

HAZAMA ANDO CORPORATION

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ANNUAL REPORT 2020

Year ended March 31, 2020



**HAZAMA ANDO CORPORATION**

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

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

Taking advantage of Japan's booming construction market, HAZAMA ANDO CORPORATION has boosted its profitability through productivity improvements and other measures, and expanded its capital base by stabilizing and strengthening its management and financial foundations.

HAZAMA ANDO CORPORATION aspires to be a company that meets the expectations of society, with mutual growth and development. To achieve this, we will generate innovation throughout the corporate group with reliable technology and passion, new ideas and flexible thinking, dynamic actions. Further, we seek to realize a prosperous society in which people can live with peace of mind and comfort, and to establish our history and tradition as HAZAMA ANDO CORPORATION.

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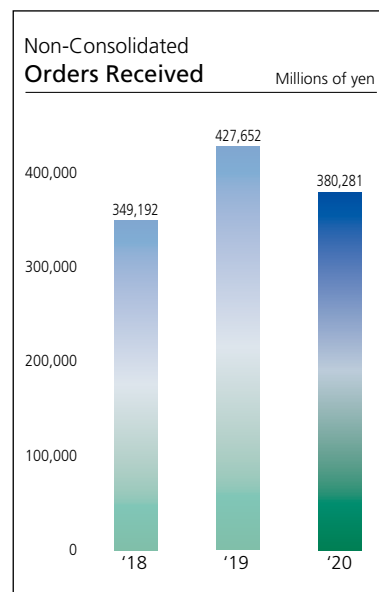
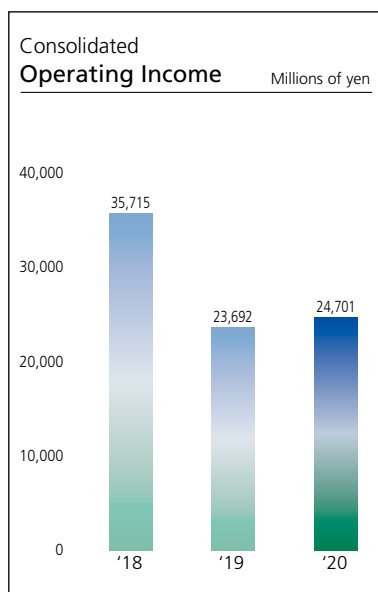
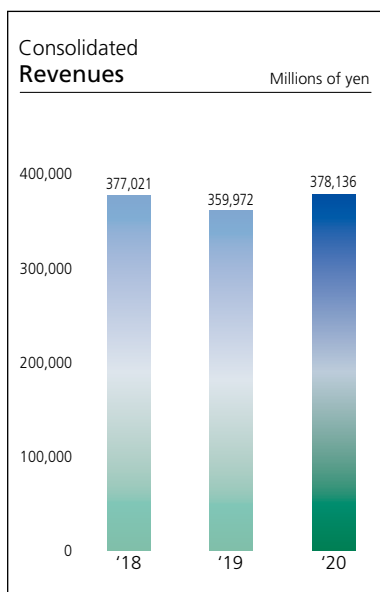
# Financial Highlights

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

Consolidated	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Revenues	<b>¥378,136</b>	¥359,972	¥377,021	<b>\$3,474,556</b>
Operating income	<b>24,701</b>	23,692	35,715	<b>226,968</b>
Profit attributable to owners of parent	<b>16,804</b>	8,863	23,862	<b>154,406</b>
Total assets	<b>339,772</b>	349,657	329,778	<b>3,122,045</b>
Net assets	<b>136,899</b>	133,683	122,400	<b>1,257,916</b>

	Yen			U.S. dollars
Basic profit attributable to owners of parent per share	<b>¥ 84.42</b>	¥ 45.21	¥ 128.97	<b>\$ 0.78</b>
Net assets per share	<b>704.86</b>	664.78	651.77	<b>6.48</b>

Note: U.S. dollar amounts in this annual report are translated from yen at the rate of ¥108.83 to US\$1.00 for convenience.



## Message from the President

I would like to express our deepest condolences to those who have lost loved ones as a result of COVID-19, and everyone who has suffered hardship during this time. I also wish a speedy recovery to those who have been affected by COVID-19 and currently receive treatment.

HAZAMA ANDO CORPORATION has continued to move forward with construction projects while giving the utmost consideration to the health of employees, as well as customers, partners firms, and all stakeholders. We will continue to conduct business while taking strict measures to prevent the spread of the virus.

In February 2020, HAZAMA ANDO CORPORATION announced the Hazama Ando Vision 2030, outlining our company vision for the next decade. We also formulated the Medium-term Management Plan (FY3/21–FY3/23) as the first step toward achieving this long-term goal, and launched specific actions based on it. By reforming our business portfolio, and establishing a robust foundation for earnings resistant to fluctuations in the business environment, we aim to achieve sustainable growth and enhance our enterprise value.

The construction industry has been growing steadily up to now, but recently the impacts from COVID-19 have increased uncertainties in economy of Japan as well as the world. I believe during uncertain times like this, that it is essential for us to carefully consider the longer term, to be flexible to cope with challenges, and to steadily implement necessary measures for further growth, in order to create new value for HAZAMA ANDO CORPORATION Group.



We will continue to focus on safety and quality, move forward in a concerted way to become a corporate group that is trusted by society, and grow together with it. We thank you and look forward to your continued understanding and support.

Masato Fukutomi  
*Representative Director and President*

# Business Conditions and Outlook

## 1 Summary of Business Activities

The Japanese economy had been recovering at a moderate pace during the fiscal year ended March 2020, but economic conditions have deteriorated rapidly as a result of the spread of COVID-19, suppressing both domestic and foreign demand, resulting in an extremely harsh situation.

Looking ahead, the difficult circumstances caused by COVID-19 are expected to continue, and it will be necessary to remain sufficiently vigilant regarding risks that could further suppress demand in Japan and abroad, and to observe closely such factors as shifts in financial markets.

In the construction industry, while public sector investment in construction remains firm, private sector investment is declining as a result of growing uncertainty surrounding the economic outlook.

Under such conditions, HAZAMA ANDO CORPORATION Group recorded consolidated revenues of ¥378.1 billion (+5.0% year on year) for the fiscal year ended March 2020, with operating income of ¥24.6 billion (+4.3%), ordinary income of ¥23.9 billion (+6.6%), and profit attributable to owners of parent of ¥16.8 billion (+89.6%).

Results by business segment are as follows.

### •Civil Engineering

Revenues amounted to ¥124.2 billion (+4.6% year on year), with operating income of ¥16.2 billion (-10.1%).

### •Building Construction

Revenues amounted to ¥227.2 billion (+8.8% year on year), with operating income of ¥11.9 billion (+30.5%).

### •Group Business

Revenues amounted to ¥21.7 billion (-20.4% year on year), with operating income of ¥1.3 billion (+21.3%).

### •Other

Revenues amounted to ¥4.9 billion (-2.6% year on year), with operating income of ¥0.8 billion (+19.8%).

## 2 Future Outlook

Extremely harsh business conditions are expected to continue as a result of COVID-19. It will be necessary to remain sufficiently vigilant regarding risks that could further suppress the economy in Japan and overseas, and to observe closely such factors as shifts in financial markets.

The construction industry continues to face a host of issues, including shrinking construction investment amid long-term population decline, as well as issues of working style reforms, productivity increases, and human resource development to address the steady decline in the number of skilled construction workers and aging population. The industry will also need to strengthen measures to achieve decarbonized society, sustainable society.

In addition, should the current impact from COVID-19 be prolonged, issues of business continuity might also arise such as shrinking private sector investment as corporate earnings deteriorate, revisions to public sector construction investment due to reduced tax revenue, delays in procurement of materials from reduced efficiency in the global supply chain, and health and safety management to protect workers from infection.

Under such circumstances, HAZAMA ANDO CORPORATION Group will steadily implement the Hazama Ando Vision 2030 formulated in February 2020, and the measures in the Medium-term Management Plan (FY3/21–FY3/23) to achieve this long-term vision. Through strategic growth investments, the Group will further strengthen its mainstay construction business, and take proactive steps to reform its business portfolio by bolstering non-construction businesses. HAZAMA ANDO CORPORATION Group will be flexible to cope with challenges in the business environment, accelerate reforms, and secure a firm foundation for earnings in an effort to create new value.

HAZAMA ANDO CORPORATION Group, under its basic policy for business activities of “Secure, Safe, and High-quality Construction,” will steadily implement the key measures of its Medium-term Management Plan, ensure safety management, quality control, and strict compliance, and aim to become a corporate group that is trusted by society, and grows together with it.

An overview of the Hazama Ando Vision 2030 and Medium-term Management Plan are as follows.

### Overview of Hazama Ando Vision 2030

#### 1. Long-term vision

##### **Accelerate innovation to create new value**

- Create customer value
- Create shareholder value
- Create environmental value
- Create employee value

#### 2. Content of measures

- Construction business: Further strengthen capabilities for winning orders, worksite skill, and profitability
- Non-construction businesses: Establish a source of earnings centered on the energy sector

#### 3. Long-term targets

Consolidated ordinary income of 40 billion yen, with 25% of those earnings from non-construction businesses

### Overview of Medium-term Management Plan (FY3/21–FY3/23)

#### 1. Priority Measures

##### (1) Domestic construction business

- Continue measures for large-scale, complex projects, drawing on civil engineering experience and technological advantages.
- Strengthen the electric power and energy section.
- Concentrate on the maintenance and renovation businesses, such as renovation projects for expressways and water/sewage facilities.
- Utilize energy management technologies to strengthen proposal capabilities.
- Strengthen the construction business with measures for redevelopment projects.

##### (2) Overseas construction business

- Bolster structure through alliance with local partners.
- Enhance development of internationally-capable staff.

##### (3) Energy-related business

- Collaborate with partner firms to expand sources of earnings in the energy sector.
- Create environmental value through renewable energy business.

##### (4) Lifecycle support business

- Provide solution-oriented management to optimize lifecycle costs and extend the service life of facilities.

##### (5) Real estate business/Infrastructure management business

- Enter the service business by acquiring yieldable properties and measures for real estate development.
- Strengthen the business of infrastructure management (PPP, PFI, etc.).

##### (6) Technology development

- Develop productivity enhancement technologies and management systems utilizing AI, ICT, and BIM/CIM.
- Develop labor-saving technologies for the design and quantity surveying processes.
- Develop technologies that expand use of PCa materials to enhance productivity.
- Develop and enhance earthquake resistance technologies for disaster risk reduction.
- Develop, verify, and implement energy management technologies to support a decarbonized society.
- Utilize and enhance ZEB technologies by applying them to projects.

##### (7) Group companies, partner firms, employees

- Strengthen measures to achieve a five-day workweek schedule, and implement working style reforms.
- Instill integrity, and foster a corporate culture that continually heightens awareness of compliance.

#### 2. Consolidated Target Figures

	FY3/23 (Final year of plan)
Ordinary income	¥30bn
ROE	12%
Payout ratio	Over 50%

## Start of Verification Testing for the “Hazama Ando Next-generation Energy Project” to Reduce CO<sub>2</sub> Emissions from Buildings across a Wide Area

The Hazama Ando Next-generation Energy Project was launched in September 2018 as an initiative to solve Japan’s energy problems. Verification testing began in April 2020.

Three types of tests are being conducted at several energy demand points in separate locations (wide-area structures), including the company’s Technical Research Institute.

- 1) A power generating plant has been established combining fuel cells able to use CO<sub>2</sub>-free hydrogen\* as fuel, and a cogeneration system with natural gas energy generating facilities. The heat generated is supplied to lodging facilities and other structures on the site.
- 2) The main building of the Technical Research Institute has reduced its energy demand by using existing energy saving technologies, and these energy savings are allocated for energy circulation across a wide area.
- 3) The low-CO<sub>2</sub> power generated from the plant is transmitted to several wide-area demand points through a stand-alone consignment system.

This system allows for integrated control of electricity and heat use at the three facilities, as well as the forecasting of demand at buildings with different purposes (research center, factory, worksite), and precise control of supply from the cogeneration



Next-generation low-CO<sub>2</sub> cogeneration plant

plant. Through a process of data accumulation, testing, and improvement, the company aims to achieve optimal low-CO<sub>2</sub> energy management.

