addition, the derivative contract amounts described in Note 23 "Derivative Financial Instruments" are not indicative of actual market risk involved in derivative transactions.

(e) Concentration of credit risk

Trade receivables for specific and large-scale customers at March 31, 2023 and 2022 accounted for 12.1% and 10.3%, respectively, of the total trade receivables in the consolidated financial statements. Since these large-scale customers are government agencies, credit risk is extremely low.

(2) Fair value of financial instruments

The following table summarizes the book value and fair value of financial instruments at March 31, 2023:

Type	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
Receivables:						
Notes	¥3,219	¥3,219	¥—	\$24,105	\$24,105	\$—
Accounts	141,875	141,830	(45)	1,062,416	1,062,079	(337)
Marketable securities and Investment securities:						
Available-for-sale securities	17,571	17,571	—	131,579	131,579	—
Total assets	¥162,665	¥162,620	¥(45)	\$1,218,100	\$1,217,763	\$(337)
Liabilities						
Bonds	¥36	¥36	¥(0)	\$270	\$270	\$(0)
Long-term loans payable, less current maturities	7,463	7,458	(5)	55,886	55,848	(38)
Total liabilities	¥7,499	¥7,494	¥(5)	\$56,156	\$56,118	\$(38)
Derivative transactions	¥—	¥—	¥—	\$—	\$—	\$—

Stocks and other financial instruments with no market prices are not included in "Marketable securities and Investment securities." Their amounts recorded in the consolidated balance sheets as of March 31, 2023 are as follows:

Unlisted stocks, etc. ¥4,206 million (US\$31,496 thousand)

With respect to investments in partnerships, etc. recorded at the amount corresponding to the Company's interests of the partnership's equity, their fair value and differences from book value are not presented in the above table by applying the treatment provided in Paragraph 24-16 of the Fair Value Measurement Guidance. The amounts recorded in the consolidated balance sheets as of March 31, 2023 are as follows:

Investments in partnerships, etc. recorded at the amount corresponding to the Company's interests of the partnership's equity ¥3,244 million (US\$24,292 thousand)

The following table summarizes the book value and fair value of financial instruments at March 31, 2022:

Type	Millions of yen		
	Book value	Fair value	Difference
Assets			
Receivables:			
Notes	¥6,900	¥6,900	¥—
Accounts	133,531	133,497	(34)
Marketable securities and Investment securities:			
Available-for-sale securities	16,462	16,462	—
Total assets	¥156,893	¥156,859	¥(34)
Liabilities			
Bonds	¥163	¥162	¥(1)
Long-term loans payable, less current maturities	7,640	7,642	2
Total liabilities	¥7,803	¥7,804	¥1
Derivative transactions	¥—	¥—	¥—

Stocks and other financial instruments with no market prices are not included in “Marketable securities and Investment securities.” Their amounts recorded in the consolidated balance sheets as of March 31, 2022 are as follows:

Unlisted stocks, etc. ¥4,498 million

Notes:

1. “Cash and time deposits” consists of cash and deposits which are to be settled in a short period and their book value approximates their fair value. Therefore, it is not mentioned in this section.
2. “Payables (Accounts in Current liabilities),” “Short-term loans payable,” and “Current portion of bonds” are to be settled in a short period and their book value approximates their fair value. Therefore, they are not mentioned in this section.

(3) Derivative transactions

See Note 23 “Derivative Financial Instruments.”

(4) Redemption schedules for cash and time deposits, receivables, held-to-maturity debt securities, and other at March 31, 2023 and 2022 are as follows:

	Millions of yen							
	2023				2022			
	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	¥75,598	¥—	¥—	¥—	¥66,081	¥—	¥—	¥—
Receivables:								
Notes	3,219	—	—	—	6,900	—	—	—
Accounts	129,489	12,386	—	—	121,585	11,946	—	—
Total	¥208,306	¥12,386	¥—	¥—	¥194,566	¥11,946	¥—	¥—

