

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 15, 2020

Company name: Br. Holdings Corporation  
 Stock exchange listing: Tokyo  
 Stock code: 1726 URL <https://www.brhd.co.jp>  
 Representative: President Kimiyasu Fujita  
 Director, General Manager, Administration  
 Inquiries: Takeshi Amatsu TEL 082-261-2860  
 Division  
 Scheduled date of ordinary general meeting of shareholders: June 19, 2020  
 Scheduled date to file Securities Report: June 22, 2020  
 Scheduled date to commence dividend payments: June 22, 2020  
 Preparation of supplementary material on financial results: No  
 Holding of financial results meeting: No (The Company will not hold the financial results meeting from the standpoint of preventing the spread of novel coronavirus (COVID-19))

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	34,775	27.2	2,158	55.7	2,097	48.2	1,348	81.9
Year ended March 31, 2019	27,333	15.5	1,386	(17.2)	1,415	(13.3)	741	(27.7)

Note: Comprehensive income

Year ended March 31, 2020: ¥1,257 million [60.2 %]

Year ended March 31, 2019: ¥784 million [(24.6) %]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	34.45	34.07	20.9	8.5	6.2
Year ended March 31, 2019	18.94	18.68	12.8	6.6	5.1

Reference: Share of profit (loss) of entities accounted for using equity method

Year ended March 31, 2020: ¥- million

Year ended March 31, 2019: ¥- million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	26,398	6,871	25.6	174.86
As of March 31, 2019	23,017	6,261	26.6	156.24

Reference: Equity

As of March 31, 2020: ¥6,767 million

As of March 31, 2019: ¥6,128 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	(2,015)	(630)	2,725	2,312
Year ended March 31, 2019	(1,372)	(1,013)	1,009	2,232

## 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	–	3.00	–	4.00	7.00	274	37.0	4.7
Year ended March 31, 2020	–	4.00	–	5.00	9.00	351	26.1	5.4
Year ending March 31, 2021 (Forecast)	–	5.00	–	5.00	10.00		28.0	

## 3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	36,000	3.5	2,250	4.2	2,150	2.5	1,400	3.8	35.76

Note: The pandemic of the novel coronavirus disease (“COVID-19”) is currently causing a temporary decrease in order volume; however, it has not yet led to any suspension or other disruption of construction works. Annual order volume is expected to be in line with our forecast, and we take that into account in our forecast of consolidated financial results.

As Br. Holdings Corporation (the “Company”) conducts performance management on an annual basis, a forecast of consolidated financial results for the first six months of the year ending March 31, 2021 is omitted for disclosure purposes. For details, please refer to the section of “1. Overview of operating results and others, (1) Analysis of operating results” on page 2 of the Attached Material.

### \* Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2020	39,700,000 shares	As of March 31, 2019	39,700,000 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2020	995,796 shares	As of March 31, 2019	475,996 shares
----------------------	----------------	----------------------	----------------

Average number of shares during the period

Year ended March 31, 2020	39,152,728 shares	Year ended March 31, 2019	39,140,923 shares
---------------------------	-------------------	---------------------------	-------------------

## (Reference) Overview of non-consolidated financial results

### 1. Non-consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	929	37.4	383	195.5	394	229.1	421	–
Year ended March 31, 2019	676	13.4	129	49.3	119	42.5	(87)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2020	10.76	10.65
Year ended March 31, 2019	(2.24)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	14,616	4,327	28.9	109.14
As of March 31, 2019	11,273	4,633	39.9	114.74

(Reference) Equity

As of March 31, 2020:	¥4,224 million
As of March 31, 2019:	¥4,500 million

<Reasons for year-on-year variance>

Net sales, operating profit and ordinary profit increased from the previous fiscal year due to an increase of ¥264 million in dividends from subsidiaries and associates.

Meanwhile, profit also increased year on year reflecting the posting of extraordinary losses, including loss on valuation of shares of subsidiaries and associates of ¥30 million and loss on support to subsidiaries and associates of ¥217 million, in the previous fiscal year, and an increase of ¥264 million in dividends from subsidiaries and associates in the year ended March 31, 2020 (the “fiscal year under review”).

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* Proper use of financial forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including financial results forecasts, contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, actual operating and other results may differ substantially due to various factors.

(Change in monetary unit of presentation)

Previously, figures in the Company’s consolidated financial statements and other items were presented in thousand-yen units. However, effective from the first quarter and the first three months of the fiscal year under review, figures have been presented in million-yen units. To facilitate comparison, figures for the previous fiscal year have also been presented in million-yen units.