Through this project, HAZAMA ANDO CORPORATION is contributing the realization of a decarbonized society, sustainable society.

\* CO<sub>2</sub>-free hydrogen:

- Hydrogen with low emissions of greenhouse gases at the time of manufacture
- Hydrogen manufactured using methods that greatly reduce the volume of CO<sub>2</sub> emissions
- Hydrogen recognized as more environmental, focusing on the volume of CO<sub>2</sub> emissions at the manufacturing stage

## Construction Progress Management System Using 4K Fixed Point Cameras –Work progress visualized with 3D image rendering and AI detection of construction machineries, enhancing productivity–

The Video Progress Management System Development Consortium led by HAZAMA ANDO CORPORATION has developed a construction progress management system using 4K fixed point cameras that efficiently monitors the progress of work at construction sites.

The core of the system is integrated by four main functions: 1) Superimposed display of construction information modeling/management (CIM) and other 3D data in the video; 2) Real-time calculation of distance and area of any location in the video; 3) AI detection to recognize dump trucks and other moving construction machineries, and create progress reports; and 4) Creation of an orthographic (overhead) image from the video. The consolidated information can be viewed from anywhere through a browser.

This system has been trialed with a seawall embankment work project, confirming the effectiveness of construction

progress management for the construction site. In addition, the development and trial of this system was conducted as part of the fiscal 2019 Public/Private R&D Investment Strategic Expansion Program (PRISM) of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).



System screen (shown with CIM data)

## SBT Certification and Participation in the RE100 Initiative

HAZAMA ANDO CORPORATION has set targets for reductions in greenhouse gases to aim for environmental conservation and harmony. In December 2019, these targets were certified by the international initiative Science Based Targets (SBT) as “science-based” standards necessary to meet the goals of the Paris Agreement (to limit global warming to well below 2°C above pre-industrial levels, and pursue efforts to limit warming to 1.5°C).

HAZAMA ANDO CORPORATION has also joined RE100, an international initiative that aims to substitute the electricity used in its business activities with 100% renewable energy.

Going forward, to achieve the goals of SBT and RE100, in addition to procuring renewable energy and participating in business projects, HAZAMA ANDO CORPORATION will accelerate development of Next-generation Energy Project and other technologies, and steadily implement measures to realize

a decarbonized society, recycling-oriented society, and leave a fertile global environment for the next generation.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



THE CLIMATE GROUP 

## Utilization of ZEB Technologies

The ZEB Promotion Office was established in May 2019 to accelerate the development of net zero energy building (ZEB) technologies and enhance design capabilities. HAZAMA ANDO CORPORATION's design and construction portfolio includes projects certified as “ZEB Ready” (energy savings of 50% or more compared to benchmark building energy consumption), and the company is accelerating its efforts for buildings categorized as eco-friendly ZEB. These efforts and track record were recognized in October 2019 with the registration of HAZAMA ANDO CORPORATION as a ZEB Planner.

In addition, in conjunction with the Hazama Ando Next-generation Energy Project, the main building of the Technical Research Institute was renovated utilizing ZEB-related technologies, and verification testing is being conducted for

“planned operational management of energy demand using an energy-saving system,” in which the portion of energy demand saved is apportioned for energy circulation across a wide area. HAZAMA ANDO CORPORATION is building a track record for ZEB, and contributing to the creation of a sustainable society.



## Presentation of the Hazama Ando Vision 2030

In February 2020, HAZAMA ANDO CORPORATION held an explanatory meeting for analysts at its head office to present its long-term vision “Hazama Ando Vision 2030,” along with the Medium-term Management Plan (FY3/21-FY3/23) that is the first stage to realizing this strategy. President Masato Fukutomi presented the management indicators the company aims to achieve over the next decade, and explained the strategies for business portfolio reform and growth investments that further strengthen the business foundation, and provide sustainable growth. Going forward, HAZAMA ANDO CORPORATION will continue to create opportunities for communication and

proactively engage with stakeholders in order to deepen understanding of the company's business and key strategies.



Explanatory briefing

# Review of Operations

## Major Orders Received

- Metropolitan Area Tunnel No.1 (Onoji construction area)/ Central Japan Railway Company (Japan)
- Fuji Foods Wangan Funabashi Factory Extension Work/ F Holdings Co. Ltd., Fuji Foods Co. Ltd. (Japan) ①
- Nagdhunga Tunnel Construction Project/Development Cooperation Implementation Division, Department of Roads, Ministry of Physical Infrastructure and Transport (Nepal) ②
- The Project for Improvement of Okinawa Road/ Autonomous Government of Department of Santa Cruz Plurinacional State of Bolivia (Bolivia) ③
- BROTHER INDUSTRIES (VIETNAM) LTD. BIVN New No.5 Factory Reconstruction Project/BROTHER INDUSTRIES (VIETNAM) LTD. (Vietnam) ④



①



②



③



④

## Major Projects in Progress

- Komagome Dam Main Construction Work/Tosei Area Branch Office in Aomori Prefecture (Japan)
- Hokkaido Shinkansen, Oshima Tunnel (Kaminoyu section) Construction Work/Japan Railway Construction, Transport and Technology Agency (Japan)
- Sagamihara Kyodo Hospital Construction Work/National Federation of Agricultural Cooperative Associations (Japan)
- PACKAGE-1, CONSTRUCTION OF GYAING KAWKAREIK BRIDGE/Department of Bridge, Ministry of Construction (Myanmar) ⑤
- CROIX-DES-MISSIONS Bridge and New Road Bridge Construction Project/Ministry of Public Works, Transport and Communications, Republic of Haiti (Haiti) ⑥





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## Major Projects Completed

- Yokohama Ring Expressway North-West Line Shield Tunnel Construction Work/City of Yokohama (Japan) 7
- Kyoto Min-iren Chuo Hospital Construction Work/Public Interest Incorporated Associations KYOTO HOKENKAI (Japan)
- The Project for Improvement and Extension of Water Supply System in Comayagua City/Municipality of Comayagua, the Republic of Honduras (Honduras) 8
- The Project for Reconstruction of the Bridges on the National Road No.9/Department of Roads Ministry of Public Works and Transport Lao People's Democratic Republic (Laos) 9
- The Program for Rehabilitation and Recovery from Nepal Earthquake (the Subproject of reconstruction of Paropakar Maternity and Women's Hospital, and Reconstruction of Bir Hospital)/Ministry of Health and Population, Federal Democratic Republic of Nepal (Nepal)
- Unipres Alabama, Hot press and assemble area expansion Project/UNIPRES Alabama,Inc. (U.S.A) 10



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# Corporate Governance

## ● Basic Policy

HAZAMA ANDO CORPORATION seeks to contribute to the advancement of society and its customers' business development through business activities founded on "Safe, Reliable, High-Quality Manufacturing." We recognize that maintaining and improving a management system able to respond flexibly to changes in the business environment, along with transparency and fairness in management oversight, is essential to achieve this goal. Accordingly, we continually pursue measures to enhance corporate governance.

## ● Matters Regarding Corporate Functions including Business Execution, Auditing/Supervision, Nominating and Determination of Compensation

To strengthen its corporate governance, HAZAMA ANDO CORPORATION has maintained a clear distinction between the decision-making and operational oversight functions of the directors and Board of Directors, and the business execution function of the Management Meeting, executive officers and the Meeting of Executive Officers. The specific functions are as follows.

### 1. Directions

The term for directors is fixed at one year to further clarify the management responsibility of directors, and to provide an optimal management structure responsive to changes in the business environment. Further, directors are classified into those with business execution responsibility and those without. HAZAMA ANDO CORPORATION does not have the position of "executive director," and only makes a distinction between "representative director" and "director." Non-business execution directors sign contracts with the Company that limits liabilities for damages to an amount prescribed by law.

### 2. Board of Directors

The Board of Directors consist of nine members as of June 26, 2020 (including three external directors, two of whom are female), comprising executive and non-executive directors. External directors, who are non-executive directors, serve in roles based on their experience and insights, including supervision and providing advice on management. The Board of Directors meets monthly to make decisions on important matters regarding management, and to supervise the business execution.

### 3. Management Meeting

The Management Meeting meets monthly to discuss policies for management strategies and other matters, to confirm the progress of business plans, and to diversify and strengthen policy-proposing capabilities.

### 4. Executive Officer System

The number of executive officers is twenty-eight (28) as of June 26, 2020 (including six executive officers who concurrently serve as a director). HAZAMA ANDO CORPORATION has established the seven officer categorized as "president," "vice president," "chairman," "vice chairman," "senior managing executive officer," "managing executive officer" and "executive officer." We have clarified the responsibilities for the operations under each executive officer management, and limited the term to one year to enhance the mobility and flexibility of the executive officer system. In addition, we clarified the authorities and responsibilities for the operation of each executive officer based on a resolution of the Board of Directors. A compensations system to reflect the performance of operation under each executive officer has been introduced.

### 5. Meeting of Executive Officers

The Meeting of executive officers is held monthly in accordance with the executive officer system, to enhance the efficiency of consensual decision-making and strengthen operational execution, as well as to ensure that management information is conveyed promptly and accurately along the management line, and to provide for the sharing of information among departments.

### 6. The Audit Committee

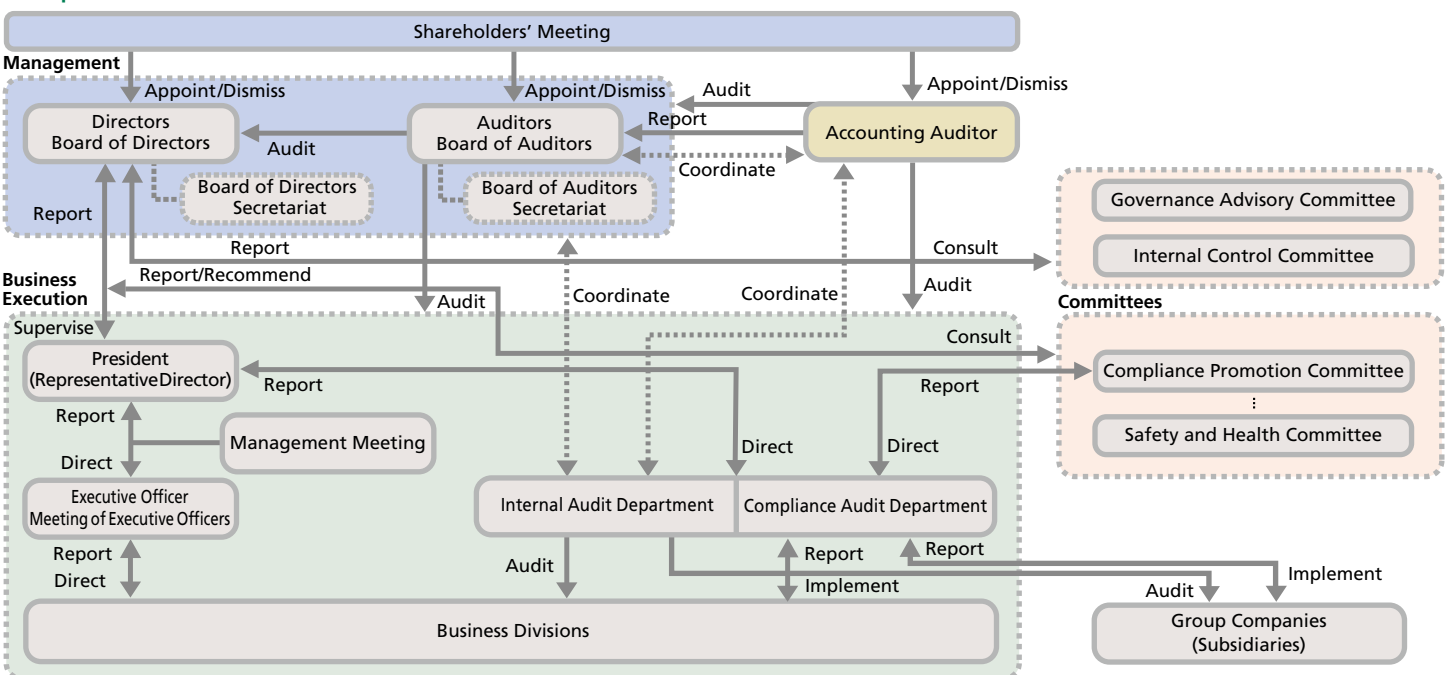
The Board of Auditors comprises four members as of June 26, 2020 including two full-time auditors, and two non-regular external auditors. Auditors including external auditors, in accordance with auditing standards established by the Board of Auditors, and in line with the auditing policies for each fiscal period, division of duties and other rules, maintains communication with directors, the Internal Auditing Department and other employees. Auditors attend meetings of the Board of Directors and other important meetings, receive reports and explanations from directors and employees regarding the status of the execution of their duties, review important documents and others, and conduct audits at the head office and other major business locations. External auditors sign contracts with the Company that limits liabilities for damages to an amount prescribed by law.

