HAZAMA ANDO CORPORATION

FINANCIAL REVIEW 2024

Year ended March 31, 2024

HAZAMA ANDO CORPORATION

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Consolidated Financial Review

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2024, 2023, 2022, 2021 and 2020

Summary

	Millions of yen					Thousands of U.S. dollars
	2024	2023	2022	2021	2020	**2024**
Operating results:						
Revenues						
Construction contracts	**¥364,009**	¥345,858	¥316,154	¥331,695	¥358,191	**$2,404,287**
Other activities	**30,119**	26,288	24,140	20,451	19,945	**198,936**
Total	**394,128**	372,146	340,294	352,146	378,136	**2,603,223**
Cost of sales	**350,815**	330,123	293,432	303,981	330,918	**2,317,140**
Gross profit	**43,313**	42,023	46,862	48,165	47,218	**286,083**
Selling, general and administrative expenses	**24,722**	22,170	20,261	20,808	22,517	**163,289**
Operating income	**18,591**	19,853	26,601	27,357	24,701	**122,794**
Profit attributable to owners of parent	**13,879**	15,188	17,671	17,189	16,804	**91,671**
Financial position:						
Total assets	**¥334,146**	¥318,014	¥295,333	¥339,387	¥339,772	**$2,207,041**
Total liabilities	**179,676**	176,689	153,650	192,711	202,873	**1,186,763**
Total net assets	**154,470**	141,325	141,683	146,676	136,899	**1,020,278**
Cash flows:						
Cash flows from operating activities	**¥(11,115)**	¥32,272	¥(36,086)	¥29,155	¥(3,103)	**$(73,415)**
Cash flows from investing activities	**(6,095)**	(4,740)	(4,549)	(3,954)	(3,016)	**(40,258)**
Cash flows from financing activities	**(9,054)**	(18,425)	(22,565)	(12,656)	(13,244)	**(59,802)**
			Yen			**U.S. dollars**
Per share amounts:						
Profit attributable to owners of parent						
Basic	**¥88.64**	¥94.02	¥98.84	¥89.80	¥84.42	**$0.59**
Diluted	**—**	—	98.84	89.78	84.40	**—**
Dividends						
Common stock	**60.00**	40.00	40.00	30.00	30.00	**0.40**
Net assets	**980.49**	897.84	834.00	782.28	704.86	**6.48**

Note: 1. U.S. dollar amounts in this Financial Review are translated from yen at the rate of ¥151.40 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 2024 totaled ¥394,128 million (US$2,603,223 thousand), of which ¥364,009 million (US$2,404,287 thousand) came from construction projects and ¥30,119 million (US$198,936 thousand) from other activities. These two business segments accounted for 92.4% and 7.6%, respectively, of total revenues.

Costs and Expenses
Cost of sales amounted to ¥350,815 million (US$2,317,140 thousand), which is equivalent to 89.0% of revenues. Selling, general and administrative expenses amounted to ¥24,722 million (US$163,289 thousand), which is equivalent to 6.3% of revenues. Operating income reached ¥18,591 million (US$122,794 thousand), and the operating margin was 4.7%. Profit attributable to owners of parent amounted to ¥13,879 million (US$91,671 thousand). Basic profit attributable to owners of parent per share was ¥88.64 (US$0.59). HAZAMA ANDO CORPORATION paid dividend of ¥20 (US$0.132) per share for the fiscal year ended March 31, 2023 on June 30, 2023, and paid interim dividend of ¥30 (US$0.198) per share for the fiscal year ended March 31, 2024 on December 5, 2023.

Financial Position and Analysis
Total assets amounted to ¥334,146 million (US$2,207,041 thousand), total liabilities amounted to ¥179,676 million (US$1,186,763 thousand), and total net assets amounted to ¥154,470 million (US$1,020,278 thousand) at the end of fiscal 2024.

Net worth to total assets ratio was 46.0%. Net assets per share amounted to ¥980.49 (US$6.48).

Cash Flows
Cash and cash equivalents at the end of the year decreased by ¥25,477 million (US$168,276 thousand) to ¥48,849 million (US$322,649 thousand).

Net cash used in operating activities amounted to ¥(11,115) million (US$(73,415) thousand) mainly because cash decreasing factors such as an increase in notes and accounts receivable of ¥36,461 million (US$240,826 thousand) and income taxes paid of ¥6,996 million (US$46,209 thousand) absorbed cash increasing factors such as income before income taxes of ¥18,914 million (US$124,927 thousand) and an increase in deposit received of ¥4,123 million (US$27,233 thousand)

Net cash used in investing activities amounted to ¥(6,095) million (US$(40,258) thousand) mainly because cash decreasing factors such as purchase of property, plant and equipment of ¥7,078 million ($46,750 thousand) absorbed cash increasing factors such as proceeds from sales of marketable securities and investment securities of ¥1,469 million (US$9,703 thousand).

Net cash used in financing activities amounted to ¥(9,054) million (US$(59,802) thousand) mainly because cash decreasing factors such as cash dividends paid of ¥7,960 million (US$52,576 thousand) and repayment of long-term loans payable of ¥4,687 million (US$30,958 thousand) absorbed cash increasing factors such as proceeds from long-term loans payable of ¥4,302 million (US$28,415 thousand).

Construction Business (Non-Consolidated Construction Projects)

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

	Millions of yen					Thousands of U.S. dollars
Revenues	**2024**	2023	2022	2021	2020	**2024**
Civil engineering						
Domestic						
Government sector	**¥80,881**	¥77,905	¥76,436	¥85,011	¥78,588	**$534,221**
Private sector	**44,996**	48,299	48,201	43,690	35,983	**297,199**
Overseas	**7,346**	7,226	7,627	7,275	9,743	**48,521**
Subtotal	**133,223**	133,430	132,264	135,976	124,314	**879,941**
Building						
Domestic						
Government sector	**40,847**	33,388	26,662	18,592	30,131	**269,795**
Private sector	**160,636**	152,339	144,759	164,058	180,720	**1,061,004**
Overseas	**22,767**	20,477	7,106	9,563	16,363	**150,376**
Subtotal	**224,250**	206,204	178,527	192,213	227,214	**1,481,175**
Total construction projects	**¥357,473**	¥339,634	¥310,791	¥328,189	¥351,528	**$2,361,116**

Revenue from the civil engineering category accounted for ¥133,223 million (US$879,941 thousand), or 37.3% of total revenue from construction projects, with domestic projects contributing ¥125,877 million (US$831,420 thousand), or 94.5%.

The government sector contributed ¥80,881 million (US$534,221 thousand), or 64.3% of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥44,996 million (US$297,199 thousand), or 35.7% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥7,346 million (US$48,521 thousand), equivalent to 5.5% of total revenue in the civil engineering category.

Revenue from the building category accounted for ¥224,250 million (US$1,481,175 thousand), or 62.7% of total construction revenue. Domestic projects accounted for ¥201,483 million (US$1,330,799 thousand), or 89.8%.

The government sector contributed ¥40,487 million (US$269,795 thousand), or 20.3% of total domestic building revenue, while private-sector building revenue amounted to ¥160,636 million (US$1,061,004 thousand), or 79.7% of total domestic building revenue. Overseas building revenue reached ¥22,767 million (US$150,376 thousand), equivalent to 10.2% of total revenue in the building category.

Total overseas construction revenue reached ¥30,113 million (US$198,897 thousand) and accounted for 8.4% of total construction revenue. Civil engineering projects and building accounted for 24.4% and 75.6% of this total, respectively.