**Attached Material**Index

1. Overview of operating results and others .....	2
(1) Analysis of operating results .....	2
(2) Analysis of financial positions .....	3
(3) Basic policy on profit distribution and dividends for the fiscal year ended March 31, 2020 and fiscal year ending March 31, 2021 .....	4
(4) Business risks .....	5
2. Status of the Group .....	8
3. Basic rationale for selection of accounting standards .....	8
4. Consolidated financial statements and significant notes thereto.....	9
(1) Consolidated balance sheets.....	9
(2) Consolidated statements of income and consolidated statements of comprehensive income .....	11
Consolidated statements of income .....	11
Consolidated statements of comprehensive income .....	12
(3) Consolidated statements of changes in equity.....	13
(4) Consolidated statements of cash flows.....	15
(5) Notes to consolidated financial statements.....	16
Notes on premise of going concern .....	16
Important information constituting the basis for preparation of consolidated financial statements .....	16
Notes to consolidated balance sheets .....	18
Notes to consolidated statements of income.....	19
Notes to consolidated statements of changes in equity .....	20
Notes to consolidated statements of cash flows .....	23
Segment information, etc. ....	23
Per-share information .....	27
Significant subsequent events.....	27
5. Overview of production, orders received and sales .....	28

## 1. Overview of operating results and others

### (1) Analysis of operating results

#### (i) Operating results for the fiscal year ended March 31, 2020

In the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020) (the “fiscal year under review”), the Japanese economy remained on a gradual track of recovery and consumer spending also remained strong against a backdrop of continued strength in corporate earnings, improved employment and income environments, and other positive factors. However, a decline in economic activities resulting from COVID-19 made Japan’s economic outlook uncertain.

The construction business, the core business of Br. Holdings Corporation (the “Company”) and its subsidiaries (collectively “the Group”), remained strong mainly because maintenance and repair work due to antiquated social infrastructure continued to increase. However, the business environment remained challenging due to a rising trend in labor costs and material costs in addition to intensified competition for receiving orders and a shortage of engineers.

Under such circumstances, the Group expected an increase in the number of orders placed by expressway operators for construction work that we replace prestressed concrete (PC) slabs of expressways. Therefore, the Group established new production lines for PC slabs in the Takamiya Plant of Kyokuto Takamiya Co., Ltd., one of its subsidiaries, and purchased land required for a new machinery and equipment center to ensure a stockyard.

As a result of such actions, we achieved year-on-year increases in both sales and profits for the fiscal year under review with net sales up 27.2% to ¥34,775 million, operating profit up 55.7% to ¥2,158 million, ordinary profit up 48.2% to ¥2,097 million, and profit attributable to owners of parent up 81.9% to ¥1,348 million. All of these figures are the record highs since the Company went public.

We will review the layouts of our factories and machinery and equipment centers to increase productivity.

The Group’s performance by business segment is as follows. The amounts below include intersegment transactions.

#### Construction business

The amount of orders received was ¥26,887 million (down 16.6% year on year) for the fiscal year under review mainly because pricing for large projects that were supposed to be signed during the fiscal year under review was postponed until the fiscal year ending March 31, 2021 despite orders received for large projects such as the Chugoku Expressway project to replace concrete slabs and the Hanshin Expressway large-scale project to repair PC girders and other parts. In the meantime, we have steadily completed construction contracts in progress. As a result, net sales were ¥30,953 million (up 25.6% year on year) and segment profit was ¥3,035 million (up 18.4% year on year).

#### Product sales business

The amount of orders received was ¥5,217 million (up 60.5% year on year), net sales were ¥3,603 million (up 49.3% year on year), and segment profit was ¥122 million (compared with segment loss of ¥203 million in the previous fiscal year) for the fiscal year under review, owing to an increase in the number of orders received for PC slabs and PC sleepers.

#### Information systems business

Net sales were ¥384 million (up 4.8% year on year) and segment profit was ¥7 million (compared with segment profit of ¥0 million in the previous fiscal year) for the fiscal year under review, mainly because the functions of its mission critical system were upgraded, which reflects the Group’s work-style reforms.

#### Real estate leasing business

The Group leases office spaces and manages rental properties for stores and housing in Kyokuto Building owned by the Company. The Group also leases office spaces to its subsidiaries, which were rented collectively by the Company to use as bases of the subsidiaries. We therefore record stable net sales. Net sales were ¥177 million (down 3.4% year on year) and segment profit was ¥121 million (down 2.6% year on year) for the fiscal year under review.

## (ii) Outlook for the fiscal year ending March 31, 2021

Outlook for the Japanese economy remains uncertain as uncertainties and risks exist due to a decline in economic activities resulting from COVID-19. However, the construction business, the core business of the Group, remains strong mainly because maintenance and repair work due to antiquated social infrastructure continues to increase.