	Thousands of U.S. dollars			
	2023			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	\$566,108	\$—	\$—	\$—
Receivables:				
Notes	24,105	—	—	—
Accounts	969,665	92,751	—	—
Total	\$1,559,878	\$92,751	\$—	\$—

(5) Redemption schedules for bonds, long-term loans payable and other interest-bearing liabilities as of March 31, 2023 and 2022 is as follows:

Millions of yen						
2023						
	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	¥12,157	¥—	¥—	¥—	¥—	¥—
Bonds	127	36	—	—	—	—
Long-term loans payable	4,333	3,225	2,246	1,402	513	77
Total	¥16,617	¥3,261	¥2,246	¥1,402	¥513	¥77

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	\$91,036	\$—	\$—	\$—	\$—	\$—
Bonds	951	270	—	—	—	—
Long-term loans payable	32,447	24,150	16,819	10,499	3,841	577
Total	\$124,434	\$24,420	\$16,819	\$10,499	\$3,841	\$577

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

(6) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(a) Financial instruments measured at fair value at March 31, 2023 and 2022

Millions of yen								
	2023				2022			
	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	¥17,571	¥—	¥—	¥17,571	¥16,642	¥—	¥—	¥16,462
Total assets	¥17,571	¥—	¥—	¥17,571	¥16,642	¥—	¥—	¥16,462
Not applicable	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—
Total liabilities	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stock	\$131,579	\$—	\$—	\$131,579
Total assets	\$131,579	\$—	\$—	\$131,579
Not applicable	\$—	\$—	\$—	\$—
Total liabilities	\$—	\$—	\$—	\$—

(b) Financial instruments other than those measured at fair value at March 31, 2023 and 2022

	Millions of yen							
	2023				2022			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Receivables:								
Notes	¥—	¥3,219	¥—	¥3,219	¥—	¥6,900	¥—	¥6,900
Accounts	—	141,830	—	141,830	—	133,497	—	133,497
Total assets	¥—	¥145,049	¥—	¥145,049	¥—	¥140,397	¥—	¥140,397
Bonds	¥—	¥36	¥—	¥36	¥—	¥162	¥—	¥162
Long-term loans payable, less current maturities		7,458	—	7,458	—	7,642	—	7,642
Total liabilities	¥—	¥7,494	¥—	¥7,494	¥—	¥7,804	¥—	¥7,804

	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Receivables:				
Notes	\$—	\$24,105	\$—	\$24,105
Accounts	—	1,062,079	—	1,062,079
Total assets	\$—	\$1,086,184	\$—	\$1,086,184
Bonds	\$—	\$270	\$—	\$270
Long-term loans payable, less current maturities	—	55,848	—	55,848
Total liabilities	\$—	\$56,118	\$—	\$56,118

Note: Description of assessment method and input for measuring fair value

Marketable securities and investment securities

Listed stocks are valued at market price. Their fair value is classified into Level 1 fair value as they are traded in active markets.

Receivables

The fair value of receivables are classified by certain periods, and then measured using the discounted cash flow method based on the amounts of receivables, remaining periods to maturity, and interest rates reflecting credit risk. Therefore, they are classified into Level 2 fair value.

Bonds

The fair value of bonds payable are measured using the discounted cash flow method based on the total amounts of principal and interest, remaining periods to maturity, and interest rates reflecting credit risk. Therefore, they are classified into Level 2 fair value.

Long-term loans payable, less current maturities

The fair value of long-term loans payable are measured by discounting total amounts of principal and interest at interest rates applied to similar new borrowings. However, the fair value of long-term loans payable that have variable interest rates are recorded at book value, 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 book value is considered to approximate fair value. Some of the long-term loans payable that have variable interest rates are subject to the special case interest swap treatment. Therefore, they are measured by discounting the total amounts of principal and interest which are treated together with the interest rate swap contracts at interest rates reasonably expected to be applied to similar new borrowings. Accordingly, they are classified into Level 2 fair value.