### 7. Various Committees

HAZAMA ANDO CORPORATION has established committees to advise the Board of Directors, including the Governance Advisory Committee to submit reports on matters related to the nomination and compensation for directors and other executives, and the Internal Control Committee to submit reports on matters related to the continual improvement of the internal control system overall.

Various committees have also been established to streamline management operations, including the Compliance Promotion Committee, providing advice regarding compliance matters, and the Central Safety and Health Committee, providing advice regarding health and safety issues.

## ● Corporate Governance and Internal Control Structure



# Consolidated Financial Review

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 2020, 2019, 2018, 2017 and 2016

## Summary

	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
<b>Operating results:</b>						
Revenues						
Construction contracts	¥358,191	¥334,245	¥348,879	¥378,983	¥360,869	\$3,291,289
Other activities	19,945	25,727	28,142	29,011	18,389	183,267
Total	378,136	359,972	377,021	407,994	379,258	3,474,556
Cost of sales	330,918	314,180	319,666	348,836	334,524	3,040,687
Gross profit	47,218	45,792	57,355	59,158	44,734	433,869
Selling, general and administrative expenses	22,517	22,100	21,640	22,140	19,277	206,901
Operating income	24,701	23,692	35,715	37,018	25,457	226,968
Profit attributable to owners of parent	16,804	8,863	23,862	26,277	14,984	154,406
<b>Financial position:</b>						
Total assets	¥339,772	¥349,657	¥329,778	¥318,387	¥300,368	\$3,122,045
Total liabilities	202,873	215,974	207,378	217,643	223,390	1,864,129
Total net assets	136,899	133,683	122,400	100,744	76,978	1,257,916
<b>Cash flows:</b>						
Cash flows from operating activities	¥(3,103)	¥5,900	¥38,127	¥(1,802)	¥34,722	\$(28,512)
Cash flows from investing activities	(3,016)	(2,357)	(2,261)	6,317	(12,016)	(27,713)
Cash flows from financing activities	(13,244)	(7,780)	(3,962)	(3,376)	5,941	(121,694)
	Yen					U.S. dollars
<b>Per share amounts:</b>						
Profit attributable to owners of parent						
Basic	¥84.42	¥45.21	¥128.97	¥142.30	¥81.03	\$0.78
Diluted	84.40	44.20	119.41	131.60	80.96	0.78
Dividends						
Common stock	30.00	30.00	25.00	20.00	12.00	0.28
Net assets	704.86	664.78	651.77	541.43	411.76	6.48

Note: 1. U.S. dollar amounts in this annual report are translated from yen at the rate of ¥108.83 to US\$1.00 for convenience.  
2. The dividend per share for 2018 includes a ¥5 special dividend.

## Financial Review

### Revenues

Revenues in fiscal 2020 totaled ¥378,136 million (US\$3,474,556 thousand), of which ¥358,191 million (US\$3,291,289 thousand) came from construction projects and ¥19,945 million (US\$183,267 thousand) from other activities. These two business segments accounted for 94.7% and 5.3%, respectively, of total revenues.

### Costs and Expenses

Cost of sales amounted to ¥330,918 million (US\$3,040,687 thousand), which is equivalent to 87.5% of revenues. Selling, general and administrative expenses amounted to ¥22,517 million (US\$206,901 thousand), which is equivalent to 6.0% of revenues. Operating income reached ¥24,701 million (US\$226,968 thousand), and the operating margin was 6.5%. Profit attributable to owners of parent amounted to ¥16,804 million (US\$154,406 thousand). Basic profit attributable to owners of parent per share was ¥84.42 (US\$0.78). HAZAMA ANDO CORPORATION paid dividend of ¥15 (US\$0.138) per share for the fiscal year ended March 31, 2019 on June 28, 2019, and paid interim dividend of ¥15 (US\$0.138) per share for the fiscal year ended March 31, 2020 on December 4, 2019.

### Financial Position and Analysis

Total assets amounted to ¥339,772 million (US\$3,122,045 thousand), total liabilities amounted to ¥202,873 million (US\$1,864,129 thousand), and total net assets amounted to ¥136,899 million (US\$1,257,916 thousand) at the end of fiscal 2020.

Net worth to total assets ratio was 40.0%. Net assets per share amounted to ¥704.86 (US\$6.48).

### Cash Flows

Cash and cash equivalents at the end of the year decreased by ¥19,632 million (US\$180,391 thousand) to ¥115,462 million (US\$1,060,939 thousand).

Net cash used in operating activities amounted to ¥(3,103) million (US\$(28,512) thousand) mainly as the result of income before income taxes amounted to ¥24,455 million (US\$224,708 thousand), decrease in advances received on uncompleted construction contracts amounted to ¥15,154 million (US\$139,245 thousand), increase in notes and accounts payable amounted to ¥6,339 million (US\$58,247 thousand) and income taxes paid amounted to ¥5,327 million (US\$48,948 thousand).

Net cash used in investing activities amounted to ¥(3,016) million (US\$(27,713) thousand) mainly as a result of purchase of property, plant and equipment amounted to ¥3,805 million (US\$34,963 thousand).

Net cash used in financing activities amounted to ¥(13,244) million (US\$(121,694) thousand) mainly as a result of repayment of long-term loans payable amounted to ¥7,398 million (US\$67,978 thousand), cash dividends paid amounted to ¥6,004 million (US\$55,169 thousand), purchase of treasury stock amounted to ¥5,066 million (US\$46,550 thousand) and proceeds from long-term loans payable amounted to ¥5,304 million (US\$48,737 thousand).

### Construction Business (Non-Consolidated Construction Projects)

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

Revenues	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
Civil engineering						
Domestic						
Government sector	¥78,588	¥70,268	¥88,070	¥99,198	¥85,772	\$722,117
Private sector	35,983	40,531	34,072	31,434	32,721	330,635
Overseas	9,743	7,991	5,331	3,543	4,002	89,525
Subtotal	124,314	118,790	127,473	134,175	122,495	1,142,277
Building construction						
Domestic						
Government sector	30,131	26,932	27,716	45,292	29,404	276,863
Private sector	180,720	161,430	168,806	169,470	171,296	1,660,571
Overseas	16,363	20,497	19,473	24,161	32,762	150,354
Subtotal	227,214	208,859	215,995	238,923	233,462	2,087,788
Total construction projects	¥351,528	¥327,649	¥343,468	¥373,098	¥355,957	\$3,230,065

Revenue from the civil engineering category accounted for ¥124,314 million (US\$1,142,277 thousand), or 35.4% of total revenue from construction projects, with domestic projects contributing ¥114,571 million (US\$1,052,752 thousand), or 92.2%.

The government sector contributed ¥78,588 million (US\$722,117 thousand), or 68.6%, of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥35,983 million (US\$330,635 thousand), or 31.4% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥9,743 million (US\$89,525 thousand), equivalent to 7.8% of total revenue in the civil engineering category.

Revenue from the building construction category accounted for ¥227,214 million (US\$2,087,788 thousand), or 64.6% of total construction revenue. Domestic projects accounted for ¥210,851 million (US\$1,937,434 thousand), or 92.8%.

The government sector contributed ¥30,131 million (US\$276,863 thousand), or 14.3%, of total domestic building construction revenue, while private-sector building construction revenue amounted to ¥180,720 million (US\$1,660,571 thousand), or 85.7%, of total domestic building construction revenue. Overseas building construction revenue reached ¥16,363 million (US\$150,354 thousand), equivalent to 7.2% of total revenue in the building construction category.

Total overseas construction revenue reached ¥26,106 million (US\$239,879 thousand) and accounted for 7.4% of total construction revenue. Civil engineering projects accounted for 37.3% of this total, and building construction for 62.7%.

Orders Received	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
Civil engineering	¥193,575	¥192,179	¥123,469	¥193,008	¥123,292	\$1,778,691
Building construction	186,706	235,473	225,723	236,278	238,922	1,715,575
Total construction projects	¥380,281	¥427,652	¥349,192	¥429,286	¥362,214	\$3,494,266

Orders received for construction projects during fiscal 2020 amounted to ¥ 380,281 million (US\$3,494,266 thousand). Overseas work contributed 8.5% of orders in the construction category. Civil engineering orders amounted to ¥193,575 million (US\$1,778,691 thousand), or 50.9% of total construction orders. Building construction orders amounted to ¥186,706 million (US\$1,715,575 thousand), which is equivalent to 49.1% of total construction orders.

Year-end Backlog	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
Civil engineering	¥364,120	¥294,914	¥221,679	¥226,120	¥167,343	\$3,345,769
Building construction	182,579	223,318	196,300	186,748	189,780	1,677,653
Total construction projects	¥546,699	¥518,232	¥417,979	¥412,868	¥357,123	\$5,023,422

Order backlog for construction projects at the end of fiscal 2020 amounted to ¥546,699 million (US\$5,023,422 thousand), with civil engineering work accounting for ¥364,120 million (US\$3,345,769 thousand), or 66.6%, and building construction for ¥182,579 million (US\$1,677,653 thousand), or 33.4%.

# Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries  
March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 4 and 26)	¥102,972	¥120,303	\$946,173
Marketable securities (Notes 3 and 26)	14,000	16,000	128,641
Receivables (Note 26):			
Notes	2,930	8,236	26,923
Accounts	134,800	110,518	1,238,629
Inventories (Notes 6 and 9)	9,615	12,786	88,349
Other (Note 8)	13,280	18,298	122,026
Less allowance for doubtful accounts	(14)	(12)	(129)
<b>Total current assets</b>	<b>277,583</b>	<b>286,129</b>	<b>2,550,612</b>
<b>Property, plant and equipment (Notes 8, 10, 15, 16 and 17):</b>			
Land	15,505	15,057	142,470
Buildings and structures	22,297	20,602	204,879
Machinery and equipment	11,456	10,780	105,265
Other	1,467	1,072	13,480
	50,725	47,511	466,094
Less accumulated depreciation	(21,577)	(20,583)	(198,263)
<b>Net property, plant and equipment</b>	<b>29,148</b>	<b>26,928</b>	<b>267,831</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 3, 8 and 26)	18,513	22,269	170,109
Investments in unconsolidated subsidiaries and affiliates	185	173	1,700
Long-term loans receivable (Note 8)	145	439	1,332
Deferred tax assets (Note 20)	9,528	8,428	87,549
Other (Note 8)	4,671	5,291	42,921
Less allowance for doubtful accounts	(1)	(0)	(9)
<b>Total investments and other assets</b>	<b>33,041</b>	<b>36,600</b>	<b>303,602</b>
<b>Total assets</b>	<b>¥339,772</b>	<b>¥349,657</b>	<b>\$3,122,045</b>