	Millions of yen					Thousands of U.S. dollars
Orders Received	**2024**	2023	2022	2021	2020	**2024**
Civil engineering	**¥115,624**	¥103,275	¥122,593	¥101,528	¥193,575	**$763,699**
Building	**235,580**	244,946	187,250	199,341	186,706	**1,556,010**
Total construction projects	**¥351,204**	¥348,221	¥309,843	¥300,869	¥380,281	**$2,319,709**

Orders received for construction projects during fiscal 2024 amounted to ¥351,204 million (US$2,319,709 thousand). Overseas work contributed 9.8% of orders in the construction category. Civil engineering orders amounted to ¥115,624 million (US$763,699 thousand), or 32.9% of total construction orders. Building orders amounted to ¥235,580 million (US$1,556,010 thousand), which is equivalent to 67.1% of total construction orders.

	Millions of yen					Thousands of U.S. dollars
Year-end Backlog	**2024**	2023	2022	2021	2020	**2024**
Civil engineering	**¥272,820**	¥290,138	¥320,145	¥329,718	¥364,120	**$1,801,982**
Building	**250,166**	237,932	198,538	189,606	182,579	**1,652,351**
Total construction projects	**¥522,986**	¥528,070	¥518,683	¥519,324	¥546,699	**$3,454,333**

Order backlog for construction projects at the end of fiscal 2024 amounted to ¥522,986 million (US$3,454,333 thousand), with civil engineering work accounting for ¥272,820 million (US$1,801,982 thousand), or 52.2%, and building accounting for ¥250,166 million (US$1,652,351 thousand), or 47.8%.

Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Assets			
Current assets:			
Cash and time deposits (Notes 20 and 21)	**¥50,212**	¥75,598	**$331,651**
Receivables (Notes 9, 21 and 26):			
Notes (Note 6)	**10,130**	3,219	**66,909**
Accounts	**171,435**	141,875	**1,132,332**
Inventories (Notes 3 and 7)	**9,155**	10,746	**60,469**
Other (Note 5)	**9,223**	14,102	**60,918**
Less allowance for doubtful accounts	**(217)**	(160)	**(1,433)**
Total current assets	**249,938**	245,380	**1,650,846**
Property, plant and equipment (Notes 5, 8, 14 and 15)**:**			
Land	**16,033**	15,487	**105,898**
Buildings and structures	**27,477**	23,489	**181,486**
Machinery and equipment	**12,545**	11,298	**82,860**
Other	**3,510**	3,206	**23,184**
	59,565	53,480	**393,428**
Less accumulated depreciation	**(23,412)**	(22,125)	**(154,637)**
Net property, plant and equipment	**36,153**	31,355	**238,791**
Investments and other assets:			
Investment securities (Notes 5, 21 and 22)	**27,853**	24,739	**183,970**
Investments in unconsolidated subsidiaries and affiliates (Note 21)	**398**	282	**2,629**
Long-term loans receivable (Note 5)	**46**	63	**304**
Net defined benefit asset (Note 24)	**5,689**	3,519	**37,576**
Deferred tax assets (Note 25)	**6,037**	6,455	**39,874**
Other (Note 5)	**8,566**	6,692	**56,578**
Less allowance for doubtful accounts	**(534)**	(471)	**(3,527)**
Total investments and other assets	**48,055**	41,279	**317,404**
Total assets	**¥334,146**	¥318,014	**$2,207,041**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 4 and 21)	**¥12,186**	¥12,157	**$80,489**
Current maturities of long-term loans payable (Notes 4 and 21)	**4,162**	4,333	**27,490**
Current portion of bonds (Notes 4 and 21)	**36**	127	**238**
Payables (Note 21):			
Accounts	**59,753**	58,037	**394,670**
Income taxes payable	**3,625**	3,962	**23,943**
Advances received (Notes 10, 11 and 26)	**35,323**	37,539	**233,309**
Accrued expenses	**76**	83	**502**
Provision for losses on construction contracts (Note 7)	**453**	654	**2,992**
Other (Notes 10 and 26)	**50,890**	47,325	**336,129**
Total current liabilities	**166,504**	164,217	**1,099,762**
Long-term liabilities:			
Bonds (Notes 4 and 21)	**—**	36	**—**
Long-term loans payable, less current maturities (Notes 4 and 21)	**7,250**	7,463	**47,886**
Net defined benefit liability (Note 24)	**3,672**	3,198	**24,254**
Provision for environmental measures	**—**	139	**—**
Provision for management board incentive plan trust	**270**	207	**1,783**
Provision for employee stock ownership plan trust	**755**	304	**4,987**
Deferred tax liabilities (Note 25)	**26**	32	**172**
Other	**1,199**	1,093	**7,919**
Total long-term liabilities	**13,172**	12,472	**87,001**
Total liabilities	**179,676**	176,689	**1,186,763**
Net assets (Notes 18 and 19)**:**			
Shareholders' equity:			
Capital stock			
Common stock Authorized – 400,000,000 shares			
Issued – 181,021,197 shares	**17,006**	17,006	**112,325**
Capital surplus	**17,678**	17,058	**116,764**
Retained earnings	**128,575**	122,656	**849,240**
Less treasury stock, at cost	**(21,595)**	(21,106)	**(142,635)**
Total shareholders' equity	**141,664**	135,614	**935,694**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**6,638**	3,846	**43,844**
Deferred gains or losses on hedges	**1,975**	179	**13,045**
Foreign currency translation adjustment	**283**	203	**1,869**
Accumulated remeasurements of defined benefit plans	**3,009**	644	**19,875**
Total accumulated other comprehensive income	**11,905**	4,872	**78,633**
Non-controlling interests	**901**	839	**5,951**
Total net assets	**154,470**	141,325	**1,020,278**
Total liabilities and net assets	**¥334,146**	¥318,014	**$2,207,041**

Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Revenues (Notes 16, 26 and 27)**:**			
Construction contracts	**¥364,009**	¥345,858	**$2,404,287**
Other activities	**30,119**	26,288	**198,936**
	394,128	372,146	**2,603,223**
Cost of sales:			
Construction contracts (Note 12)	**323,246**	306,531	**2,135,046**
Other activities (Note 13)	**27,569**	23,592	**182,094**
	350,815	330,123	**2,317,140**
Gross profit	**43,313**	42,023	**286,083**
Selling, general and administrative expenses (Note 13)**:**	**24,722**	22,170	**163,289**
Operating income	**18,591**	19,853	**122,794**
Other income (expenses):			
Interest and dividends income	**614**	448	**4,055**
Foreign exchange gain	**254**	330	**1,678**
Interest expense	**(439)**	(351)	**(2,900)**
Share of loss of entities accounted for using equity method	**(67)**	(53)	**(443)**
Commission fee	**(291)**	(187)	**(1,922)**
Foreign law related expenses	**(244)**	(107)	**(1,612)**
Reverse of provision for environmental measures	**55**	—	**363**
Compensation received for damage	**—**	2,700	**—**
Reversal of provision for losses on fire disaster	**—**	306	**—**
Subsidy income	**23**	95	**152**
Gain on sales of noncurrent assets (Note 14)	**44**	64	**291**
Gain on sales of investment securities (Note 22)	**540**	180	**3,567**
Insurance claim income	**33**	—	**218**
Impairment losses (Note 15)	**—**	(75)	**—**
Loss on tax purpose reduction entry of noncurrent assets	**(35)**	(91)	**(231)**
Loss on retirement of noncurrent assets	**(114)**	(73)	**(753)**
Loss on valuation of investment securities (Note 22)	**(38)**	(72)	**(251)**
Head office relocation expenses	**—**	(339)	**—**
Loss on litigation	**(138)**	(4)	**(911)**
Other, net	**126**	(325)	**832**
	323	2,446	**2,133**
Income before income taxes	**18,914**	22,299	**124,927**
Income taxes (Note 25)**:**			
Current	**6,729**	6,978	**44,445**
Deferred	**(1,696)**	143	**(11,202)**
	5,033	7,121	**33,243**
Profit	**13,881**	15,178	**91,684**
Profit (loss) attributable to non-controlling interests	**2**	(10)	**13**
Profit attributable to owners of parent	**¥13,879**	¥15,188	**$91,671**

	Yen		U.S. dollars (Note 1)
	2024	2023	**2024**
Per share amounts (Note 28)**:**			
Profit attributable to owners of parent			
Basic	**¥88.64**	¥94.02	**$0.59**
Diluted	**—**	—	**—**
Cash dividends applicable to the year			
Common stock	**60.00**	40.00	**0.396**

See accompanying notes.

Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Profit	**¥13,881**	¥15,178	**$91,684**
Other comprehensive income			
Valuation difference on available-for-sale securities	**2,792**	849	**18,441**
Foreign currency translation adjustment	**142**	207	**938**
Remeasurements of defined benefit plans	**2,365**	226	**15,621**
Share of other comprehensive income of entities accounted for using equity method	**1,796**	525	**11,863**
Total other comprehensive income (Note 17)	**7,095**	1,807	**46,863**
Comprehensive income	**20,976**	16,985	**138,547**
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	**20,912**	16,905	**138,124**
Comprehensive income attribute to non-controlling interests	**64**	80	**423**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
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 April 1, 2023	¥17,006	¥17,058	¥122,656	¥(21,106)
Cash dividends paid			**(7,960)**	
Profit attributable to owners of parent			**13,879**	
Acquisition of treasury stock				**(2,618)**
Disposal of treasury stock		**620**		**2,129**
Net changes in items other than shareholders' equity				
Balance at March 31, 2024	**¥17,006**	**¥17,678**	**¥128,575**	**¥(21,595)**

	Millions of yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Non- controlling interests	Total
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 April 1, 2023	¥3,846	¥179	¥203	¥644	¥839	¥141,325
Cash dividends paid						**(7,960)**
Profit attributable to owners of parent						**13,879**
Acquisition of treasury stock						**(2,618)**
Disposal of treasury stock						**2,749**
Net changes in items other than shareholders' equity	**2,792**	**1,796**	**80**	**2,365**	**62**	**7,095**
Balance at March 31, 2024	**¥6,638**	**¥1,975**	**¥283**	**¥3,009**	**¥901**	**¥154,470**

	Thousands of U.S. dollars (Note 1)			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained Earnings	Treasury stock
Balance at April 1, 2023	$112,325	$112,669	$810,145	$(139,405)
Cash dividends paid			**(52,576)**	
Profit attributable to owners of parent			**91,671**	
Acquisition of treasury stock				**(17,292)**
Disposal of treasury stock		**4,095**		**14,062**
Net changes in items other than shareholders' equity				
Balance at March 31, 2024	**$112,325**	**$116,764**	**$849,240**	**$(142,635)**

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2023	$25,403	$1,182	$1,341	$4,254	$5,541	$933,455
Cash dividends paid						**(52,576)**
Profit attributable to owners of parent						**91,671**
Acquisition of treasury stock						**(17,292)**
Disposal of treasury stock						**18,157**
Net changes in items other than shareholders' equity	**18,441**	**11,863**	**528**	**15,621**	**410**	**46,863**
Balance at March 31, 2024	**$43,844**	**$13,045**	**$1,869**	**$19,875**	**$5,951**	**$1,020,278**

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Cash flows from operating activities:			
Income before income taxes	**¥18,914**	¥22,299	**$124,927**
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**2,496**	2,100	**16,486**
Loss on tax purpose reduction entry of noncurrent assets	**35**	91	**231**
Subsidy income	**(23)**	(95)	**(152)**
Compensation received for damage	**—**	(2,700)	**—**
Impairment losses	**—**	75	**—**
Increase (decrease) in allowance for doubtful accounts	**121**	615	**799**
Increase (decrease) in provision for warranties for completed construction	**(678)**	1,341	**(4,478)**
Increase (decrease) in provision for losses on construction contracts	**(201)**	58	**(1,328)**
Increase (decrease) in provision for losses on fire disaster	**—**	(306)	**—**
Increase (decrease) in net benefit defined liability	**1,960**	(195)	**12,946**
Decrease (increase) in net benefit defined asset	**(252)**	(1,077)	**(1,664)**
Interest and dividends income	**(614)**	(448)	**(4,055)**
Interest expense	**439**	351	**2,900**
Foreign exchange loss (gain)	**(640)**	(370)	**(4,227)**
Loss (gain) on sales of investment securities	**(540)**	(180)	**(3,567)**
Share of loss (profit) of entities accounted for using equity method	**67**	53	**443**
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	**(36,461)**	(4,647)	**(240,826)**
Decrease (increase) in costs on uncompleted construction contracts	**(1,333)**	409	**(8,804)**
Decrease (increase) in other inventories	**2,927**	851	**19,333**
Decrease (increase) in advances paid	**633**	(169)	**4,181**
Decrease (increase) in consumption taxes refund receivable	**3,040**	(3,737)	**20,079**
Increase (decrease) in notes and accounts payable	**(842)**	7,327	**(5,561)**
Increase (decrease) in advances received	**288**	15,021	**1,902**
Increase (decrease) in deposit received	**4,123**	6,836	**27,233**
Increase (decrease) in consumption tax payable	**395**	(1,027)	**2,609**
Other, net	**1,909**	(2,430)	**12,608**
Subtotal	**(4,237)**	40,046	**(27,985)**
Interest and dividends received	**597**	419	**3,943**
Interest paid	**(426)**	(350)	**(2,814)**
Compensation for damage paid	**(86)**	(5,468)	**(568)**
Income taxes paid	**(6,996)**	(6,205)	**(46,209)**
Proceeds from compensation received for damage	**—**	2,700	**—**
Proceeds from insurance income	**33**	1,130	**218**
Net cash provided by (used in) operating activities	**(11,115)**	32,272	**(73,415)**
Cash flows from investing activities:			
Payments into time deposits	**(71)**	(1,241)	**(469)**
Proceeds from withdrawal of time deposits	**71**	1,467	**469**
Purchase of marketable securities and investment securities	**(300)**	(3,071)	**(1,982)**
Proceeds from sales of marketable securities and investment securities	**1,469**	336	**9,703**
Purchase of property, plant and equipment	**(7,078)**	(2,999)	**(46,750)**
Proceeds from sales of property, plant and equipment	**216**	347	**1,427**
Proceeds from refund of leasehold and guarantee deposits	**67**	713	**443**
Proceeds from subsidies	**23**	95	**152**
Other, net	**(492)**	(387)	**(3,251)**
Net cash used in investing activities	**(6,095)**	(4,740)	**(40,258)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(69)**	(81)	**(456)**
Proceeds from long-term loans payable	**4,302**	4,611	**28,415**
Repayments of long-term loans payable	**(4,687)**	(4,953)	**(30,958)**
Redemption of bonds	**(127)**	(237)	**(839)**
Purchase of treasury stock	**(3)**	(10,632)	**(20)**
Cash dividends paid	**(7,960)**	(6,656)	**(52,576)**
Dividends paid to non-controlling interests	**(3)**	(3)	**(20)**
Other, net	**(507)**	(474)	**(3,348)**
Net cash used in financing activities	**(9,054)**	(18,425)	**(59,802)**
Effect of exchange rate changes on cash and cash equivalents	**787**	479	**5,199**
Net increase (decrease) in cash and cash equivalents	**(25,477)**	9,586	**(168,276)**
Cash and cash equivalents at beginning of year	**74,326**	64,740	**490,925**
Cash and cash equivalents at end of year (Note 20)	**¥48,849**	¥74,326	**$322,649**

See accompanying notes.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of HAZAMA ANDO CORPORATION ("the Company") and its consolidated subsidiaries (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, 2024, which was ¥151.40 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, 2024 and 2023, 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. and other unconsolidated subsidiaries were excluded from the scope of consolidation because they do not have a significant impact on the group or 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 are immaterial as a whole.