22. Securities

(1) The following table summarizes the book value and acquisition cost of available-for-sale securities at March 31, 2023 and 2022:

Type	Millions of yen					
	2023			2022		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost						
Stock	¥14,395	¥8,013	¥6,382	¥12,984	¥7,840	¥5,144
Sub total	14,395	8,013	6,382	12,984	7,840	5,144
Securities with book value not exceeding acquisition cost						
Stock	¥3,176	¥3,932	¥(756)	¥3,478	¥4,233	¥(755)
Sub total	3,176	3,932	(756)	3,478	4,233	(755)
Total	¥17,571	¥11,945	¥5,626	¥16,462	¥12,073	¥4,389

Type	Thousands of U.S. dollars		
	2023		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Stock	\$107,796	\$60,005	\$47,791
Sub total	107,796	60,005	47,791
Securities with book value not exceeding acquisition cost			
Stock	\$23,783	\$29,444	\$(5,661)
Sub total	23,783	29,444	(5,661)
Total	\$131,579	\$89,449	\$42,130

(2) Total sales, related gains and losses of available-for-sale securities for the years ended March 31, 2023 and 2022 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Stock			
Sales	¥336	¥358	\$2,516
Related gains	180	241	1,348

(3) Write down of securities

The Company recognized a loss on valuation of investment securities of ¥72 million (US\$539 thousand) and ¥27 million for the years ended March 31, 2023 and 2022, respectively.

If fair value declines by 50% or more of the acquisition cost, the book value is written down to the fair value. If fair value declines between 30% and 50% of the acquisition cost, the book value is written down to a reasonable amount taking into consideration its recoverability and other factors. With respect to unlisted stocks, if the net asset value declines by 50% or more of the acquisition cost, the book value is in principle written down accordingly.

23. Derivative Financial Instruments

Derivative transactions subject to hedge accounting at March 31, 2023 and 2022 are as follows:

(Currency-related transactions)

An affiliated company accounted for by equity-method (hereinafter referred to as “the Affiliated Company”) uses forward foreign exchange contracts to hedge foreign currency exchange risks in foreign currency transactions. For these forward foreign exchange contracts, hedge accounting is applied to forecasted foreign currency transactions which are the hedged items. However, forward foreign exchange contracts of the Affiliated Company are not recorded in the consolidated balance sheets, therefore their fair value is not contained in “Derivative transactions” in Note 21 “Financial Instruments (2) Fair value of financial instruments.”

(Interest-related transactions)

		Millions of yen					
		2023			2022		
Type of derivative transactions	Main items hedged	Contract amount		Fair value	Contract amount		Fair value
		Total	Settled over 1 year		Total	Settled over 1 year	
Special case interest rate swap treatment:							
Interest rate swap contracts: To pay fixed, to receive variable	Long-term loans payable	¥745	¥460	Note 2	¥1,077	¥745	Note 2

		Thousands of U.S. dollars			
		2023			
Type of derivative transactions	Main items hedged	Contract amount		Fair value	
		Total	Settled over 1 year		
Special case interest swap treatment:					
Interest rate swap contracts: To pay fixed, to receive variable	Long-term loans payable	\$5,579	\$3,445	Note 2	

Notes:

1. Fair value is based on the prices obtained from counterparty financial institutions.
2. The fair value of interest rate swaps subject to special case interest swap treatment are included in the fair value of long-term loans payable since such interest rate swap contracts are treated together with the long-term loans payable being hedged.
3. The Affiliated Company uses interest rate swap contracts to hedge risks of fluctuations in interest rates on loans payable, but it is not included in the above table. Hedge accounting is applied to these interest rate swap contracts, designating the loans payable as the hedged item. However, the Affiliated Company's loans payable are not recorded in the consolidated balance sheets, therefore their fair value is not contained in "Derivative transactions" in Note 21 "Financial Instruments (2) Fair value of financial instruments."

24. Retirement Benefits

The Companies adopt the lump-sum payment plan and the retirement benefit pension plan as their defined benefit plan.

The Companies calculate net defined benefit liability and retirement benefit costs under certain lump-sum payment plans using the simplified method.