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Short-term loans payable (Notes 7 and 26)	¥12,258	¥12,264	\$112,634
Current maturities of long-term loans payable (Notes 7 and 26)	5,133	6,875	47,165
Current portion of bonds (Notes 7 and 26)	342	358	3,143
Payables (Note 26):			
Notes	20,203	17,873	185,638
Accounts	61,658	58,019	566,553
Income taxes payable	4,812	2,437	44,216
Advances received (Note 18)	34,244	49,157	314,656
Accrued expenses	38	61	349
Provision for losses on construction contracts (Note 9)	955	1,734	8,775
Provision for losses on fire disaster	6,699	7,743	61,555
Other	33,045	35,383	303,639
Total current liabilities	179,387	191,904	1,648,323
<b>Long-term liabilities:</b>			
Bonds (Notes 7 and 26)	692	712	6,359
Long-term loans payable, less current maturities (Notes 7 and 26)	8,713	9,065	80,061
Net defined benefit liability (Note 19)	12,776	12,959	117,394
Provision for environmental spending	148	152	1,360
Provision for management board incentive plan trust	94	108	864
Deferred tax liabilities (Note 20)	46	46	423
Other	1,017	1,028	9,345
Total long-term liabilities	23,486	24,070	215,806
Total liabilities	202,873	215,974	1,864,129
<b>Net assets (Notes 22 and 23):</b>			
<b>Shareholders' equity:</b>			
Capital stock			
Common stock	Authorized - 400,000,000 shares		
	Issued - 200,343,397 shares	17,006	156,262
Capital surplus		19,926	183,093
Retained earnings		92,945	952,862
Less treasury stock, at cost		(256)	(48,553)
Total shareholders' equity		129,622	1,243,664
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities	1,880	4,483	17,275
Deferred gains or losses on hedges	—	(3)	—
Foreign currency translation adjustment	117	63	1,075
Accumulated remeasurements of defined benefit plans	(1,287)	(1,357)	(11,826)
Total accumulated other comprehensive income	710	3,186	6,524
<b>Share subscription rights</b>	4	5	37
<b>Non-controlling interests</b>	837	870	7,691
Total net assets	136,899	133,683	1,257,916
<b>Total liabilities and net assets</b>	¥339,772	¥349,657	\$3,122,045

# Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Revenues (Notes 12 and 24):</b>			
Construction contracts	¥358,191	¥334,245	\$3,291,289
Other activities	19,945	25,727	183,267
	<b>378,136</b>	<b>359,972</b>	<b>3,474,556</b>
<b>Cost of sales (Notes 13 and 24):</b>			
Construction contracts	314,013	290,868	2,885,353
Other activities	16,905	23,312	155,334
	<b>330,918</b>	<b>314,180</b>	<b>3,040,687</b>
Gross profit	47,218	45,792	433,869
<b>Selling, general and administrative expenses (Notes 14 and 24):</b>	<b>22,517</b>	<b>22,100</b>	<b>206,901</b>
Operating income	24,701	23,692	226,968
<b>Other income (expenses):</b>			
Interest and dividends income	426	513	3,914
Interest expense	(422)	(481)	(3,878)
Foreign exchange loss	(336)	(416)	(3,087)
Compensation for damage	(170)	(455)	(1,562)
Gain on sales of noncurrent assets (Note 16)	87	49	799
Gain on sales of investment securities	255	—	2,343
Gain on reversal of provision for losses on fire disaster	733	—	6,735
Loss on sales of noncurrent assets (Note 17)	(30)	—	(275)
Loss on sales of investments securities	(143)	—	(1,314)
Loss on valuation of investments securities	(70)	—	(643)
Impairment loss (Note 15)	—	(46)	—
Loss on litigation	(47)	(149)	(432)
Losses on fire disaster	(315)	(9,333)	(2,894)
Other, net	(214)	(358)	(1,966)
	<b>(246)</b>	<b>(10,676)</b>	<b>(2,260)</b>
<b>Income before income taxes</b>	<b>24,455</b>	<b>13,016</b>	<b>224,708</b>
<b>Income taxes (Note 20):</b>			
Current	7,875	7,153	72,361
Deferred	(147)	(3,003)	(1,351)
	<b>7,728</b>	<b>4,150</b>	<b>71,010</b>
<b>Profit</b>	<b>16,727</b>	<b>8,866</b>	<b>153,698</b>
<b>Profit attributable to non-controlling interests</b>	<b>(77)</b>	<b>3</b>	<b>(708)</b>
<b>Profit attributable to owners of parent</b>	<b>¥16,804</b>	<b>¥8,863</b>	<b>\$154,406</b>
	Yen		U.S. dollars (Note 1)
	2020	2019	2020
<b>Per share amounts (Note 25):</b>			
Profit attributable to owners of parent			
Basic	¥84.42	¥45.21	\$0.78
Diluted	84.40	44.20	0.78
Cash dividends applicable to the year			
Common stock	30.00	30.00	0.276

See accompanying notes.



# Consolidated Statements of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Profit</b>	<b>¥16,727</b>	<b>¥8,866</b>	<b>\$153,698</b>
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	(2,602)	(125)	(23,909)
Deferred gains or losses on hedges	3	17	28
Foreign currency translation adjustment	104	(100)	956
Remeasurements of defined benefit plans	69	(361)	634
Total other comprehensive income (Note 21)	(2,426)	(569)	(22,291)
<b>Comprehensive income</b>	<b>14,301</b>	<b>8,297</b>	<b>131,407</b>
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	14,328	8,320	131,655
Comprehensive income attribute to non-controlling interests	(27)	(23)	(248)

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

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

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
Balance at April 1, 2018	¥12,651	¥15,643	¥89,829	¥(295)
Conversion of Convertible bond-type bonds with Subscription rights to shares	4,355	4,355		
Cash dividends paid			(5,796)	
Profit attributable to owners of parent			8,863	
Disposal of treasury stock		(5)		41
Acquisition of treasury stock				(2)
Change of scope of consolidation		(5)	49	
Capital reduction of consolidated subsidiaries		(61)		
Net changes in items other than shareholders' equity				
Balance at April 1, 2019	¥17,006	¥19,927	¥92,945	¥ (256)
Cash dividends paid			(6,004)	
Profit attributable to owners of parent			16,804	
Disposal of treasury stock		(1)		38
Acquisition of treasury stock				(5,066)
Change of scope of consolidation			(45)	
Net changes in items other than shareholders' equity				
Balance at March 31, 2020	¥17,006	¥19,926	¥103,700	¥ (5,284)

	Millions of yen						
	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans			
Balance at April 1, 2018	¥4,608	¥(20)	¥135	¥(996)	¥9	¥837	¥122,401
Conversion of Convertible bond-type bonds with Subscription rights to shares							8,710
Cash dividends paid							(5,796)
Profit attributable to owners of parent							8,863
Disposal of treasury stock							36
Acquisition of treasury stock							(2)
Change of scope of consolidation							44
Capital reduction of consolidated subsidiaries							(61)
Net changes in items other than shareholders' equity	(125)	17	(72)	(361)	(4)	33	(512)
Balance at April 1, 2019	¥4,483	¥ (3)	¥63	¥ (1,357)	¥5	¥870	¥133,683
Cash dividends paid							(6,004)
Profit attributable to owners of parent							16,804
Disposal of treasury stock							37
Acquisition of treasury stock							(5,066)
Change of scope of consolidation							(45)
Net changes in items other than shareholders' equity	(2,603)	3	54	70	(1)	(33)	(2,510)
Balance at March 31, 2020	¥1,880	¥—	¥117	¥(1,287)	¥4	¥837	¥136,899

Thousands of U.S. dollars (Note 1)				
	Shareholders' equity			
	Capital stock	Capital surplus	Retained Earnings	Treasury stock
Balance at April 1, 2019	\$156,262	\$183,102	\$854,038	\$(2,352)
Cash dividends paid			(55,169)	
Profit attributable to owners of parent			154,406	
Disposal of treasury stock		(9)		349
Acquisition of treasury stock				(46,550)
Change of scope of consolidation			(413)	
Net changes in items other than shareholders' equity				
Balance at March 31, 2020	\$156,262	\$183,093	\$952,862	\$(48,553)

Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans			
Balance at April 1, 2019	\$41,193	\$(28)	\$579	\$(12,469)	\$46	\$7,994	\$1,228,365
Cash dividends paid							(55,169)
Profit attributable to owners of parent							154,406
Disposal of treasury stock							340
Acquisition of treasury stock							(46,550)
Change of scope of consolidation							(413)
Net changes in items other than shareholders' equity	(23,918)	28	496	643	(9)	(303)	(23,063)
Balance at March 31, 2020	\$17,275	\$—	\$1,075	\$(11,826)	\$37	\$7,691	\$1,257,916

See accompanying notes.

# Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥24,455	¥13,016	\$224,708
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,815	1,794	16,677
Impairment loss	—	46	—
Loss on fire disaster	315	9,333	2,894
Increase (decrease) in allowance for doubtful accounts	3	(21)	28
Increase (decrease) in provision for warranties for completed construction	484	(375)	4,447
Increase (decrease) in provision for loss on construction contracts	(779)	1,382	(7,158)
Increase (decrease) in provision for losses on fire disaster	(1,044)	—	(9,593)
Increase (decrease) in net benefit defined liability	(87)	(57)	(799)
Interest and dividends income	(426)	(513)	(3,914)
Interest expense	422	481	3,878
Foreign exchange loss (gain)	189	(129)	1,737
Loss (gain) on sales of investment securities	(112)	—	(1,029)
Loss (gain) on valuation of investment securities	70	—	643
Loss (gain) on sales of property, plant and equipment	(57)	(52)	(524)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(19,060)	(13,309)	(175,136)
Decrease (increase) in costs on uncompleted construction contracts	2,834	(2,450)	26,041
Decrease (increase) in other inventories	340	(1,097)	3,124
Decrease (increase) in advances paid	1,224	(390)	11,247
Increase (decrease) in notes and accounts payable	6,339	(15,850)	58,247
Increase (decrease) in advances received	(15,154)	20,611	(139,245)
Increase (decrease) in deposit received	(3,101)	13,899	(28,494)
Increase (decrease) in consumption tax payable	281	(8,575)	2,582
Other, net	4,288	(2,005)	39,401
Subtotal	3,239	15,739	29,762
Interest and dividends received	446	473	4,098
Interest paid	(434)	(442)	(3,988)
Compensation for damage paid	(1,027)	(495)	(9,436)
Income taxes paid	(5,327)	(9,375)	(48,948)
Net cash used in operating activities	(3,103)	5,900	(28,512)
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(1,474)	(11,124)	(13,544)
Proceeds from withdrawal of time deposits	1,250	11,458	11,486
Purchase of marketable securities and investment securities	(856)	(1,203)	(7,865)
Proceeds from sales of short-term and long-term investment securities	1,145	109	10,521
Purchase of property, plant and equipment	(3,805)	(1,754)	(34,963)
Proceeds from sales of property, plant and equipment	235	200	2,159
Proceeds from sales of intangible assets	290	—	2,665
Other, net	199	(43)	1,828
Net cash used in investing activities	(3,016)	(2,357)	(27,713)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	9	(4,410)	83
Proceeds from long-term loans payable	5,304	8,637	48,737
Repayments of long-term loans payable	(7,398)	(6,299)	(67,978)
Proceeds from issuance of bonds	358	555	3,290
Redemption of bonds	(394)	(418)	(3,620)
Purchase of treasury stock	(5,066)	(1)	(46,550)
Cash dividends paid	(6,004)	(5,796)	(55,169)
Dividends paid to non-controlling interests	(5)	(5)	(46)
Other, net	(48)	(43)	(441)
Net cash used in financing activities	(13,244)	(7,780)	(121,694)
Effect of exchange rate changes on cash and cash equivalents	(184)	105	(1,691)
Net increase(decrease) in cash and cash equivalents	(19,547)	(4,132)	(179,610)
Cash and cash equivalents at beginning of year	135,094	139,190	1,241,330
Increase in cash and cash equivalents from newly consolidated subsidiary	—	36	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(85)	—	(781)
Cash and cash equivalents at end of year (Note 4)	¥115,462	¥135,094	\$1,060,939

See accompanying notes.

# Notes to Consolidated Financial Statements

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

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of HAZAMA ANDO CORPORATION (“the Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (1) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (“the Companies”). All significant intercompany transactions and unrealized profits and losses among the Companies have been eliminated in consolidation.

All companies are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method.

Investments in remaining unconsolidated subsidiaries and affiliates, which have immaterial effect on the consolidated financial statements, are accounted for at cost. Such investments are adjusted for any non-recoverable diminution in value, and income from these unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends therefrom.

### (2) Revenue and cost recognition

When the outcome of construction contracts can be estimated reliably, the percentage-of-completion method (cost-to-cost method for the estimated progress) is mainly applied. Otherwise the completed-contract method is applied.