(b) Equity method accounting
As of March 31, 2024 and 2023, there were no unconsolidated subsidiaries accounted for using the equity method. The Company had one affiliate accounted for using the equity method, namely, Sakaide Biomass Power LLC. Also, the Company had one principal unconsolidated subsidiary not accounted for using the equity method, namely, Todai Interact PFI Co., Ltd. and one principal affiliate not accounted for using the equity method, namely, Choshi Gakko Kyushoku Service Co., Ltd. These companies, along with other unconsolidated subsidiaries and affiliates not accounted for using the equity method, 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 1 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 environmental measures
To prepare for the treatment of Polychlorinated Biphenyl waste, which is obligated by the “Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste,” the estimated cost for treatment is recorded.

(13) Provision for management board incentive plan trust
To prepare for future awards of the Company’s stock to the directors and executive officers, the estimated cost for stock award obligation based on predetermined regulations for awarding stock is recorded.

(14) 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.

(15) 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.

(16) 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.

(17) 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 exchange 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.

(18) 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.

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

(20) Significant accounting estimates
(Estimate of total construction costs in relation to revenue recognition)
(a) Amount recorded in the consolidated financial statements for the current consolidated fiscal year:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Revenues from completed construction contracts recognized over time	**¥348,717**	¥332,100	**$2,303,283**

(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.

(21) Changes in accounting policy
For the fiscal year ended March 31, 2024
There were no items to be reported.

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.

(22) Changes in presentation
(Consolidated Statements of Income)
"Compensation for damage" which was presented separately for the fiscal year ended March 31, 2023 is included in "Other, net" under other income (expenses) for the fiscal year ended March 31, 2024, as it accounts for less than 10% of the total amount of non-operating income.

On the other hand, "Foreign law related expenses" which was included in "Other, net" under other income (expenses) for the fiscal year ended March 31, 2023 is presented separately for the fiscal year ended March 31, 2024, 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, 2023 have been reclassified in order to reflect these changes in presentation. As a result, "Compensation for damage" of ¥(428) million and "Other, net" of ¥(4) million under other income (expenses) in the consolidated statements of income for the fiscal year ended March 31, 2023 have been reclassified into "Foreign law related expenses" of ¥(107) million and "Other, net" of ¥(325) million.

(23) 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 (excluding a director who is an audit and supervisory committee member, external board directors, and domestic non-residents; hereinafter collectively referred to as "the Directors, etc."). The plan is highly transparent and objective and closely linked with the Company's performance for the Directors, etc. 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, etc. 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, 2024 and 2023 were ¥1,304 million (US$8,613 thousand) and ¥445 million, respectively, while the number of such treasury stock was 1,351,411 shares and 628,754 shares, respectively. Note that the annual shareholders' meeting for the fiscal year ended March 31, 2023 held on June 29, 2023 resolved on an extension of the trust period and an additional contribution to the Trust, and accordingly the Trust acquired the Company's stock additionally in the fiscal year ended March 31, 2024. As a result, the book value and the number of such stock in the Trust increased since the end of the fiscal year ended March 31, 2023.

(b) Employee stock ownership plan trust
(i) Transaction summary
The Company has introduced an Employee Stock Ownership Plan Trust ("ESOP Trust") as an incentive plan for its employees (the "Employees"). 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) 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, 2024 and 2023 were ¥2,253 million (US$14,881 thousand) and ¥630 million, respectively, while the number of such treasury stock was 2,138,923 shares and 706,400 shares, respectively. Note that the Board of Directors meeting held on August 8, 2023 resolved on an extension of the trust period and an additional contribution to the Trust, and accordingly the Trust acquired the Company's stock additionally in the fiscal year ended March 31, 2024. As a result, the book value and the number of such stock in the Trust increased since the end of the fiscal year ended March 31, 2023.

(24) 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.

(25) 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.

(26) 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 years ended March 31, 2024 and 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 ¥980.49 (US$6.48) and ¥897.84 were reported at March 31, 2024 and 2023, respectively.

3. Inventories

Inventories at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Costs on uncompleted construction contracts	**¥5,003**	¥3,667	**$33,045**
Others	**4,152**	7,079	**27,424**
Total	**¥9,155**	¥10,746	**$60,469**

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 1.9% and 1.3% at March 31, 2024 and 2023.

Bonds at March 31, 2024 and 2023 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Bonds from insurance companies and others due serially through 2024:			
Unsecured 0.1% (average interest rates)	**¥36**	¥163	**$238**
Less current maturities	**(36)**	(127)	**(238)**
Total	**¥—**	¥36	**$—**

Long-term loans payable at March 31, 2024 and 2023 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Long-term loans payable from banks, insurance companies, and others due serially through 2029:			
Secured 1.6% (average interest rates)	**¥301**	¥386	**$1,988**
Unsecured 1.3% (average interest rates)	**11,111**	11,410	**73,388**
Less current maturities	**(4,162)**	(4,333)	**(27,490)**
Total	**¥7,250**	¥7,463	**$47,886**

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2025	**¥36**	**$238**
2026	**—**	**—**
2027	**—**	**—**
2028	**—**	**—**
2029	**—**	**—**
Total	**¥36**	**$238**

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

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2025	**¥4,162**	**$27,490**
2026	**3,106**	**20,515**
2027	**2,263**	**14,947**
2028	**1,382**	**9,128**
2029	**499**	**3,296**
Total	**¥11,412**	**$75,376**

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, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Property, plant and equipment	**¥1,348**	¥1,396	**$8,904**
Investment securities	**103**	84	**680**
Investments and other assets: other (Investments in capital)	**3,344**	1,676	**22,087**
Other assets	**56**	68	**370**
Total	**¥4,851**	¥3,224	**$32,041**

6. Notes Receivable and Electronically Recorded Monetary Claims Maturing on the Account Closing Date

Notes receivable and electronically recorded monetary claims maturing on the account closing date are settled on the clearing date or settlement date. The followings are those that matured on March 31, 2024 and are included in the balances on the account closing date because this date fell on a bank holiday in Japan.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Notes receivable	**¥114**	¥—	**$753**
Electronically recorded monetary claims	**46**	—	**304**

7. 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
	2024	2023	**2024**
Amount of costs on uncompleted construction contracts for which a construction loss is anticipated, corresponding with provision for losses on construction contracts	**¥0**	¥11	**$0**

8. Tax Purpose Reduction Entry

Amount of tax purpose reduction entry deducted from corresponding acquisition costs due to receiving subsidies at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type of assets	**2024**	2023	**2024**
Land	**¥91**	¥91	**$601**
Buildings and structures	**434**	434	**2,867**
Machinery and equipment	**63**	28	**416**
Total	**¥588**	¥553	**$3,884**

9. 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, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
Receivables	**2024**	2023	**2024**
Notes	**¥4,571**	¥1,047	**$30,191**
Electronically recorded monetary claims - operating	**4,611**	2,167	**30,456**
Accounts			
Completed construction contracts	**37,553**	30,155	**248,038**
Others	**1,234**	936	**8,151**
Contract assets	**133,559**	110,770	**882,160**
Total	**¥181,528**	¥145,075	**$1,198,996**

10. Contract Liabilities

Contract liabilities included in "Advances received" and "Other" on the consolidated balance sheets at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Contract liabilities	**¥35,271**	¥37,489	**$232,966**
Total	**¥35,271**	¥37,489	**$232,966**

11. 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.

12. 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, 2024 and 2023 were ¥409 million (US$2,701 thousand) and ¥438 million, respectively.