Although the Company had several types of retirement benefit plans due to its merger with ANDO Corporation as of April 1, 2013, the Company integrated these retirement benefit plans and transitioned to defined benefit plans as of April 1, 2014.

Defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
(1) Changes in retirement benefit obligation			
Balance at April 1, 2022 and 2021	¥30,256	¥30,170	\$226,569
Service cost	1,343	1,372	10,057
Interest cost	303	302	2,269
Actuarial loss (gain)	(284)	142	(2,127)
Benefits paid	(1,776)	(1,730)	(13,299)
Balance at March 31, 2023 and 2022	¥29,842	¥30,256	\$223,469
(2) Changes in plan assets			
Balance at April 1, 2022 and 2021	¥30,462	¥23,467	\$228,111
Expected return on plan assets	392	294	2,936
Actuarial gain (loss)	82	269	614
Contributions paid by the employer	1,804	2,547	13,509
Contribution of securities to retirement benefit trust	—	5,000	—
Benefits paid	(1,160)	(1,115)	(8,686)
Balance at March 31, 2023 and 2022	¥31,580	¥30,462	\$236,484

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
(3) Changes in net defined benefit liability using the simplified method			
Balance at April 1, 2022 and 2021	¥1,476	¥1,448	\$11,053
Retirement benefit costs	223	243	1,670
Benefits paid	(301)	(218)	(2,254)
Other	19	3	142
Balance at March 31, 2023 and 2022	¥1,417	¥1,476	\$10,611
(4) Reconciliation of retirement benefit obligation and plan assets to net defined benefit liability (asset)			
Funded retirement benefit obligation	¥29,842	¥30,256	\$223,469
Plan assets	(31,580)	(30,462)	(236,484)
Sub total	(1,738)	(206)	(13,015)
Unfunded retirement benefit obligation	1,417	1,476	10,611
Total net liability (asset) at March 31, 2023 and 2022	(321)	1,270	(2,404)
Net defined benefit liability	3,198	3,816	23,948
Net defined benefit asset	(3,519)	(2,546)	(26,352)
Total net liability (asset) at March 31, 2023 and 2022	¥(321)	¥1,270	\$(2,404)

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 the lump-sum payment plan. 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
	2023	2022	2023
(5) Retirement benefit costs			
Service cost	¥1,343	¥1,372	\$10,057
Interest cost	303	302	2,269
Expected return on plan assets	(392)	(294)	(2,936)
Net actuarial loss (gain)	(41)	70	(307)
Retirement benefit costs using the simplified method	223	243	1,670
Total retirement benefit costs for the fiscal years ended March 31, 2023 and 2022	¥1,436	¥1,693	\$10,753
(6) Remeasurements of defined benefit plans			
Net actuarial gain	¥326	¥197	\$2,441
Total remeasurements of defined benefit plans	¥326	¥197	\$2,441
(7) Accumulated remeasurements of defined benefit plans			
Unrecognized actuarial differences	¥(928)	¥(602)	\$(6,949)
Total accumulated remeasurements of defined benefit plans	¥(928)	¥(602)	\$(6,949)
(8) Plan assets			
1. Plan assets comprise:			
	2023	2022	
Bonds	40%	40%	
Stock	20	19	
General account assets (life insurance companies)	15	15	
Cash and deposits	9	10	
Other	16	16	
Total	100%	100%	

Note: The retirement benefit trust that has been established for the corporate pension plan accounts for 12% and 11% of the total plan assets at March 31, 2023 and 2022.

2. Long-term expected rate of return:

The Company determines the long-term expected rate of return by taking into account the current and future allocation of plan assets and expected returns from their diverse asset classes.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2023 and 2022 (expressed as weighted averages) are as follows:

	2023	2022
Discount rate	1.0%	1.0%
Long-term expected rate of return	1.2%	1.3%

25. Income Taxes

Differences between the statutory effective tax rate and the effective tax rate for the fiscal years ended March 31, 2023 and 2022 are not disclosed, since the difference between the statutory effective 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, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Net defined benefit liability	¥4,019	¥4,252	\$30,096
Others	9,644	8,955	72,218
Gross deferred tax assets	13,663	13,207	102,314
Less: Valuation allowance	(2,684)	(2,299)	(20,099)
Total deferred tax assets	10,979	10,908	82,215
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	1,776	1,387	13,300
Others	2,780	2,467	20,818
Total deferred tax liabilities	4,556	3,854	34,118
Net deferred tax assets	¥6,423	¥7,054	\$48,097

26. Revenue Recognition

(1) Information on disaggregation of revenue arising from contracts with customers for the fiscal years ended March 31, 2023 and 2022 is as follows:

	Millions of yen					
	2023					
	Reportable segments				Other	Total
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total		
Goods or services transferred over time	¥132,828	¥193,330	¥5,942	¥332,100	¥—	¥332,100
Goods or services transferred at a point in time	610	12,818	20,602	34,030	4,463	38,493
Revenue arising from contracts with customers	133,438	206,148	26,544	366,130	4,463	370,593
Other revenue	—	—	862	862	691	1,553
Revenue from external customers	133,438	206,148	27,406	366,992	5,154	372,146

	Thousands of U.S. dollars					
	2023					
	Reportable segments				Other	Total
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total		
Goods or services transferred over time	\$994,668	\$1,447,731	\$44,496	\$2,486,895	\$—	\$2,486,895
Goods or services transferred at a point in time	4,568	95,986	154,276	254,830	33,421	288,251
Revenue arising from contracts with customers	999,236	1,543,717	198,772	2,741,725	33,421	2,775,146
Other revenue	—	—	6,455	6,455	5,175	11,630
Revenue from external customers	999,236	1,543,717	205,227	2,748,180	38,596	2,786,776

	Millions of yen					
	2022					
	Reportable segments			Sub total	Other	Total
Civil engineering	Building construction	Consolidated subsidiaries				
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
Revenue from external customers	131,929	178,527	24,776	335,232	5,062	340,294

Notes:

1. “Other” consists of operations not attributed to “Reportable segments” and includes research and other activities.
2. Construction contracts whose revenues are recognized when performance obligations are fully satisfied are included in “Goods or services transferred at a point in time” in accordance with the alternative treatment specified in Paragraph 95 of “Implementation Guidance on Accounting Standard for Revenue Recognition.”

(2) Fundamental information for understanding revenue from contracts with customers

As described in Note 2 “Summary of Significant Accounting policies (17) 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) Receivables and contract balances at the beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Receivables from contracts with customers (Balance at beginning of period)	¥23,828	¥24,416	\$178,433
Receivables from contracts with customers (Balance at end of period)	34,305	23,828	256,889
Contract assets (Balance at beginning of period)	116,580	97,029	872,997
Contract assets (Balance at end of period)	110,770	116,580	829,489
Contract liabilities (Balance at beginning of period)	23,500	32,338	175,977
Contract liabilities (Balance at end of period)	37,489	23,500	280,732

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

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

The amount of revenue recognized in the fiscal years ended March 31, 2023 and 2022 from performance obligations that were satisfied (or partially satisfied) in previous periods, is immaterial.

(b) Transaction prices allocated to remaining (or partially satisfied) performance obligations at end of period

At the end of the fiscal years ended March 31, 2023 and 2022, the total amount of transaction price allocated to remaining performance obligations was ¥528,070 million (US\$3,954,396 thousand) and ¥518,683 million, respectively. The amount is largely due to construction of civil engineering and buildings and approximately 80% is expected to be recognized as revenue within two years.

27. Segment Information

(1) General information about reportable segments

Each reportable segment of the Companies consists of a business unit for which discrete financial information is available. Reportable segments are reviewed periodically at the Board of Directors meeting in order to determine distribution of management resources and evaluate their business results.

Among the Companies which mainly operate the construction and construction-related business, the Company serves as the general constructor. The Company categorizes its business into the civil engineering business unit and the building construction business unit, and each business unit formulates comprehensive strategies and operates business activities for order taking and production in Japan and overseas. Consolidated subsidiaries operate business by formulating their respective strategies in cooperation with the Company.