### (3) Foreign currency translation

Revenues and expenses denominated in foreign currencies are translated at the rates of exchange prevailing when transactions are made. Assets and liabilities denominated in foreign currencies are generally translated at the rates of foreign exchange prevailing at the balance sheet date and the resulting translation gains or losses are included in earnings.

### (4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, highly liquid investments with maturity of three month or less from the purchase date. See Note 4 as to a reconciliation of cash and cash equivalents reported in the consolidated statements of cash flows with cash and time deposits reported in the consolidated balance sheets.

### (5) Allowance for doubtful accounts

To prepare for credit loss on receivables, collectability of normal receivables is estimated by applying the historical overall credit loss rates, and collectability of doubtful receivables is analyzed individually and the estimated uncollectible amount is recorded.

### (6) Inventories

Inventories are stated at cost as determined on a specific project basis.

#### (7) Securities

Securities of the Companies are classified into one of the following categories based on the intent of holding, and are accounted for as follows:

(a) Debt securities that are intended to be held to maturity (“held-to-maturity debt securities”) are stated at amortized cost.

(b) Securities other than trading securities, held-to-maturity debt securities and shares issued by unconsolidated subsidiaries and affiliated companies which are not accounted for under the equity method (“available-for-sale securities”) are stated at fair market values, if their fair market values are readily determinable. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of these securities are computed using moving-average cost. Available-for-sale securities without readily determinable fair market values are stated at moving-average cost.

#### (8) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payables is recognized in the consolidated statements of income in the period which includes the inception date, and

(b) the discount or premium on the contract (that is the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates and interest rate increases.

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments during the period from the inception date of hedging to the evaluation of hedge effectiveness. However, the evaluation of hedge effectiveness is omitted for interest rate swap contracts as they meet certain hedging criteria.

#### (9) Property, plant and equipment, depreciation

Property, plant and equipment are carried at cost. Depreciation of buildings (excluding facilities attached to buildings) and facilities attached to buildings and structures, which were acquired since April 1, 2016 is mainly recorded on the straight-line method, and depreciation of other property, plant and equipment is recorded on the declining-balance method over estimated useful lives, except that the declining-balance method is applied to buildings of one consolidated subsidiary.

Expenditures for significant renewals and betterments are capitalized, while expenditures for normal repairs and maintenance are charged to expense when incurred.

#### (10) Provision for losses on construction contracts

To prepare for future losses related to construction contracts, the amount of estimated losses is recorded for the construction contracts when losses are probable to occur and such losses can be reasonably estimated.

#### (11) Provision for losses on fire disaster

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

#### (12) Provision for environmental spending

To prepare for the treatment of Polychlorinated Biphenyl waste, which is obligated by the “Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste,” the estimated cost for treatment is recorded.

(13) Provision for management board incentive plan trust

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

(14) Retirement and severance benefits

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount to periods until the end of the current fiscal year on a benefit formula basis. Actuarial differences are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (9 years) commencing with the succeeding period. Prior service costs are recognized in expenses using the straight-line method over period less than the average of the estimated remaining service lives (3 years) commencing with present period.

The Company has calculated retirement and severance benefits and retirement benefit costs under certain lump-sum payment plans using simplified method.

(15) Lease transactions

(a) Finance leases which transfer ownership of leased assets

Leased assets arising from finance lease transactions which transfer ownership to the lessee are depreciated by the same method as the depreciation of fixed assets.

(b) Finance leases which do not transfer ownership of leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as useful life.

(16) Income taxes

The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(17) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon the shareholders' meeting approval.

(18) Amounts per share

Basic profit attributable to owners of parent per share is based on the weighted average number of common stock outstanding during the period, and diluted profit per share reflects the potential dilution that could occur if preferred stock were converted into common stock or share subscription rights were exercised.

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

A net asset per share is reported at the amounts of ¥704.86 (US\$6.48) and ¥ 664.78 at March 31, 2020 and 2019, respectively.

(19) Changes in presentation

(Consolidated Statements of Cash Flows)

"Purchase of treasury stock" which was included in "Other, net" under cash flows from financing activities in the prior years is presented separately from the current fiscal year, as its quantitative materiality has increased. Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation. As a result, ¥(44)million presented in "Other, net" under cash flows from financing activities in the consolidated cash flow statement for the previous fiscal year has been reclassified into ¥(1)million in "Purchase of treasury stock" and ¥(43) in "Other, net".

(20) New accounting standards not yet applied

- “Accounting Standard for Revenue Recognition”(ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

(a) Summary

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

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

(b) Scheduled date of application

Scheduled date of application is from April 1, 2021.

(c) Effect of application of the accounting standard

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

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

(a) Summary

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

- Financial instruments set forth in “Accounting Standard for Financial Instruments”

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

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

(b) Scheduled date of application

Scheduled date of application is from April 1, 2021.

(c) Effect of application of the accounting standard

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

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections”(ASBJ Statement No. 24, March 31, 2020)

(a) Summary

The purpose of the accounting standard is to clarify principles and overviews of procedures in accounting treatments adopted, in cases where provisions of relevant accounting standards, etc. are unclear.

(b) Scheduled date of application

Scheduled date of application is from the end of the fiscal year ending March 31, 2021.

- “Accounting Standard for Disclosure of Accounting Estimates”(ASBJ Statement No. 31, March 31, 2020)

(a) Summary

The purpose of the accounting standard is to disclose information to facilitate financial statements user’s understanding of accounting estimates in specific items that have a risk of significantly affecting the financial statements for the following fiscal year and are recorded in the financial statements for the current fiscal year based on accounting estimates.

(b) Scheduled date of application

Scheduled date of application is from the end of the fiscal year ending March 31, 2021.



(21) Additional information

Performance-linked stock compensation plan for directors and executive officers

(a) Transaction summary

The Company was resolved to introduce a performance-linked stock compensation plan as an incentive plan for its directors and executive officers (the “Directors”). The plan is highly transparent and objective and closely linked with the Company’s performance for the Directors, with the goal of increasing awareness of the importance of contributing to further enhancing the corporate value and performance over the medium-to-long-term.

The Company’s stock is acquired through the Board Incentive Plan Trust (“BIP Trust”) and awarded to the Directors in accordance with performance targets achieved.

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

The Company’s own stock in the Trust is recorded in treasury stock under net assets based on the book value in the Trust (excluding ancillary expenses). The book value and the number of these treasury stock in the Trust as of the current fiscal year were ¥235million (\$2,159 thousand) and 397,766shares, respectively. Additionally, The Company has decided to extend the trust period for 3 years and make an additional contribution to the BIP trust by the resolution made at the board of directors held on August 8,2019, and the book value and the number of treasury stock have increased from the end of the previous fiscal year by additional acquisition of shares.

### 3. Securities

(1) The following tables summarize book values and acquisition costs of available-for-sale securities at March 31, 2020 and 2019:

Type	Millions of yen					
	2020			2019		
	Book values	Acquisition costs	Difference	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs						
Equity securities	¥9,674	¥5,981	¥3,693	¥17,737	¥11,261	¥6,476
Sub total	9,674	5,981	3,693	17,737	11,261	6,476
Securities with book values not exceeding acquisition costs						
Equity securities	¥5,129	¥6,136	¥(1,007)	¥1,454	¥1,654	¥(200)
Corporate bonds	—	—	—	2,000	2,000	—
Negotiable certificates of deposit	12,000	12,000	—	12,000	12,000	—
Other	2,000	2,000	—	2,000	2,000	—
Sub total	19,129	20,136	(1,007)	17,454	17,654	(200)
Total	¥28,803	¥26,117	¥2,686	¥35,191	¥28,915	¥6,276

Type	Thousands of U.S. dollars		
	2020		
	Book values	Acquisition costs	Difference
Securities with book values exceeding acquisition costs			
Equity securities	\$88,891	\$54,957	\$33,934
Sub total	88,891	54,957	33,934
Securities with book values not exceeding acquisition costs			
Equity securities	\$47,128	\$56,382	\$(9,254)
Corporate bonds	—	—	—
Negotiable certificates of deposit	110,264	110,264	—
Other	18,377	18,377	—
Sub total	175,769	185,023	(9,254)
Total	\$264,660	\$239,980	\$24,680

(2) Total sales, related gains and losses of available-for-sale securities for the year ended March 31, 2020 and 2019 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Equity securities			
Sales	¥1,145	¥8	\$10,521
Related gains	255	0	2,343
Related losses	143	—	1,314

#### 4. Cash and Cash Equivalents

Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2020 and 2019 were reconciled with cash and time deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and time deposits	¥102,972	¥120,303	\$946,173
Time deposits with maturities of exceeding 3-month from the date of acquisition	(1,510)	(1,209)	(13,875)
Securities with remaining maturities of 3-month or less	14,000	16,000	128,641
Total: Cash and cash equivalents	¥115,462	¥135,094	\$1,060,939

#### 5. The contents of significant non-cash transactions

The contents of significant non-cash transactions for the year ended March 31, 2020 and 2019 are as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Increase in capital stock by exercise of share subscription rights	¥—	¥4,355	\$—
Increase in capital surplus by exercise of share subscription rights	—	4,355	—
Decrease in convertible bond-type bonds with subscription rights by exercise of share subscription rights	¥—	¥8,710	\$—

#### 6. Inventories

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accumulated Costs on uncompleted construction contracts	¥4,928	¥7,755	\$45,282
Others	4,687	5,031	43,067
Total	¥9,615	¥12,786	\$88,349

## 7. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are represented mainly by loan on deed. The average interest rates of short-term loans were 1.2% and 1.5% at March 31, 2020 and 2019.

Bonds at March 31, 2020 and 2019 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term debt from bonds, insurance companies and others due serially through 2024:			
Unsecured 0.3% (average interest rates)	¥1,034	¥1,070	\$9,502
Less current maturities	(342)	(358)	(3,143)
<b>Total</b>	<b>¥692</b>	<b>¥712</b>	<b>\$6,359</b>

Long-term loans payable at March 31, 2020 and 2019 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term debt from banks, insurance companies and others due serially through 2029:			
Secured 1.5% (average interest rates)	¥643	¥728	\$5,908
Unsecured 1.3% (average interest rates)	13,203	15,212	121,318
Less current maturities	(5,133)	(6,875)	(47,165)
<b>Total</b>	<b>¥8,713</b>	<b>¥9,065</b>	<b>\$80,061</b>

Repayment schedules for bonds are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥342	\$3,143
2022	292	2,683
2023	237	2,178
2024	127	1,167
2025	36	331
<b>Total</b>	<b>¥1,034</b>	<b>\$9,502</b>

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

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥5,133	\$47,165
2022	3,325	30,552
2023	2,819	25,903
2024	1,731	15,906
2025	838	7,700
<b>Total</b>	<b>¥13,846</b>	<b>\$127,226</b>

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

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

## 8. Pledged Assets

The following assets were pledged to secure short-term bank loans, long-term debt and certain other obligation at March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Property, plant and equipment	¥1,559	¥1,614	\$14,325
Investment securities	84	4,456	772
Other assets	109	132	1,002
Total	¥1,752	¥6,202	\$16,099

## 9. Estimated loss on uncompleted construction contracts

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Amount of costs on uncompleted construction contracts for which a construction loss is anticipated, matching with reserve for expected losses on construction contracts in process	¥327	¥1,497	\$3,005

## 10. Tax purpose reduction entry

Regarding the tangible fixed assets acquired during the current fiscal year, the amount of tax purpose reduction entry was ¥40 million (US\$377 thousand) in buildings and structures.

## 11. Contingent Liabilities

(1) At March 31, 2020 and 2019, the Companies had the following contingent liabilities for loan guaranteed:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Guarantees for loan			
Loans of employees	¥1	¥1	\$9
Total	¥1	¥1	\$9

(2) other

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

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

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

## 12. Revenues from construction contracts recognized by the percentage-of-completion method

Revenues from construction contracts recognized by the percentage-of-completion method for the fiscal year ended March 31, 2020 and 2019 were ¥340,091 million (US\$3,124,975 thousand) and ¥313,618 million, respectively.

## 13. Provision for losses on construction contracts included in cost of sales of construction contracts

Provision for losses on construction contracts included in cost of sales of construction contracts for the fiscal year ended March 31, 2020 and 2019 were ¥741 million (US\$6,809 thousand) and ¥1,504 million, respectively.