Through continuing to ensure compliance, increase productivity, and promote work-style reforms, the Group aims to establish an organizational structure that can address the Japanese government's policy for building national resilience and the SDGs (Sustainable Development Goals) and to ensure its competitive advantage.

The Group expects to achieve year-on-year increases in both sales and profits for the fiscal year ending March 31, 2021 because the amount of construction contracts in progress continues to increase.

(Consolidated financial results)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Forecast for the year ending March 31, 2021	36,000	2,250	2,150	1,400
Results for the year ended March 31, 2020	34,775	2,158	2,097	1,348

In addition, the Group maintains adequate liquidity with the balance of undrawn facilities of ¥3,300 million under the committed line of credit agreements concluded with several financial institutions on top of cash and cash equivalents of ¥2,312 million at the end of the fiscal year under review.

## (iii) Actions taken to prevent COVID-19 infection (Reference)

The Group has established the Policies for Responding to COVID-19 in March based on the Basic Policies for Novel Coronavirus Disease Control announced by the Ministry of Health, Labour and Welfare on February 25, which were developed based on the quarantine measures enacted in February on the Diamond Princess cruise ship. Based on its policies, the Group divided itself by region, established a task force in each of the regions, established a communication system, and took actions when divisions had to be closed. The Group also developed the Manual on Responses to COVID-19 applicable to work environments such as offices, construction sites and factories; promotes telecommuting, staggered commuting, working rotating shifts, and other ways of working; and strives to prevent infection by, for example, distributing face masks to all of its employees.

**(2) Analysis of financial positions**

## (i) Assets, liabilities, and net assets

Total assets at the end of the fiscal year under review increased by ¥3,380 million year on year to ¥26,398 million.

Current assets at the end of the fiscal year under review increased by ¥3,081 million year on year to ¥20,784 million. This was mainly due to a decrease of ¥1,728 million in costs on construction contracts in progress, which was more than offset by increases of ¥3,981 million in notes receivable, accounts receivable from completed construction contracts and other and ¥637 million in merchandise and finished goods.

Non-current assets at the end of the fiscal year under review increased by ¥299 million year on year to ¥5,614 million. This was mainly due to a decrease of ¥130 million in investment securities, which was more than offset by an increase of ¥435 million in property, plant and equipment.

Total liabilities at the end of the fiscal year under review increased by ¥2,771 million year on year to ¥19,527 million.

Current liabilities at the end of the fiscal year under review increased by ¥744 million year on year to ¥15,353 million. This was mainly due to a decrease of ¥2,115 million in advances received on construction contracts in progress, which was more than offset by increases of ¥1,049 million in notes payable, accounts payable for construction contracts and other and ¥1,400 million in short-term borrowings.

Non-current liabilities at the end of the fiscal year under review increased by ¥2,026 million year on year to ¥4,173 million mainly due to an increase in long-term borrowings.

Total net assets at the end of the fiscal year under review increased by ¥1,033 million year on year to ¥4,826 million mainly due to the recording of ¥1,348 million in profit attributable to owners of parent.

## (ii) Cash flows

Cash and cash equivalents (“cash”) for the fiscal year under review increased by ¥80 million year on year to ¥2,312 million.

### Cash flows from operating activities

Cash used in operating activities amounted to ¥2,015 million. This was mainly due to profit before income taxes of ¥2,097 million, an increase in trade payables of ¥1,191 million and a decrease in costs on construction contracts in progress of ¥1,728 million, which were more than offset by increases of ¥3,980 million in trade receivables and ¥720 million in other inventories.

### Cash flows from investing activities

Cash used in investing activities amounted to ¥630 million. This was mainly due to proceeds from withdrawal of time deposits of ¥1,320 million, which was more than offset by purchase of property, plant and equipment of ¥780 million and payments into time deposits of ¥1,220 million.

### Cash flows from financing activities

Cash provided by financing activities amounted to ¥2,725 million. This was mainly due to repayments of long-term borrowings of ¥975 million, purchase of treasury shares of ¥383 million and dividends paid of ¥313 million, which were more than offset by a net increase in short-term borrowings of ¥1,400 million and proceeds from long-term borrowings of ¥3,000 million. In addition, trends in the corporate group’s cash flow indicators are as follows.

(Trends in cash flow indicators)

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Equity ratio (%)	27.8	26.6	25.6
Market value equity ratio (%)	77.2	46.6	74.0
Debt redemption period (years)	1.2	–	–
Interest coverage ratio (times)	155.9	–	–

Equity ratio: Equity/Total capital

Market value equity ratio: Market capitalization/Total assets

Debt redemption period: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/interest payment

\* All indicators are calculated on a consolidated basis.