Accordingly, the Companies classify their business segments based on products and services, into three reportable segments, namely, "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) Measurement of segment profit or loss, segment assets or liabilities and other material items per reportable segment

Accounting methods of reportable segments are largely the same as those set forth in "Summary of Significant Accounting Policies." Segment profit or loss is based on operating income in the consolidated statements of income. Intersegment transactions and transfers are based on fair market prices.

Assets are not allocated to the Civil engineering segment and the Building construction segment, since these segments do not financially administer assets. However, corresponding depreciation expenses including amortization of intangible fixed assets are reasonably allocated to these segments depending on how much they benefit from these assets.

(3) Segment revenues, segment profit or loss, segment assets or liabilities and other material items per reportable segment

(a) Segment information as of and for the fiscal year ended March 31, 2023 is as follows:

	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Fiscal year ended March 31, 2023:								
Revenues:								
External customers	¥133,438	¥206,148	¥27,406	¥366,992	¥5,154	¥372,146	¥—	¥372,146
Intersegment	—	56	66,010	66,066	16	66,082	(66,082)	—
Total	133,438	206,204	93,416	433,058	5,170	438,228	(66,082)	372,146
Segment profit	14,999	9,391	1,597	25,987	208	26,195	(6,342)	19,853
Assets	Note 4	Note 4	38,384	222,569	7,861	230,430	87,584	318,014
Other material items:								
Depreciation and amortization	434	671	651	1,756	78	1,834	266	2,100
Capital expenditures	Note 4	Note 4	247	2,870	398	3,268	538	3,806

Thousands of U.S. dollars

	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Fiscal year ended March 31, 2023:								
Revenues:								
External customers	\$999,236	\$1,543,717	\$205,227	\$2,748,180	\$38,596	\$2,786,776	\$—	\$2,786,776
Intersegment	—	419	494,309	494,728	120	494,848	(494,848)	—
Total	999,236	1,544,136	699,536	3,242,908	38,716	3,281,624	(494,848)	2,786,776
Segment profit	112,318	70,324	11,959	194,601	1,557	196,158	(47,491)	148,667
Assets	Note 4	Note 4	287,434	1,666,684	58,866	1,725,550	655,864	2,381,414
Other material items:								
Depreciation and amortization	3,250	5,025	4,875	13,150	584	13,734	1,992	15,726
Capital expenditures	Note 4	Note 4	1,850	21,492	2,980	24,472	4,029	28,501

Notes:

- “Other” consists of operations not attributed to “Reportable segments” and includes research and other activities.
- Reconciliation amounts were as follows:
 - Reconciliation of segment profit amounting to ¥(6,342) million (US\$(47,491) thousand) includes ¥4 million (US\$30 thousand) in intersegment eliminations and others, and ¥(6,346) million (US\$(47,521) thousand) in corporate expenses. Corporate expenses are mainly general and administrative expenses, which are not attributed to reportable segments.
 - Reconciliation of segment assets amounting to ¥87,584 million (US\$655,864 thousand) includes ¥(15,390) million (US\$(115,246) thousand) in intersegment eliminations and others, and ¥102,974 million (US\$771,110 thousand) in corporate assets. Corporate assets are mainly cash and deposits, investment securities and others, which are not attributed to reportable segments.
- Segment profit is adjusted to operating income of the consolidated statements of income.
- As discussed in Note 27. (2), increases in assets and capital expenditures are not allocated to the Civil engineering segment and the Building construction segment, since these segments do not financially administer assets. The total amount of segment assets attributed to the Civil engineering segment and Building construction segment amounted to ¥184,185 million (US\$1,379,250 thousand), and capital expenditures of these segments amounted to ¥2,623 million (US\$19,642 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2022 is as follows:

Millions of yen

	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Fiscal year ended March 31, 2022:								
Revenues:								
External 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

Notes:

- “Other” consists of operations not attributed to “Reportable segments” and includes research and other activities.
- Reconciliation amounts were as follows:
 - Reconciliation of segment profit amounting to ¥(5,641) million includes ¥41 million in intersegment eliminations and others, and ¥(5,682) million in corporate expenses. Corporate expenses are mainly general and administrative expenses, which are not attributed to reportable segments.
 - Reconciliation of segment assets amounting to ¥70,983 million includes ¥(20,187) million in intersegment eliminations and others, and ¥91,170 million in corporate assets. Corporate assets are mainly cash and deposits, investment securities and others, which are not attributed to reportable segments.
- Segment profit is adjusted to operating income of the consolidated statements of income.
- As discussed in Note 27. (2), increases in assets and capital expenditures are not allocated to the Civil engineering segment and the Building construction segment, since these segments do not financially administer assets. The total amount of segment assets attributed to the Civil engineering segment and the Building construction segment amounted to ¥174,690 million, and capital expenditures of these segments amounted to ¥2,064 million.

(4) Entity-wide disclosures

(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)

Revenue information about geographic areas for the fiscal years ended March 31, 2023 and 2022 are as follows:

Geographic areas	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japan	¥343,319	¥324,476	\$2,570,908
Other	28,827	15,818	215,868
Total	¥372,146	¥340,294	\$2,786,776

Note: Revenues are classified into countries and regions according to the location of the customers.

(Property, plant and equipment)

Disclosure of property, plant and equipment information categorized by geographic areas is omitted, since property, plant and equipment in Japan account for over 90% of total property, plant and equipment.

(c) Information about major customers

Disclosure of information about major customers is omitted, since revenues from no single customer account for 10% or more of consolidated revenues in the consolidated statements of income for the fiscal years ended March 31, 2023 and 2022.

(d) Information about impairment losses on noncurrent assets by reportable segment

Impairment losses on noncurrent assets by reportable segment for the fiscal year ended March 31, 2023 are as follows:

	Millions of yen					Total
	2023					
	Reportable segments			Other	Eliminations and others	
Civil engineering	Building construction	Consolidated subsidiaries				
Impairment losses	¥—	¥—	¥—	¥26	¥49	¥75

	Thousands of U.S. dollars					Total
	2023					
	Reportable segments			Other	Eliminations and others	
Civil engineering	Building construction	Consolidated subsidiaries				
Impairment losses	\$—	\$—	\$—	\$195	\$367	\$562

No impairment losses were recognized for the fiscal year ended March 31, 2022.

28. 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 fiscal year ended March 31, 2023 is as follows:

Fiscal year ended March 31, 2023:	Profit attributable to owners of parent	Weighted-average shares	EPS	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Profit attributable to owners of parent	¥15,188			
Basic EPS-Profit available to common shareholders	¥15,188	161,531	¥94.02	\$0.70

Notes:

1. The Company's stock held in the BIP Trust and the ESOP Trust are included in the treasury stock which is excluded from the weighted-average number of shares in the calculation of profit attributable to owners of parent per share. The weighted-average number of shares issued and outstanding during the fiscal year ended March 31, 2023 were 19,489 thousand shares including those held in the BIP Trust and the ESOP Trust of 632 thousand shares and 470 thousand shares, respectively.
2. Diluted EPS for the fiscal year ended March 31, 2023 is not presented because the Company had no potential shares.

Basis of calculation of basic and diluted profit attributable to owners of parent per share (the "EPS") for the fiscal year ended March 31, 2022 is as follows:

	Profit attributable to owners of parent	Weighted- average shares	EPS
Fiscal year ended March 31, 2022:	Millions of yen	Thousands of shares	Yen
Profit attributable to owners of parent	¥17,671		
Basic EPS-Profit available to common shareholders	¥17,671	178,786	¥98.84
Effect of dilution			
Shares adjusted by share subscription rights	—	8	
Diluted EPS-Profit for computation	¥17,671	178,794	¥98.84

29. Events after the reporting period

The Company resolved that its Board of Directors at a meeting held on August 8, 2023 to dispose of treasury shares through a third-party allotment (hereinafter referred to as the "Disposal of Treasury Shares").