## 14. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses amounted to ¥2,633 million (US\$24,194 thousand) and ¥2,519 million for the years ended March 31, 2020 and 2019, respectively.

## 15. Impairment Loss

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

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

Location	Use	Type of assets	Millions of yen
Fukushima prefecture	Idle asset	Land	¥46
Total			¥46

The Companies generally conduct grouping of its “business assets” by location and “assets for lease” or “idle assets” by each property unit to measure impairment loss. As the asset listed in the above table has become idle in the current fiscal year and there are no plans for its future usage, its book value is reduced to recoverable amount, and such reduction is recorded as an impairment loss in the other expenses caption. Additionally, the recoverable amounts of these assets are measured based on net selling price, and are evaluated based on appraisal value for assets with significant book values and based on market standard for other assets.

## 16. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the year ended March 31, 2020 and 2019 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land and Buildings	¥55	¥49	\$505
Other	32	—	294
Total	¥87	¥49	\$799

## 17. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets for the year ended March 31, 2020 and 2019 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land and Buildings	¥30	—	\$275
Total	¥30	—	\$275

## 18. Advances Received

As is customary in Japan, the Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

## 19. Net Defined Benefit Liability

The Company and its consolidated subsidiaries have adopted the lump-sum payment plan and the retirement benefit pension plan as their defined benefit plan.

The Company and its consolidated subsidiaries have calculated net defined benefit liability and retirement benefit costs under certain lump-sum payment plans using simplified method.

Although the Company had adopted a multiple of retirement benefit plans due to its merger with ANDO Corporation as at April 1, 2013, the Company integrated these retirement benefit plans and migrated into defined benefit plans as at April 1, 2014.

### Defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>(1) Movement in retirement benefit obligations</b>			
Balance at April 1, 2019 and 2018	¥31,612	¥31,218	\$290,471
Service cost	1,436	1,408	13,195
Interest cost	316	312	2,904
Actuarial loss (gain)	(411)	270	(3,777)
Benefits paid	(2,209)	(1,596)	(20,298)
Balance at March 31, 2020 and 2019	¥30,744	¥31,612	\$282,495
<b>(2) Movement in plan assets</b>			
Balance at April 1, 2019 and 2018	¥20,187	¥20,221	\$185,491
Expected return on plan assets	232	228	2,132
Actuarial loss (gain)	(704)	(453)	(6,469)
Contributions paid by the employer	1,186	1,201	10,898
Benefits paid	(1,447)	(1,010)	(13,296)
Balance at March 31, 2020 and 2019	¥19,454	¥20,187	\$178,756
<b>(3) Movement in simplified method</b>			
Balance at April 1, 2019 and 2018	¥1,535	¥1,501	\$14,104
Retirement benefit costs	255	268	2,343
Benefits paid	(297)	(228)	(2,729)
Other	(7)	(6)	(64)
Balance at March 31, 2020 and 2019	¥1,486	¥1,535	\$13,654
<b>(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits</b>			
Funded retirement benefit obligation	¥30,745	¥31,612	\$282,505
Plan assets	(19,454)	(20,187)	(178,756)
Sub total	11,291	11,425	103,749
Unfunded retirement benefit obligation	1,485	1,534	13,645
Total net liability (asset) for retirement benefits at March 31, 2020 and 2019	12,776	12,959	117,394
Net defined benefit liability	12,776	12,959	117,394
Total net liability (asset) for retirement benefits at March 31, 2020 and 2019	¥12,776	¥12,959	\$117,394

(Note) Retirement benefit obligation under the lump-sum payment plan is included in funded retirement benefit obligation because a retirement benefit trust has been established for lump-sum payment plans. In addition, the retirement benefit trust that has been established for the lump-sum payment plan is included in plan assets.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
(5) Retirement benefit costs			
Service cost	¥1,436	¥1,408	\$13,195
Interest cost	316	312	2,904
Expected return on plan assets	(232)	(228)	(2,132)
Net actuarial loss amortization	393	204	3,611
Retirement benefit expenses by simplified method	254	267	2,334
Total retirement benefit costs for the fiscal year ended March 31, 2020 and 2019	¥2,167	¥1,963	\$19,912
(6) Remeasurements of defined benefit plans			
Net actuarial loss	¥100	¥(520)	\$919
Total adjustments for retirement benefit	¥100	¥(520)	\$919
(7) Accumulated remeasurements of defined benefit plans			
Actuarial gains and losses that are yet to be recognized	¥1,856	¥1,956	\$17,054
Total accumulated adjustments for retirement benefit	¥1,856	¥1,956	\$17,054
(8) Plan assets			
1. Plan assets comprise:			
	2020	2019	
Bonds	44%	43%	
Equity securities	18	20	
General account assets	17	16	
Cash and deposits	3	3	
Other	18	18	
Total	100%	100%	

(Note) The retirement benefit trust that has been established for the corporate pension plan accounts for 11% and 12% of the total plan assets for the year ended March 31, 2020 and 2019.

2. Long-term expected rate of return:

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2020 and 2019 (expressed as weighted averages) follow:

	2020	2019
Discount rate	1.0%	1.0%
Long-term expected rate of return	1.2%	1.2%



## 20. Income Taxes

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2020 and 2019 were not disclosed, since the difference between the statutory tax rate and the effective tax rate is less than 5% of the statutory effective tax rate.

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Net defined benefit liability	¥5,116	¥5,150	\$47,009
Others	9,278	9,381	85,252
Gross deferred tax assets	14,394	14,531	132,261
Less: Valuation allowance	(2,382)	(2,475)	(21,887)
Total deferred tax assets	12,012	12,056	110,374
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	799	1,789	7,341
Others	1,731	1,885	15,906
Total deferred tax liabilities	2,530	3,674	23,247
Net deferred tax assets	¥9,482	¥8,382	\$87,127

## 21. Comprehensive Income

Amounts reclassified to profit for the fiscal year ended March 31, 2020 and 2019 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
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥(3,652)	¥(176)	\$(33,557)
Reclassification adjustment	60	—	551
Sub-total, before tax	(3,592)	(176)	(33,006)
Tax (expense) or benefit	990	51	9,097
Sub-total, net of tax	(2,602)	(125)	(23,909)
Deferred gains or losses on hedges:			
Increase (decrease) during the year	¥0	¥1	\$0
Reclassification adjustment	5	6	46
Acquisition cost of assets adjustments	—	19	0
Sub-total, before tax	5	26	46
Tax (expense) or benefit	(2)	(9)	(18)
Sub-total, net of tax	3	17	28
Foreign currency translation adjustment:			
Increase (decrease) during the year	¥104	¥(100)	\$956
Reclassification adjustment	—	—	—
Sub-total, before tax	104	(100)	956
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	104	(100)	956
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥(293)	¥(724)	\$(2,692)
Reclassification adjustment	393	204	3,611
Sub-total, before tax	100	(520)	919
Tax (expense) or benefit	(31)	159	(285)
Sub-total, net of tax	69	(361)	634
Total other comprehensive income	¥(2,426)	¥(569)	\$(22,291)

## 22. Net Assets

Under the Japanese Corporate Law (“the Law”), the entire amount paid for new shares is required to be designated as common stock (or preferred stock). However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock and preferred stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized generally by a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

## 23. Consolidated Statements of Changes in Net Assets

### (1) Common stock issued

	Number of shares <hr/> Common stock
Balance at April 1, 2018	187,160,261
Increase during the year	13,183,136
Decrease during the year	—
Balance at April 1, 2019	200,343,397
Increase during the year	—
Decrease during the year	—
Balance at March 31, 2020	<b>200,343,397</b>

### (2) Treasury stock outstanding

	Number of shares <hr/> Common stock
Balance at April 1, 2018	661,621
Increase during the year	2,277
Decrease during the year	97,068
Balance at April 1, 2019	566,830
Increase during the year	<b>6,815,350</b>
Decrease during the year	<b>66,635</b>
Balance at March 31, 2020	<b>7,315,545</b>

(Note) Stock owned by BIP Trust is included in Treasury stock at March 31, 2020 (Included amount: 397,766 shares).

## 24. Segment Information

### (1) General information about reportable segments

Each reportable segment of the Companies is the business unit of the Companies, which discrete financial information is able to obtain. Reportable segments are reviewed periodically at the Board of Directors meeting in order to determine distribution of management resources and evaluate business results by each reportable segment.

The Companies mainly operate the construction and construction-related business. Among them the Company, the general constructor, operates their businesses that are composed of the civil engineering and building construction, and each headquarter plans and executes on their business strategy of production systems and sales process in Japan and overseas.

Furthermore, consolidated subsidiaries respectively develop their business by cooperating with the Company.

Accordingly, the Companies classify their business operating segments, identified by product and services, into three reportable segments as “Civil engineering segment”, “Building construction segment” and “Consolidated subsidiaries segment”.

The major products and services of each segment are as follows:

Reportable segments	Major products and services
Civil engineering	Civil engineering of the Company in Japan and overseas
Building construction	Building construction of the Company in Japan and overseas
Consolidated subsidiaries	Constructions and sales of construction materials of consolidated subsidiaries

### (2) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

Accounting methods of reported segment are the same as that set forth in “Summary of Significant Accounting Policies”. The segment profits or losses for each reportable segment are in conformity to the operating income of consolidated statements of income. Intersegment transactions and transfers are based on fair market prices.

Assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker has no financial information on assets in these segments. However, corresponding depreciation expenses including amortization of intangible fixes assets are allocated to Civil engineering segment and Building construction segment according to the reasonable criterion measured by depending on the degree on benefit.

(3) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

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

	Millions of yen							
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2020:								
Revenues:								
Outside customers	¥124,276	¥227,210	¥21,746	¥373,232	¥4,904	¥378,136	¥ —	¥378,136
Intersegment	—	4	48,539	48,543	15	48,558	(48,558)	—
<b>Total</b>	<b>124,276</b>	<b>227,214</b>	<b>70,285</b>	<b>421,775</b>	<b>4,919</b>	<b>426,694</b>	<b>(48,558)</b>	<b>378,136</b>
Segment profit	16,246	11,926	1,397	29,569	844	30,413	(5,712)	24,701
Assets	Note 4	Note 4	36,615	216,014	7,130	223,144	116,628	339,772
Other material items:								
Depreciation and amortization	458	837	328	1,623	92	1,715	100	1,815
Capital expenditures	Note 4	Note 4	1,329	4,090	—	4,090	5	4,095
Thousands of U.S. dollars								
	Reportable segments				Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries	Sub total				
Year ended March 31, 2020:								
Revenues:								
Outside customers	\$1,141,928	\$2,087,751	\$199,816	\$3,429,495	\$45,061	\$3,474,556	\$ —	\$3,474,556
Intersegment	—	37	446,008	446,045	138	446,183	(446,183)	—
<b>Total</b>	<b>1,141,928</b>	<b>2,087,788</b>	<b>645,824</b>	<b>3,875,540</b>	<b>45,199</b>	<b>3,920,739</b>	<b>(446,183)</b>	<b>3,474,556</b>
Segment profit	149,279	109,584	12,836	271,699	7,755	279,454	(52,486)	226,968
Assets	Note 4	Note 4	336,442	1,984,876	65,516	2,050,392	1,071,653	3,122,045
Other material items:								
Depreciation and amortization	4,208	7,691	3,014	14,913	845	15,758	919	16,677
Capital expenditures	Note 4	Note 4	12,212	37,582	—	37,582	46	37,628

Notes:

- “Other” consisted of mainly research and other activities, which are not included in reportable segment.
- Reconciliations amounts were as follows:
  - Reconciliations amount of segment profit was to ¥(5,712) million (US\$(52,486) thousand), which included ¥9 million (US\$83 thousand) of intersegment eliminations and others, and ¥(5,721) million (US\$(52,569) thousand) of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
  - Reconciliations amount of segment assets was to ¥116,628 million (US\$1,071,653 thousand), which included ¥(18,083) million (US\$(166,158) thousand) of intersegment eliminations and others, and ¥134,711 million (US\$1,237,811 thousand) of corporate assets. Corporate assets were mainly cash and time deposits, investment securities and others, which are not attributed to reportable segments.
- Segment profit was adjusted to operating income of consolidated statements of income.
- As discussed in Note 24. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker has no financial information on assets in these segments. Segment assets of Civil engineering segment and Building construction segment are amounted to ¥179,399 million (US\$1,648,434 thousand), and capital expenditures of these segments are amounted to ¥2,761 million (US\$25,370 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2019 is as follows:

	Millions of yen							
	Reportable segments			Sub total	Other	Total	Reconciliations	Consolidated
	Civil engineering	Building construction	Consolidated subsidiaries					
Year ended March 31, 2019:								
Revenues:								
Outside customers	¥ 118,760	¥ 208,851	¥ 27,326	¥ 354,937	¥ 5,035	¥ 359,972	¥ —	¥ 359,972
Intersegment	—	8	42,306	42,314	15	42,329	(42,329)	—
<b>Total</b>	<b>118,760</b>	<b>208,859</b>	<b>69,632</b>	<b>397,251</b>	<b>5,050</b>	<b>402,301</b>	<b>(42,329)</b>	<b>359,972</b>
Segment profit	18,078	9,142	1,152	28,372	705	29,077	(5,385)	23,692
Assets	Note 4	Note 4	33,301	198,212	7,956	206,168	143,489	349,657
Other material items:								
Depreciation and amortization	481	846	278	1,605	91	1,696	98	1,794
Capital expenditures	Note 4	Note 4	954	2,071	—	2,071	21	2,092

Notes:

- “Other” consisted of mainly research and other activities, which are not included in reportable segment.
- Reconciliations amounts were as follows:
  - Reconciliations amount of segment profit was to ¥(5,385) million, which included ¥(7) million of intersegment eliminations and others, and ¥(5,378) million of corporate expenses. Corporate expenses were mainly general and administrative expenses, which are not attributed to reportable segments.
  - Reconciliations amount of segment assets was to ¥143,489 million, which included ¥(17,786) million of intersegment eliminations and others, and ¥161,275 million of corporate assets. Corporate assets were mainly cash and time deposits, investment securities and others, which are not attributed to reportable segments.
- Segment profit was adjusted to operating income of consolidated statements of income.
- As discussed in Note 24. (2), assets are not allocated to Civil engineering segment and Building construction segment, since the chief operating decision maker has no financial information on assets in these segments. Segment assets of Civil engineering segment and Building construction segment are amounted to ¥164,911 million, and capital expenditures of these segments are amounted to ¥1,117 million.

#### (4) Related information

##### (a) Information about products and services

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

##### (b) Information about geographic areas

(Revenues)

Revenues information about geographic areas for the year ended March 31, 2020 and 2019 are as follows:

Geographic Areas	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥350,266	¥329,729	\$3,218,469
Other	27,870	30,243	256,087
<b>Total</b>	<b>¥378,136</b>	<b>¥359,972</b>	<b>\$3,474,556</b>

(Tangible fixed assets)

Disclosure of tangible fixed assets information about geographic areas is omitted, since the proportion of tangible fixed assets in Japan to total tangible fixed assets is over 90%.

##### (c) Information about major customers

Disclosure of information about major customers is omitted, since net sales to no single customer represented 10% or more of consolidated revenues of the consolidated statements of income for the year ended March 31, 2020.

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

Impairment loss of fixed assets by reported segment of the year ended March 31, 2020 and 2019 are as follows:

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

Thousands of U.S. dollars						
2020						
	Reportable segments			Other	Eliminations and others	Total
	Civil engineering	Building construction	Consolidated subsidiaries			
Impairment loss	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

## 25. Amounts per Share of Common Stock

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

	Profit attributable to owners of parent Millions of yen	Weighted-average shares Thousands of shares	EPS	
			Yen	U.S. dollars
Year ended March 31, 2020:				
Profit attributable to owners of parent	¥16,804			
Basic EPS-Profit available to common shareholders	¥16,804	199,042	¥84.42	\$0.78
Effect of dilution				
Shares adjusted by share subscription rights	—	47		
Diluted EPS-Profit for computation	¥16,804	199,089	¥84.40	\$0.78

(Note) Shares in BIP Trust are included in treasury stock from which are deducted in calculating profit attributable to owners of parent per share. The weighted-average number of shares issued and outstanding during the year ended March 31, 2020 were 1,301 thousand including 389 thousand of shares in BIP Trust at the year ended March 31, 2020.

Basis of calculation of basic and diluted profit attributable to owners of parent per share (the “EPS”) for the year ended March 31, 2019 is as follows:

	Profit attributable to owners of parent Millions of yen	Weighted-average shares Thousands of shares	EPS	
			Yen	
Year ended March 31, 2019:				
Profit attributable to owners of parent	¥8,863			
Basic EPS-Profit available to common shareholders	¥8,863	196,038	¥45.21	
Effect of dilution				
Shares adjusted by share subscription rights	(3)	4,401		
Diluted EPS-Profit for computation	¥8,860	200,439	¥44.20	

## 26. Financial Instruments

### (1) Status of financial instruments

#### (a) Policies for using financial instruments

The Companies raise funds mainly by borrowings from bank and bond issues, and restrict temporary surplus funds to the lower risk assets such as deposits. Derivative transactions are employed for hedging of the risk described below, and never use for speculation.

#### (b) Detail of financial instruments and the related risks

Notes and accounts receivable are exposed to the credits risks in relation to customers. Foreign currency-dominated notes and accounts receivable are also exposed to foreign exchange risk.

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

Notes and accounts payable are mostly settled within one year.

Borrowings are primarily for working funds. With variable interest rates, it is exposed to interest-rates risk.

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

Derivative transactions entered into by the Companies are forward currency exchange contracts to hedge foreign exchange risk involving oversea business and interest rate swap contracts to hedge interest-rates risk involving borrowing.

Refer to Note 2(8) "Derivatives and hedging transactions" for information about the hedging instruments and hedging items, hedging policy and method of evaluating hedging effectiveness concerning the hedge accounting methods adopted by the Companies.

#### (c) Policies and processes for risk management

In order to control customer's credit risk, each business and sales management division within the Companies conduct periodic monitoring of key transaction partners and attempt to find out deterioration of the financial situation at the initial stage under the internal credit policies.

For the purpose of hedging foreign exchange risk, the Companies conduct forward exchange contracts. The Companies also conduct interest rate swap contracts to avert interest-rate risk by each long-term borrowing.

The Fair value of investment securities is periodically reported to the Directors and Executive Officers. The possession situation of securities is also continually reviewed, taking into consideration of the Companies' relationship with respective business partners.

Derivative transactions are treated by the Finance Department in accordance with the established policies. The Companies deal with credible banks to reduce the credit risk.

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

#### (d) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market value or reasonable estimate if there is no market value. Since certain assumptions are used for estimating values, values could be different if different assumptions are applied. In addition, the derivative contract amounts described in Note 27 "Derivative Financial Instruments" are not indicative of actual market risk involved in derivative transactions.

#### (e) Concentration of credit risk

The trade receivables for specific and large-scale customers accounted for 12.8% of the total trade receivables in the consolidated financial statements of the current fiscal year. Since these large-scale customers are government agencies, the credit risk is extremely low.

(2) Fair value of financial instruments

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

Type	Millions of yen			Thousands of U.S. dollars		
	Book values	Fair values	Difference	Book values	Fair values	Difference
Assets						
(a) Cash and time deposits	¥102,972	¥102,972	¥ —	\$946,173	\$946,173	\$ —
(b) Receivables:						
Notes	2,930	2,930	—	26,923	26,923	—
Accounts	134,800	134,773	(27)	1,238,629	1,238,381	(248)
(c) Marketable securities and Investment securities:						
Available-for-sale securities	28,803	28,803	—	264,660	264,660	—
<b>Total assets</b>	<b>¥269,505</b>	<b>¥269,478</b>	<b>¥(27)</b>	<b>\$2,476,385</b>	<b>\$2,476,137</b>	<b>\$(248)</b>
Liabilities						
(a) Payables:						
Notes	¥20,203	¥20,203	¥ —	\$185,638	\$185,638	\$ —
Accounts	61,658	61,658	—	566,553	566,553	—
(b) Short-term loans payable	12,258	12,258	—	112,634	112,634	—
Current maturities of long-term loans payable	5,133	5,133	—	47,165	47,165	—
Current portion of bonds	342	342	—	3,143	3,143	—
(c) Bonds	692	691	(1)	6,359	6,349	(10)
(d) Long-term loans payable, less current maturities	8,713	8,731	18	80,061	80,226	165
<b>Total liabilities</b>	<b>¥108,999</b>	<b>¥109,016</b>	<b>¥17</b>	<b>\$1,001,553</b>	<b>\$1,001,708</b>	<b>\$155</b>
Derivative transactions	¥—	¥—	¥—	\$—	\$—	\$ —

The following tables summarize book values and fair values of financial instruments at March 31, 2019:

Type	Millions of yen		
	Book values	Fair values	Difference
Assets			
(a) Cash and time deposits	¥120,303	¥120,303	¥ —
(b) Receivables:			
Notes	8,236	8,236	—
Accounts	110,518	110,507	(11)
(c) Marketable securities and Investment securities:			
Available-for-sale securities	35,191	35,191	—
<b>Total assets</b>	<b>¥274,248</b>	<b>¥274,237</b>	<b>¥(11)</b>
Liabilities			
(a) Payables:			
Notes	¥17,873	¥17,873	¥ —
Accounts	58,019	58,019	—
(b) Short-term loans payable	12,264	12,264	—
Current maturities of long-term loans payable	6,875	6,875	—
Current portion of bonds	358	358	—
(c) Bonds	712	714	2
(d) Long-term loans payable, less current maturities	9,065	9,099	34
<b>Total liabilities</b>	<b>¥105,166</b>	<b>¥105,202</b>	<b>¥36</b>
Derivative transactions	¥(5)	¥(5)	¥ —



Notes:

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

(Assets)

(a) Cash and time deposits

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

(b) Notes and accounts receivables

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

(c) Marketable securities and Investment securities

The fair values of this account are based on the quoted market value. However, the fair value of negotiable certificates of deposit is equivalent to the book value, since this account is settled in a short period of time.

(Liabilities)

(a) Notes and accounts payables and (b) Short-term loans payable, Current maturities of long-term loans payable and Current portion of bonds  
The fair values of these accounts are equivalent to the book value, since these accounts are settled in a short period of time.

(c) Bonds

The fair value of bonds issued by the Company is based on the price on bond markets or present value of the total principal and interest discounted by an interest rate determined taking into account the remaining period of bond and current credit risk.

(d) Long-term loans payable, less current maturities

The fair values of this account are based on the present value of discounted cash flows using the interest rate which may be applicable when the same kinds of borrowings are made.

(Derivative transactions)

See Note 27 “Derivative Financial Instruments”.

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

Non-marketable securities (book values of ¥3,895 million (US\$35,790 thousand) and ¥3,250 million at March 31, 2020 and 2019, respectively) are not included in the above “Assets (c) Marketable securities and investment securities”; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

3. Redemption schedules for cash and time deposits, receivables, held-to-maturity debt securities and other at March 31, 2020 and 2019 are as follows:

	Millions of yen							
	2020				2019			
	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	¥102,972	¥ —	¥ —	¥ —	¥120,303	¥ —	¥ —	¥ —
Receivables:								
Notes	2,930	—	—	—	8,236	—	—	—
Accounts	124,882	9,918	—	—	100,092	10,426	—	—
Corporate bonds	—	—	—	—	2,000	—	—	—
Negotiable certificates of deposit	12,000	—	—	—	12,000	—	—	—
Other	2,000	—	—	—	2,000	—	—	—
<b>Total</b>	<b>¥244,784</b>	<b>¥9,918</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥244,631</b>	<b>¥10,426</b>	<b>¥ —</b>	<b>¥ —</b>

Thousands of U.S. dollars

	2020			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and time deposits	\$946,173	\$ —	\$ —	\$ —
Receivables:				
Notes	26,923	—	—	—
Accounts	1,147,496	91,133	—	—
Corporate bonds	—	—	—	—
Negotiable certificates of deposit	110,264	—	—	—
Other	18,377	—	—	—
<b>Total</b>	<b>\$2,249,233</b>	<b>\$91,113</b>	<b>\$ —</b>	<b>\$ —</b>

## 27. Derivative Financial Instruments

Derivative transactions accounted for by the hedge accounting at March 31, 2020 and 2019 are as follows:

(Interest-related transactions)

Type of derivative transactions	Main items hedged	Millions of yen					
		2020			2019		
		Contract amount Total	Settled over 1 year	Fair value	Contract amount Total	Settled over 1 year	Fair value
<b>Benchmark method:</b>							
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	¥—	¥—	¥—	¥648	¥576	¥(5)
<b>Short-cut method:</b>							
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	¥627	¥321	Note 2	¥2,544	¥378	Note 2

Type of derivative transactions	Main items hedged	Thousands of U.S. dollars			
		2020		Fair value	
		Contract amount Total	Settled over 1 year		
<b>Benchmark method:</b>					
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	\$—	\$—	\$—	
<b>Short-cut method:</b>					
Interest swap contract: To pay fixed, to receive variable	Long-term loans payable	\$5,761	\$2,950	Note 2	

Note:

1. Fair value is based on the prices obtained from counterparty financial institutions.
2. The fair values of special case interest swap treatment are included in the fair value of long-term loans payable since such interest swap is treated together with long-term loans payable being hedged.