13. Research and Development Expenses

Research and development expenses included in manufacturing costs and general and administrative expenses amounted to ¥3,360 million (US$22,193 thousand) and ¥3,142 million for the fiscal years ended March 31, 2024 and 2023, respectively.

14. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the fiscal years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type of assets	**2024**	2023	**2024**
Land and buildings	**¥35**	¥41	**$231**
Other	**9**	23	**60**
Total	**¥44**	¥64	**$291**

15. Impairment Losses

No impairment losses were recognized for the fiscal year ended March 31, 2024.

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

Use	Type of assets	Location	Millions of yen
Rental assets	Land	Kanagawa Prefecture	¥26
Idle assets	Land	Chiba Prefecture	49
Total			¥75

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.

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, 2024 and 2023 are ¥392,327 million (US$2,591,328 thousand) ¥370,593 million, respectively.

17. Other Comprehensive Income

Amounts reclassified to profit for the fiscal years ended March 31, 2024 and 2023 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
	2024	2023	**2024**
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	**¥4,397**	¥1,417	**$29,042**
Reclassification adjustment	**(540)**	(180)	**(3,567)**
Sub-total, before tax	**3,857**	1,237	**25,475**
Tax benefit or (expense)	**(1,065)**	(388)	**(7,034)**
Sub-total, net of tax	**2,792**	849	**18,441**
Foreign currency translation adjustment:			
Increase (decrease) during the year	**¥142**	¥207	**$938**
Reclassification adjustment	**—**	—	**—**
Sub-total, before tax	**142**	207	**938**
Tax benefit or (expense)	**—**	—	**—**
Sub-total, net of tax	**142**	207	**938**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**¥3,533**	¥367	**$23,336**
Reclassification adjustment	**(124)**	(41)	**(819)**
Sub-total, before tax	**3,409**	326	**22,517**
Tax benefit or (expense)	**(1,044)**	(100)	**(6,896)**
Sub-total, net of tax	**2,365**	226	**15,621**
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	**¥1,796**	¥573	**$11,863**
Reclassification adjustment	**—**	—	**—**
Adjustment for acquisition cost of assets	**—**	(48)	**—**
Sub-total, before tax	**1,796**	525	**11,863**
Tax benefit or (expense)	**—**	—	**—**
Sub-total, net of tax	**1,796**	525	**11,863**
Total other comprehensive income	**¥7,095**	¥1,807	**$46,863**

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, 2024 and 2023 are as follows:

	Thousands of shares			
	2024			
	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock	**181,021**	**—**	**—**	**181,021**

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

(2) Treasury stock outstanding

The numbers of shares of treasury stock outstanding during the fiscal years ended March 31, 2024 and 2023 are as follows:

	Thousands of shares			
	2024			
	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock	**24,550**	**2,314**	**2,469**	**24,396**

Note: The number of shares of treasury stock at the beginning and the end of the fiscal year ended March 31, 2024 includes the Company's stock held in the BIP Trust of 628 thousand shares and 1,351 thousand shares, respectively. In addition, the number of treasury stock at the beginning and the end of the fiscal year ended March 31, 2024 includes the Company's stock held in the ESOP Trust of 706 thousand shares and 2,138 thousand shares, respectively.

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 BIP Trust	863 thousand shares
Increase due to acquisition of the Company's stock by the ESOP Trust	1,449 thousand shares
Decrease due to disposal of treasury stock through a third-party allotment	2,312 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	140 thousand shares
Decrease due to the delivery of the Company's stock by the ESOP Trust	16 thousand shares

	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

20. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2024 and 2023 were reconciled with cash and time deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash and time deposits	**¥50,212**	¥75,598	**$331,651**
Time deposits with maturities of exceeding 3-month from the date of acquisition	**(1,363)**	(1,272)	**(9,002)**
Total: Cash and cash equivalents	**¥48,849**	¥74,326	**$322,649**

21. Financial Instruments

(1) Status of financial instruments
(a) Policies for using financial instruments
The Companies raise funds mainly by borrowings from banks 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 (17) “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, 2024 and 2023 accounted for 10.8% and 12.1%, respectively, of the total trade receivables in the consolidated financial statements.

(2) Fair value of financial instruments
The following table summarizes the book value and fair value of financial instruments at March 31, 2024:

	Millions of yen			Thousands of U.S. dollars		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
Receivables:						
Notes	**¥10,130**	**¥10,130**	**¥—**	**$66,909**	**$66,909**	**$—**
Accounts	**171,435**	**171,317**	**(118)**	**1,132,332**	**1,131,552**	**(780)**
Marketable securities and investment securities:						
Available-for-sale securities	**20,576**	**20,576**	**—**	**135,905**	**135,905**	**—**
Total assets	**¥202,141**	**¥202,023**	**¥(118)**	**$1,335,146**	**$1,334,366**	**$(780)**
Liabilities						
Long-term loans payable, less current maturities	**¥7,250**	**¥7,249**	**¥(1)**	**$47,886**	**$47,880**	**$(6)**
Total liabilities	**¥7,250**	**¥7,249**	**¥(1)**	**$47,886**	**$47,880**	**$(6)**
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 sheet as of March 31, 2024 are as follows:
Unlisted stocks, etc. ¥4,333 million (US$28,620 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 sheet as of March 31, 2024 are as follows:
Investments in partnerships, etc. recorded at the amount corresponding to the Company’s interests of the partnership’s equity ¥3,342 million (US$22,074 thousand)

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

	Millions of yen		
Type	Book value	Fair value	Difference
Assets			
Receivables:			
Notes	¥3,219	¥3,219	¥—
Accounts	141,875	141,830	(45)
Marketable securities and investment securities:			
Available-for-sale securities	17,571	17,571	—
Total assets	¥162,665	¥162,620	¥(45)
Liabilities			
Bonds	¥36	¥36	¥(0)
Long-term loans payable, less current maturities	7,463	7,458	(5)
Total liabilities	¥7,499	¥7,494	¥(5)
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 sheet as of March 31, 2023 are as follows:
Unlisted stocks, etc. ¥4,206 million

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 sheet 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

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, and securities with contractual maturities at March 31, 2024 and 2023 are as follows:

	Millions of yen							
	2024				2023			
	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	**¥50,212**	**¥—**	**¥—**	**¥—**	¥75,598	¥—	¥—	¥—
Receivables:								
Notes	**10,130**	**—**	**—**	**—**	3,219	—	—	—
Accounts	**156,815**	**14,620**	**—**	**—**	129,489	12,386	—	—
Total	**¥217,157**	**¥14,620**	**¥—**	**¥—**	¥208,306	¥12,386	¥—	¥—

	Thousands of U.S. dollars			
	2024			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	**$331,651**	**$—**	**$—**	**$—**
Receivables:				
Notes	**66,909**	**—**	**—**	**—**
Accounts	**1,035,767**	**96,565**	**—**	**—**
Total	**$1,434,327**	**$96,565**	**$—**	**$—**

(5) Redemption schedules for bonds, long-term loans payable and other interest-bearing liabilities as of March 31, 2024 and 2023 is as follows:

	Millions of yen					
	2024					
	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	**¥12,186**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Bonds	**36**	**—**	**—**	**—**	**—**	**—**
Long-term loans payable	**4,162**	**3,106**	**2,263**	**1,382**	**499**	**—**
Total	**¥16,384**	**¥3,106**	**¥2,263**	**¥1,382**	**¥499**	**¥—**

	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	**$80,489**	**$—**	**$—**	**$—**	**$—**	**$—**
Bonds	**238**	**—**	**—**	**—**	**—**	**—**
Long-term loans payable	**27,490**	**20,515**	**14,947**	**9,128**	**3,296**	**—**
Total	**$108,217**	**$20,515**	**$14,947**	**$9,128**	**$3,296**	**$—**