(a) Outline of disposal

- | | |
|---|---|
| (i) Date of disposal | August 30, 2023 |
| (ii) Number of shares to be disposed of | 2,312,000 shares of common stock |
| (iii) Price of disposal | ¥1,131 (US\$8.47) per share |
| (iv) Total price of disposal | ¥2,615 million (US\$19,582 thousand) |
| (v) Subscribers | The Master Trust Bank of Japan, Ltd. (Board Incentive Plan Trust Account for officers' compensation): 863,000 shares (¥976 million (US\$7,309 thousand))
The Master Trust Bank of Japan, Ltd. (Employee Stock Ownership Plan Trust Account): 1,449,000 shares (¥1,639 million (US\$12,273 thousand)) |
| (vi) Other | The Disposal of Treasury Shares is subject to the effectuation of the notification under the Financial Instruments and Exchange Act. |

(b) Outline of disposal

The Disposal of Treasury Shares will be conducted through a third-party allotment to The Master Trust Bank of Japan, Ltd. (BIP Trust Account for officers' compensation) and The Master Trust Bank of Japan, Ltd. (ESOP Trust Account), the joint trustees under the BIP Trust Agreement for officers' compensation and the ESOP Trust Agreement both concluded between the Company and Mitsubishi UFJ Trust and Banking Corporation, for the extension of the BIP Trust and the ESOP Trust.

30. Stock Option Plans

For the fiscal year ended March 31, 2023

Not applicable.

For the fiscal year ended March 31, 2022

- (1) No cost for stock options is recognized for the fiscal year ended March 31, 2022.

(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 vesting rights	The person who exercises share subscription rights shall be a director, or executive officer of the Company, who remained in service from the seventh stockholders' meeting to the eighth stockholders' meeting. However, this condition is withdrawn in case of death or loss of position due to the Company's circumstances.	The person who exercises share subscription rights shall be a director, or executive officer of the Company, who remained in service from the eighth stockholders' meeting to the ninth stockholders' meeting. However, this condition is withdrawn in case of death or loss of position due to the Company's 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) Estimation of fair value of stock options

The Company has not granted any stock options to its employees for the fiscal year ended March 31, 2022.

(4) Estimation of the number of vested stock options

As it is generally difficult to reasonably estimate how many stock options will be forfeited in the future, 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, 2023 and 2022, 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, 2023 and 2022, 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.

Reasonableness of the Company's estimate of the total construction costs in relation to revenue recognition	
The key audit matter	How the matter was addressed in our audit
<p>The Company and its consolidated subsidiaries provide construction service, as described in Note 26 "Revenue recognition, (1) Information on disaggregation of revenue arising 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 ¥332,100 million, representing 89% of the Revenues in the consolidated financial statements.</p> <p>As described in Note 2 "Summary of Significant Accounting Policies, (17) 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.</p> <p>As described in Note 2 "Summary of Significant Accounting Policies, (21) 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.</p> <ul style="list-style-type: none"> • 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. <p>We, therefore, determined that our assessment of the reasonableness of the Company's 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.</p>	<p>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:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of preparing a project budget. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> • controls to ensure compliance with the internal rules for preparing a project budget, including how to accumulate work hours of each activity, what information and data to be used, and how to reflect the risk of any uncertainties within the budget; and • controls to reflect any changes in circumstances that occur after the start of construction within the project budget in a timely and appropriate manner. <p>(2) Assessment of the reasonableness of the estimated total construction cost</p> <p>We selected mainly construction contracts for which total construction revenue exceeded a certain amount and those for which construction margin changed by more than a certain level, as construction contracts for which estimated total construction costs or their changes might have a significant effect. In order to assess the reasonableness of the key assumptions adopted in preparing the project budgets, which were used as the basis for estimating total construction costs, for the selected construction contracts, among others, we:</p> <ul style="list-style-type: none"> • assessed whether the estimated costs of construction 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.

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, 2023 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.

Satoshi Hosoya
Designated Engagement Partner
Certified Public Accountant

Daio Aida
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 21, 2023

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