## 28. Stock Option Plans

(1) No cost for stock options is recognized for the years ended March 31, 2020 and 2019.

(2) The stock options outstanding at March 31, 2020 are mainly as follows:

(a) Content

	The third series of share subscription rights (A)	The fourth series of share subscription rights (A)
	June 29, 2010	June 29, 2011
Persons granted	Directors of the Company: 8 Executive officers: 8	Directors of the Company: 9 Executive officers: 13
Class and number of shares	90,000 shares of common stock	85,800 shares of common stock
Date of grant	July 16, 2010	July 15, 2011
Condition of settlement rights	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the seventh stockholders' meeting to the eighth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to the Company circumstances.	The person who exercises stock purchase rights shall be a director, or executive officer of the Company, who has continued to work at the Company from the eighth stockholders' meeting to the ninth stockholders' meeting. However, this condition is invalid in case of death or loss of position due to the Company circumstances.
Length of service	From July 16, 2010 to July 15, 2011	From July 15, 2011 to July 14, 2012
Exercisable period	From July 16, 2011 to July 15, 2021	From July 15, 2012 to July 14, 2022

(b) Number and price

	The third series of share subscription rights (A)	The fourth series of share subscription rights (A)
Non-vested shares		
At the beginning of the year	—	—
Granted during the year	—	—
Forfeited and expired during the year	—	—
Vested during the year	—	—
At the end of the year	—	—
Vested shares		
At the beginning of the year	27,000	23,100
Vested during the year	—	—
Exercised during the year	3,500	—
Forfeited and expired during the year	—	—
Unexercised at the end of the year	23,500	23,100
Exercise price	¥1	¥1
Average stock price at exercise	¥704	—
Fair value price at the grant date	¥72	¥111

(3) Method to estimate fair value of stock options

The Company does not grant any stock options to its employees for the current fiscal year.

(4) Method to estimate number of vested stock options

As a reasonable estimate of the forfeited number of stock options in the future is generally difficult, the Company adopts a method whereby only actual forfeited numbers are reflected.

## Independent Auditor's Report

To the Board of Directors of HAZAMA ANDO CORPORATION.:

### **Opinion**

We have audited the accompanying consolidated financial statements of HAZAMA ANDO CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, 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, 2020 and 2019, and its consolidated financial performance and 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.

### **Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

/S/ Tatsunaga Fumikura  
Designated Engagement Partner  
Certified Public Accountant

/S/ Daio Aida  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
August 25, 2020

**Notes to the Reader of Independent Auditor's Report:**

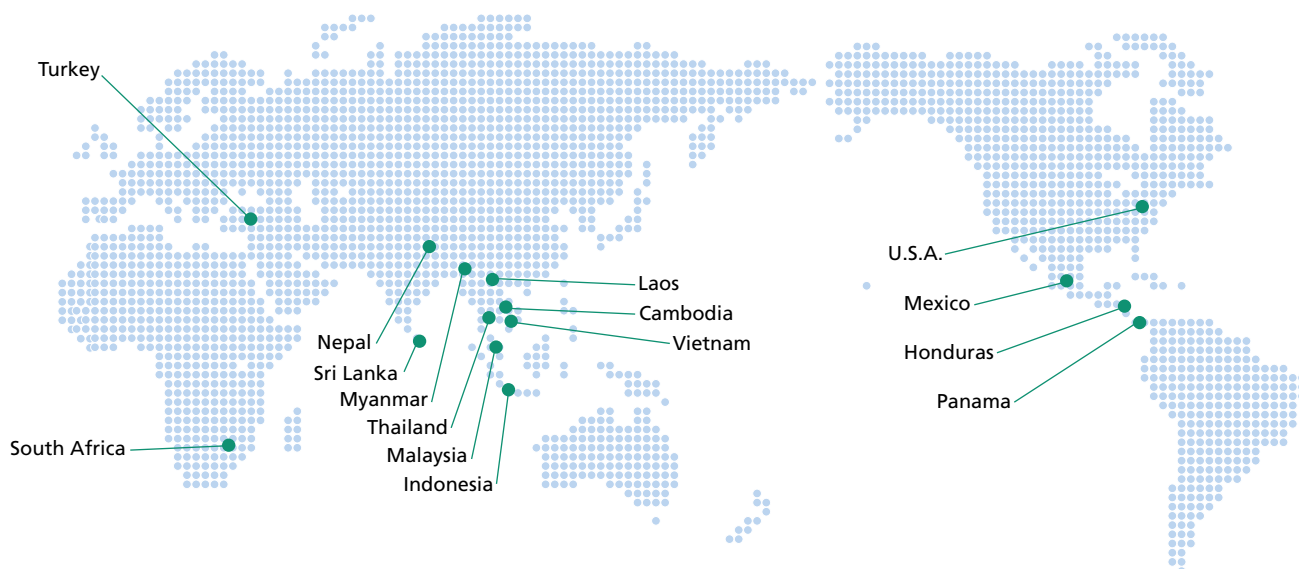
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

# Global Network

## Japan

<b>Head Office</b>	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3600
<b>Branches</b>	Sapporo, Tohoku, Hokuriku, Tokyo, Kanto, Shizuoka, Nagoya, Osaka, Shikoku, Hiroshima, Kyushu	
<b>International Division</b>	6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan	81-3-6234-3640
Branches	Asia, North America	
<b>Technical Research Institute</b>	515-1, Karima, Tsukuba-shi, Ibaraki 305-0822, Japan	81-29-858-8800

## Overseas



Offices	Address	Phone
Thailand	159 Serm-Mit Tower Building, 15th Floor, Sukhumvit Road 21 (Soi Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand	66-2-665-7041
Vietnam	18th Floor, Harbour View Tower, 35 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam	84-28-38299533
Malaysia	Suite 17.1, Level 17, Menara IMC, Letter Box No.9, No.8, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	60-3-2031-4902
Indonesia	MidPlaza 1 Building, 16th Floor, Jl. Jend. Sudirman Kav. 10-11, Jakarta 10220, Indonesia	62-21-5735220
Myanmar	Office No. 07, 19th Floor, Kantharyar Centre Office Tower, No. 11, Corner of Kan Yeik Thar Road & U Aung Myat Road, Mingalar Taung Nyunt Township, Yangon, Myanmar	95-9-266-008-005
Sri Lanka	4th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Colombo 00700, Sri Lanka	94-11-233-4784
Laos	Ban Sibounheung Unit No.3 House No.038 Chanthabouly District Vientiane Capital, LAO.P.D.R	856-21-250-872
Cambodia	Office NO.19, HOTEL CAMBODIANA 313 Sisowath Quay, Phnom Penh, Cambodia	855-23-992-914
Nepal	Jagannath Bhawan, Arniko Rajmarga, New Baneshwor, Ward No.10, Kathmandu, Nepal	977-1-4787289
Turkey	ATATURK MAHALLESİ GIRNE CADDESİ, NO:27, D:2-3, Atasehir, Istanbul, Turkey	90-216-456-5047
Mexico	Paseo de la Reforma N° 373 1-B Col. Cuauhtémoc C.P. 06500 Del. Cuauhtémoc Mexico D.F.	52-55-5525-9311
U.S.A.	500 West Wilson Bridge Road, Suite 130 Worthington, Ohio 43085, U.S.A.	1-614-985-4906
Panama	Edificio Office One. Oficina No. 1104 Avenida Nicanor de Obarrio o Calle 50 con 58 Este Obarrio, Ciudad de Panamá	507-830-6671
Honduras	Colonia Lomas de Miraflores Sur 3ra. Calle, Casa No. 4310, Tegucigalpa M.D.C., Honduras, C.A	504-2271-1283
South Africa	2nd Floor, West Tower, Maude Street, Nelson Mandela Square, Sandton 2196, Johannesburg, Republic of South Africa PO Box 785553 Sandton	27-11-881-5959



## Corporate Data (As of March 31, 2020)

<b>Name</b> HAZAMA ANDO CORPORATION	<b>Authorized Shares</b> Common stock 400,000,000	<b>Issued Shares</b> Common stock 200,343,397	<b>Number of Shareholders</b> 27,092
<b>Established</b> October 1, 2003			<b>Number of Employees</b> 3,520
<b>Capital</b> ¥17,006,123,275			

## Directors, Officers (As of June 26, 2020)

<b>Board Directors</b>  <b>Representative Director and President</b> Masato Fukutomi  <b>Board Directors and Vice Presidents</b> Toru Ikegami Muneo Gomi Haruyuki Kaneko  <b>Board Directors/Managing Executive Officers</b> Shinya Miyamori Katsuhiko Tabuchi	<b>Board Directors (External Board Directors)</b> Masami Fujita Mariko Kitagawa Mieko Kuwayama  <b>Auditors</b>  <b>Auditors</b> Norio Chonan Tomoki Kitagawa  <b>Corporate Auditors (External Auditors)</b> Shigeo Kamimura Masamitsu Takahara	<b>Executive Officers</b>  <b>Managing Executive Officers</b> Kazuya Ozawa Hajime Tsukizu Shin Terauchi Ichiro Kato Ryo Onishi Takeshi Komatsu Hiroshi Nakanishi  <b>Executive Officers</b> Kazutaka Miyazaki Hiroshi Ono Fuminori Hirotsue Tetsuo Tomoike	Akio Fujimoto Naoto Aida Michio Yoshida Kazuhiko Kuniya Norio Kubota Yoshio Ishihara Junya Utsumi Takeaki Inoue Yoshiyuki Yamanaka Hirotosugu Yoneda Kazuhiro Funatsu
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## Major Subsidiaries and Affiliates (As of March 31, 2020)

Name	Stated Capital	Principal Business	Address / Phone
Hazama Ando Kogyo Co., Ltd.	152 million JPY	Sales of Construction Materials	1-38-4, Kameido, Koto-ku, Tokyo 136-0071, Japan 81-3-5626-7130
Aoyama Kiko Co., Ltd.	80 million JPY	Construction, Procurement	2-18-4, Kitaueno, Taito-ku, Tokyo 110-0014, Japan 81-3-5830-9500
Ryoko Kaihatsu Co., Ltd.	80 million JPY	Real-estate	1-4-8, Shiba Daimon, Minato-ku, Tokyo 105-0012, Japan 81-3-6450-1760
HAZAMA ANDO (THAILAND) CO., LTD.	14 million THB	Construction	159 Serm-Mit Tower Building, 15 <sup>th</sup> Floor, Sukhumvit Road 21 (Soi Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand 66-2-665-2980
PT. Hazama Ando Murinda	50,000 Million IDR	Construction	MidPlaza 1 Building, 16th floor, Jl.Jend. Sudirman Kav. 10-11, Jakarta 10220, Indonesia 62-21-5735774
VIETNAM DEVELOPMENT CONSTRUCTION CO.,LTD.	1 Million USD	Construction	18th Floor, Harbour View Tower, 35 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam 84-28-38299533



**HAZAMA ANDO**  
CORPORATION