	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

(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, 2024 and 2023

	Millions of yen							
	2024				2023			
	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	**¥20,576**	**¥—**	**¥—**	**¥20,576**	¥17,571	¥—	¥—	¥17,571
Total assets	**¥20,576**	**¥—**	**¥—**	**¥20,576**	¥17,571	¥—	¥—	¥17,571
Not applicable	**¥—**	**¥—**	**¥—**	**¥—**	¥—	¥—	¥—	¥—
Total liabilities	**¥—**	**¥—**	**¥—**	**¥—**	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stock	**$135,905**	**$—**	**$—**	**$135,905**
Total assets	**$135,905**	**$—**	**$—**	**$135,905**
Not applicable	**$—**	**$—**	**$—**	**$—**
Total liabilities	**$—**	**$—**	**$—**	**$—**

(b) Financial instruments other than those measured at fair value at March 31, 2024 and 2023

	Millions of yen							
	2024				2023			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Receivables:								
Notes	**¥—**	**¥10,130**	**¥—**	**¥10,130**	¥—	¥3,219	¥—	¥3,219
Accounts	**—**	**171,317**	**—**	**171,317**	—	141,830	—	141,830
Total assets	**¥—**	**¥181,447**	**¥—**	**¥181,447**	¥—	¥145,049	¥—	¥145,049
Bonds	**¥—**	**¥—**	**¥—**	**¥—**	¥—	¥36	¥—	¥36
Long-term loans payable, less current maturities	**—**	**7,249**	**—**	**7,249**	—	7,458	—	7,458
Total liabilities	**¥—**	**¥7,249**	**¥—**	**¥7,249**	¥—	¥7,494	¥—	¥7,494

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Receivables:				
Notes	**$—**	**$66,909**	**$—**	**$66,909**
Accounts	**—**	**1,131,552**	**—**	**1,131,552**
Total assets	**$—**	**$1,198,461**	**$—**	**$1,198,461**
Bonds	**$—**	**$—**	**$—**	**$—**
Long-term loans payable, less current maturities	**—**	**47,880**	**—**	**47,880**
Total liabilities	**$—**	**$47,880**	**$—**	**$47,880**

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 is 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 is 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 is 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, 2024 and 2023:

	Millions of yen					
	2024			2023		
Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost						
Stock	**¥17,441**	**¥7,378**	**¥10,063**	¥14,395	¥8,013	¥6,382
Sub total	**17,441**	**7,378**	**10,063**	14,395	8,013	6,382
Securities with book value not exceeding acquisition cost						
Stock	**¥3,135**	**¥3,715**	**¥(580)**	¥3,176	¥3,932	¥(756)
Sub total	**3,135**	**3,715**	**(580)**	3,176	3,932	(756)
Total	**¥20,576**	**¥11,093**	**¥9,483**	¥17,571	¥11,945	¥5,626

	Thousands of U.S. dollars		
	2024		
Type	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Stock	**$115,198**	**$48,732**	**$66,466**
Sub total	**115,198**	**48,732**	**66,466**
Securities with book value not exceeding acquisition cost			
Stock	**$20,707**	**$24,538**	**$(3,831)**
Sub total	**20,707**	**24,538**	**(3,831)**
Total	**$135,905**	**$73,270**	**$62,635**

(2) Total sales, related gains and losses of available-for-sale securities for the fiscal years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
Type	**2024**	2023	**2024**
Stock			
Sales	**¥1,469**	¥336	**$9,703**
Related gains	**540**	180	**3,567**

(3) Write down of securities

The Company recognized a loss on valuation of investment securities of ¥38 million (US$251 thousand) and ¥72 million for the fiscal years ended March 31, 2024 and 2023, 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, 2024 and 2023 are as follows:

(Currency-related transactions)
An affiliated company accounted for by the 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					
		2024			2023		
		Contract amount		Fair value	Contract amount		Fair value
Type of derivative transactions	Main items hedged	Total	Settled over 1 year		Total	Settled over 1 year	
Special case interest rate swap treatment:							
Interest rate swap contracts: To pay fixed, to receive variable	Long-term loans payable	**¥460**	**¥204**	**Note 2**	¥745	¥460	Note 2

		Thousands of U.S. dollars		
		2024		
		Contract amount		Fair value
Type of derivative transactions	Main items hedged	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	**$3,038**	**$1,347**	**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 rate swap treatment is 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
	2024	2023	**2024**
(1) Changes in retirement benefit obligation			
Balance at April 1, 2023 and 2022	**¥29,842**	¥30,256	**$197,107**
Service cost	**1,334**	1,343	**8,811**
Interest cost	**298**	303	**1,968**
Actuarial loss (gain)	**100**	(284)	**661**
Benefits paid	**(2,030)**	(1,776)	**(13,408)**
Balance at March 31, 2024 and 2023	**¥29,544**	¥29,842	**$195,139**
(2) Changes in plan assets			
Balance at April 1, 2023 and 2022	**¥31,580**	¥30,462	**$208,586**
Expected return on plan assets	**394**	392	**2,602**
Actuarial gain (loss)	**3,633**	82	**23,996**
Contributions paid by the employer	**910**	1,804	**6,011**
Benefits paid	**(1,346)**	(1,160)	**(8,890)**
Partial disposition of plan assets in retirement benefit trust	**(2,195)**	—	**(14,498)**
Balance at March 31, 2024 and 2023	**¥32,976**	¥31,580	**$217,807**
(3) Changes in net defined benefit liability using the simplified method			
Balance at April 1, 2023 and 2022	**¥1,417**	¥1,476	**$9,359**
Retirement benefit costs	**141**	223	**931**
Benefits paid	**(155)**	(301)	**(1,023)**
Other	**12**	19	**79**
Balance at March 31, 2024 and 2023	**¥1,415**	¥1,417	**$9,346**
(4) Reconciliation of retirement benefit obligation and plan assets to net defined benefit liability (asset)			
Funded retirement benefit obligation	**¥29,544**	¥29,842	**$195,139**
Plan assets	**(32,976)**	(31,580)	**(217,807)**
Sub total	**(3,432)**	(1,738)	**(22,668)**
Unfunded retirement benefit obligation	**1,415**	1,417	**9,346**
Total net liability (asset) at March 31, 2024 and 2023	**(2,017)**	(321)	**(13,322)**
Net defined benefit liability	**3,672**	3,198	**24,254**
Net defined benefit asset	**(5,689)**	(3,519)	**(37,576)**
Total net liability (asset) at March 31, 2024 and 2023	**¥(2,017)**	¥(321)	**$(13,322)**

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
	2024	2023	**2024**
(5) Retirement benefit costs			
Service cost	**¥1,334**	¥1,343	**$8,811**
Interest cost	**298**	303	**1,968**
Expected return on plan assets	**(394)**	(392)	**(2,602)**
Net actuarial loss (gain)	**(124)**	(41)	**(819)**
Retirement benefit costs using the simplified method	**141**	223	**931**
Total retirement benefit costs for the fiscal years ended March 31, 2024 and 2023	**¥1,255**	¥1,436	**$8,289**
(6) Remeasurements of defined benefit plans(before deducting tax effect)			
Net actuarial gain	**¥3,409**	¥326	**$22,517**
Total remeasurements of defined benefit plans	**¥3,409**	¥326	**$22,517**
(7) Accumulated remeasurements of defined benefit plans(before deducting tax effect)			
Unrecognized actuarial differences	**¥(4,337)**	¥(928)	**$(28,646)**
Total accumulated remeasurements of defined benefit plans	**¥(4,337)**	¥(928)	**$(28,646)**

(8) Plan assets

1. Plan assets comprise:

	2024	2023
Bonds	**38%**	40%
Stock	**26**	20
General account assets (life insurance companies)	**15**	15
Cash and deposits	**2**	9
Other	**19**	16
Total	**100%**	100%

Note: The retirement benefit trust that has been established for the corporate pension plan accounts for 15% and 12% of the total plan assets at March 31, 2024 and 2023.

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, 2024 and 2023 (expressed as weighted averages) are as follows:

	2024	2023
Discount rate	**1.0%**	1.0%
Long-term expected rate of return	**1.2%**	1.2%

25. Income Taxes

Difference between the statutory effective tax rate and the effective tax rate reflected for the fiscal year ended March 31, 2024 is as follows, while that for the fiscal year ended March 31, 2023 is not disclosed since such difference is less than 5% of the statutory effective tax rate.

	2024
Statutory effective tax rate	**30.6%**
Adjustments:	
Entertainment expenses and other items not permanently deductible	**0.9**
Dividends received and other items not permanently includable in income	**(1.5)**
Inhabitant tax on per capita basis	**0.9**
Changes in valuation allowance	**(0.3)**
Special tax credit for corporation tax	**(4.5)**
Other	**0.5**
Effective tax rate	**26.6%**

Significant components of deferred tax assets and liabilities at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Deferred tax assets:			
Net defined benefit liability	**¥4,486**	¥4,019	**$29,630**
Others	**10,364**	9,644	**68,454**
Gross deferred tax assets	**14,850**	13,663	**98,084**
Less: Valuation allowance	**(2,635)**	(2,684)	**(17,404)**
Total deferred tax assets	**12,215**	10,979	**80,680**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**2,841**	1,776	**18,765**
Others	**3,363**	2,780	**22,213**
Total deferred tax liabilities	**6,204**	4,556	**40,978**
Net deferred tax assets	**¥6,011**	¥6,423	**$39,702**

26. Revenue Recognition

(1) Information on disaggregation of revenue arising from contracts with customers for the fiscal years ended March 31, 2024 and 2023 is as follows:

	Millions of yen					
	2024					
	Reportable segments				Other	Total
	Civil engineering	Building	Group business	Sub total		
Goods or services transferred over time	**¥132,684**	**¥209,635**	**¥6,398**	**¥348,717**	**¥—**	**¥348,717**
Goods or services transferred at a point in time	**480**	**14,553**	**24,059**	**39,092**	**4,518**	**43,610**
Revenue arising from contracts with customers	**133,164**	**224,188**	**30,457**	**387,809**	**4,518**	**392,327**
Other revenue	**—**	**—**	**1,198**	**1,198**	**603**	**1,801**
Revenue from external customers	**¥133,164**	**¥224,188**	**¥31,655**	**¥389,007**	**¥5,121**	**¥394,128**

	Thousands of U.S. dollars					
	2024					
	Reportable segments				Other	Total
	Civil engineering	Building	Group business	Sub total		
Goods or services transferred over time	**$876,381**	**$1,384,643**	**$42,259**	**$2,303,283**	**$—**	**$2,303,283**
Goods or services transferred at a point in time	**3,170**	**96,123**	**158,910**	**258,203**	**29,842**	**288,045**
Revenue arising from contracts with customers	**879,551**	**1,480,766**	**201,169**	**2,561,486**	**29,842**	**2,591,328**
Other revenue	**—**	**—**	**7,913**	**7,913**	**3,982**	**11,895**
Revenue from external customers	**$879,551**	**$1,480,766**	**$209,082**	**$2,569,399**	**$33,824**	**$2,603,223**

	Millions of yen					
	2023					
	Reportable segments				Other	Total
	Civil engineering	Building	Group business	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

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 (16) 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
	2024	2023	**2024**
Receivables from contracts with customers (Balance at beginning of period)	**¥34,305**	¥23,828	**$226,585**
Receivables from contracts with customers (Balance at end of period)	**47,969**	34,305	**316,836**
Contract assets (Balance at beginning of period)	**110,770**	116,580	**731,638**
Contract assets (Balance at end of period)	**133,559**	110,770	**882,160**
Contract liabilities (Balance at beginning of period)	**37,489**	23,500	**247,616**
Contract liabilities (Balance at end of period)	**35,271**	37,489	**232,966**

"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, 2024 and 2023 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, 2024 and 2023, the total amount of transaction price allocated to remaining performance obligations was ¥522,986 million (US$3,454,333 thousand) and ¥528,070 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 segment" and "Group business 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	Building construction of the Company in Japan and overseas
Group business	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 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, 2024 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building	Group business	Sub total				
Fiscal year ended March 31, 2024:								
Revenues:								
External customers	**¥133,164**	**¥224,188**	**¥31,655**	**¥389,007**	**¥5,121**	**¥394,128**	**¥—**	**¥394,128**
Intersegment	**—**	**62**	**69,643**	**69,705**	**12**	**69,717**	**(69,717)**	**—**
Total	**133,164**	**224,250**	**101,298**	**458,712**	**5,133**	**463,845**	**(69,717)**	**394,128**
Segment profit	**14,100**	**8,973**	**1,775**	**24,848**	**167**	**25,015**	**(6,424)**	**18,591**
Assets	**Note 4**	**Note 4**	**36,866**	**256,391**	**9,948**	**266,339**	**67,807**	**334,146**
Other material items:								
Depreciation and amortization	**564**	**950**	**603**	**2,117**	**85**	**2,202**	**294**	**2,496**
Capital expenditures	**Note 4**	**Note 4**	**956**	**5,216**	**1,691**	**6,907**	**710**	**7,617**

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building	Group business	Sub total				
Fiscal year ended March 31, 2024:								
Revenues:								
External customers	**$879,551**	**$1,480,766**	**$209,082**	**$2,569,399**	**$33,824**	**$2,603,223**	**$—**	**$2,603,223**
Intersegment	**—**	**410**	**459,993**	**460,403**	**79**	**460,482**	**(460,482)**	**—**
Total	**879,551**	**1,481,176**	**669,075**	**3,029,802**	**33,903**	**3,063,705**	**(460,482)**	**2,603,223**
Segment profit	**93,131**	**59,267**	**11,724**	**164,122**	**1,103**	**165,225**	**(42,431)**	**122,794**
Assets	**Note 4**	**Note 4**	**243,501**	**1,693,468**	**65,706**	**1,759,174**	**447,867**	**2,207,041**
Other material items:								
Depreciation and amortization	**3,725**	**6,275**	**3,983**	**13,983**	**561**	**14,544**	**1,942**	**16,486**
Capital expenditures	**Note 4**	**Note 4**	**6,315**	**34,452**	**11,169**	**45,621**	**4,689**	**50,310**

Notes:

1. "Other" consists of operations not attributed to "Reportable segments" and includes research and other activities.
2. Reconciliation amounts were as follows:
   (i) Reconciliation of segment profit amounting to ¥(6,424) million (US$(42,431) thousand) includes ¥(31) million (US$(205) thousand) in intersegment eliminations and others, and ¥(6,393) million (US$(42,226) thousand) in corporate expenses. Corporate expenses are mainly general and administrative expenses, which are not attributed to reportable segments.
   (ii) Reconciliation of segment assets amounting to ¥67,807 million (US$447,867 thousand) includes ¥(13,965) million (US$(92,239) thousand) in intersegment eliminations and others, and ¥81,772 million (US$540,106 thousand) in corporate assets. Corporate assets are mainly cash and deposits, investment securities and others, which are not attributed to reportable segments.
3. Segment profit is adjusted to operating income of the consolidated statements of income.
4. As discussed in Note 27 (2), increases in assets and capital expenditures are not allocated to the Civil engineering segment and the Building segment, since these segments do not financially administer assets. The total amount of segment assets attributed to the Civil engineering segment and Building segment amounted to ¥219,525 million (US$1,449,967 thousand), and capital expenditures of these segments amounted to ¥4,260 million (US$28,137 thousand).

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

	Millions of yen							
	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building	Group business	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

Notes:

1. "Other" consists of operations not attributed to "Reportable segments" and includes research and other activities.
2. Reconciliation amounts were as follows:
   (i) Reconciliation of segment profit amounting to ¥(6,342) million includes ¥4 million in intersegment eliminations and others, and ¥(6,346) million in corporate expenses. Corporate expenses are mainly general and administrative expenses, which are not attributed to reportable segments.
   (ii) Reconciliation of segment assets amounting to ¥87,584 million includes ¥(15,390) million in intersegment eliminations and others, and ¥102,974 million in corporate assets. Corporate assets are mainly cash and deposits, investment securities and others, which are not attributed to reportable segments.
3. Segment profit is adjusted to operating income of the consolidated statements of income.
4. As discussed in Note 27 (2), increases in assets and capital expenditures are not allocated to the Civil engineering segment and the Building segment, since these segments do not financially administer assets. The total amount of segment assets attributed to the Civil engineering segment and the Building segment amounted to ¥184,185 million, and capital expenditures of these segments amounted to ¥2,623 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, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
Geographic areas	**2024**	2023	**2024**
Japan	**¥362,626**	¥343,319	**$2,395,152**
Other	**31,502**	28,827	**208,071**
Total	**¥394,128**	¥372,146	**$2,603,223**

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, 2024 and 2023.

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

No impairment losses were recognized for the fiscal year ended March 31, 2024.

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

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

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, 2024 is as follows:

	Profit attributable to owners of parent	Weighted-average shares	EPS	
Fiscal year ended March 31, 2024:	Millions of yen	Thousands of shares	Yen	U.S. dollars
Profit attributable to owners of parent	**¥13,879**			
Basic EPS-Profit available to common shareholders	**¥13,879**	**156,570**	**¥88.64**	**$0.59**

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 basic EPS. The weighted-average number of the treasury stock during the fiscal year ended March 31, 2024 was 24,451 thousand shares including those held in the BIP Trust and the ESOP Trust of 1,111 thousand shares and 1,664 thousand shares, respectively.
2. Diluted EPS for the fiscal year ended March 31, 2024 is not presented because the Company had no potential shares.

Basis of calculation of basic and diluted EPS for the fiscal year ended March 31, 2023 is as follows:

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

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 basic EPS. The weighted-average number of the treasury stock during the fiscal year ended March 31, 2023 was 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.

29. Fees for Audit and Non-audit Services

(1) Fees paid to the independent auditor

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		**2024**	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
The Company	**¥80**	**¥0**	¥77	¥0	**$528**	**$0**
Consolidated subsidiaries	**—**	**3**	—	3	**—**	**20**
Total	**¥80**	**¥3**	¥77	¥3	**$528**	**$20**

For the fiscal years ended March 31, 2024 and 2023
The Company paid fees to the independent auditor for non-audit services such as attestation of financial statements for overseas construction bids. Similar fees paid by the Company's consolidated subsidiaries were for non-audit services such as agreed-upon procedures for financial statements.

(2) Fees paid to organizations belonging to the same network as the independent auditor (excluding the above item (1))

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		**2024**	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
The Company	**¥—**	**¥23**	¥—	¥38	**$—**	**$152**
Consolidated subsidiaries	**3**	**2**	4	1	**20**	**13**
Total	**¥ 3**	**¥25**	¥ 4	¥39	**$20**	**$165**

For the fiscal year ended March 31, 2024
The Company paid fees to organizations belonging to the same network as the independent auditor for non-audit services such as contracted support services for the civil engineering business. Similar fees paid by the Company's consolidated subsidiaries were for non-audit services such as tax return support.

For the fiscal year ended March 31, 2023
The Company paid fees to organizations belonging to the same network as the independent auditor for non-audit services such as contracted analysis and support services for sales of building construction projects. Similar fees paid by the Company's consolidated subsidiaries were for non-audit services such as tax return support.

(3) Fees based on significant audit and attestation services other than the above

For the fiscal years ended March 31, 2024 and 2023
There were no items to be reported.

(4) Policy on determination of audit fees
The Company determined audit fees by examining audit plans prepared by the independent auditor with the consent of the Audit and Supervisory Committee.

(5) Reason for which the Audit and Supervisory Committee consented to fees paid to the independent auditor
The Audit and Supervisory Committee verified the validity and appropriateness of the audit plans submitted by the independent auditor, and scrutinized basis for the calculation such as time to be spent for the audit and unit rate of the fees, as well as its contents. The Committee has given its consent required by Article 399, Paragraph 1 of the Companies Act after confirming that fees are reasonable and valid.

Independent Auditor's Report

To the Board of Directors of HAZAMA ANDO CORPORATION:

Report on the Audit of the Consolidated Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, 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**
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 ¥348,717 million, representing 88% of the Revenues in the consolidated financial statements. As described in Note 2 "Summary of Significant Accounting Policies, (16) 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. Measuring this progress is calculated as the percentage of incurred construction costs to the total construction costs. As described in Note 2 "Summary of Significant Accounting Policies, (20) Significant accounting estimates (Estimate of total construction costs in relation to revenue recognition)" to the consolidated financial statements, total construction costs are based on the past construction works and reflect conditions specific to each project. Therefore, the preparation of a project budget, which provided the basis for estimating total construction costs for the project, involved a high degree of uncertainty. Specifically, management's determination of the following aspects of construction had a significant effect on the estimated total construction costs at the end of the fiscal year. • Whether the work necessary to fulfill the construction contract was identified and the estimated costs were included in the project budget; and • Whether any changes in work due to changes in circumstances that occurred subsequent to the start of construction were reflected within the project budget in a timely and appropriate manner. We, therefore, determined that our assessment of the reasonableness of the Company' estimate of total construction costs in relation to revenue recognition was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, the key audit matter.	The primary procedures we performed to assess whether the Companies' estimate of total construction costs in relation to revenue recognition was reasonable included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of preparing a project budget. In this assessment, we focused our testing on the following controls: • controls to ensure compliance with the internal rules for preparing a project budget, including how to accumulate work hours of each activity, what information and data to be used, and how to reflect the risk of any uncertainties within the budget; and • controls to reflect any changes in circumstances that occur after the start of construction within the project budget in a timely and appropriate manner. (2) Assessment of the reasonableness of the estimated total construction cost We selected mainly construction contracts for which revenues from completed construction contracts exceeded a certain amount and those for which construction margin changed by more than a certain level, etc. as construction contracts for which estimated total construction costs or their changes might have a significant effect. In order to assess the reasonableness of the key assumptions adopted in preparing the project budgets, which were used as the basis for estimating total construction costs, for the selected construction contracts, among others, we: • assessed whether the estimated costs of construction work necessary to fulfill the construction contract were included in the project budget by inquiring the personnel responsible for construction work about relationships between cost items and amounts of the project budget and the content of the relevant activities and comparing the estimated costs with various documents obtained, such as a construction timeline; • compared the total of the actual cost of constructions and the future expected amount with the initial project budget, examined variances between them, and assessed whether the causes of those variances were reflected in the project budget to assess the accuracy of the project budget; and • inquired of several people, including the personnel responsible for construction work and the head of accounting, about their judgment on any changes in circumstances that occurred after the start of construction and updates of the project budget as well as compared their responses with the internal and external documents, that served as the basis for their responses, to assess the appropriateness of their judgment.

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. The audit and supervisory committee 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 the Audit and Supervisory Committee 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.

The audit and supervisory committee 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 the audit and supervisory committee 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 the audit and supervisory committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, 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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Note 29 "Fees for Audit and Non-audit Services" of the Financial Review.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 28, 2024

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