\* Market capitalization is based on the closing stock price at the fiscal year-end multiplied by the number of shares issued (less treasury shares) at the fiscal year-end.

\* Operating cash flow represents cash flows from operating activities in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities recorded in the consolidated balance sheets for which interest is paid. Interest payment represents interest paid in the consolidated statements of cash flows.

### **(3) Basic policy on profit distribution and dividends for the fiscal year ended March 31, 2020 and fiscal year ending March 31, 2021**

The Group’s basic policy is to consistently pay out stable dividends commensurate with business performance and actively return profits to shareholders, taking into consideration factors including future business development, strengthening of the management foundation and enhancement of internal reserves as a group.

According to the Company's basic policy, the Company pays dividends of surplus twice a year as an interim dividend and a year-end dividend. Decision-making bodies for interim dividend payments and year-end dividend payments are the Board of Directors and the General Meeting of Shareholders, respectively. The Company plans to pay a year-end dividend of ¥5 per share for the fiscal year under review. For the fiscal year ending March 31, 2021, the Company intends to pay an annual dividend of ¥10 per share (of which ¥5 per share as interim dividend).

#### **(4) Business risks**

Risk factors that could potentially affect the Group's business results, share price, financial condition and other performance include those listed below.

Note that any forward-looking statements contained herein are based on the Company's judgement as of the end of the fiscal year under review.

(i) Impact of a reduction in public works

The construction business accounts for roughly 90% of net sales for the Group. Its earnings, therefore, depend largely on the conditions of the public works market. In the event the government and municipalities continue to reduce their investments, and such reduction is greater than anticipated, it could affect the Group's earnings.

(ii) Impact of a reduction in unit order price

The Ministry of Land, Infrastructure, Transport and Tourism has enhanced the Scoring Auction Model as part of its urgent measure for quality maintenance in public works, which has helped ensure fair pricing in auctions for public works. A lower-than-expected unit order price, however, could affect the Group's earnings.

(iii) Credit risk of clients

In many of the private-sector construction projects, the Group usually signs contracts whereby payments for construction projects are made in a large lump-sum upon their delivery. In the event the credit status of client companies deteriorates before the receipt of the payments, credit concerns over the client companies could affect the Group's earnings.

(iv) Changes in materials prices and unit outsourced labor cost

A surge in unit purchase prices of materials or outsourced labor costs could affect the Group's earnings in cases where application of a slide clause in the contract terms is not reflected in the contract price.

(v) Risk of holding assets

The Group owns assets including real estate properties and securities for purposes of sales and marketing activities. Changes in market prices of these assets, however, could affect the Group's earnings.

(vi) Defects in products

Although the Group has taken all possible means to ensure the quality of its products, a claim for loss, arising from liability for defect warranty or product liability, could affect the Group's earnings in the event such claim is lodged against the Group.

(vii) Temporary losses associated with acquisition of companies

The Group will continue with its M&A strategy going forward. Although the Group does not anticipate a substantial amount of losses from its M&A activities, it might temporarily incur some losses depending on the balance sheet conditions and/or accounting treatment of acquired companies.

(viii) Reliance on interest-bearing debts

The Group has financed its operations primarily through borrowings from financial institutions. An increase in financing related costs and drastic change in the current interest level, therefore, could affect the Group's earnings and financial position.



The Group has signed a Cash Management System Agreement with each important group company to improve the efficiency of its funds; it has also financed operating funds in a flexible and agile manner by utilizing the committed lines of credit.

(ix) Deferred tax assets

We recognize deferred tax assets through prudent evaluation of their recoverability based on the projection of future taxable income. However, any revision to the amount of deferred tax assets recognized, if any, depending on future business trends, could affect the Group's profit.

(x) Impairment accounting

A decline in profitability of non-current assets could affect the Group's earnings and financial position.

(xi) Regulatory risks

In the construction business, which is the main line of business for the Group, we have obtained a special construction business license as well as an ordinary construction business license under the Construction Business Act. These licenses, however, will be revoked in accordance with Article 29 of the Construction Business Act if the Group has obtained licenses through wrongful means; or the management members and/or full-time engineers fall under the disqualification clause.

The Group has endeavored to comply with the requirements of these licenses and other related laws and regulations. At the moment, we believe the Group does not fall under any of the reasons for revocation of these licenses. However, a possible revocation of any of these licenses due to violation of related laws and regulations could affect the Group's earnings.

(Licenses and approvals)

Company name	Name of licenses and approvals	Details of licenses and approvals	Valid until
Br. Holdings Corporation	Construction business license (ordinary)	Governor of Hiroshima Prefecture License (Ordinary-30, No. 32261)	November 30, 2023 (to be renewed every five years)
KYOKUTO KOWA CORPORATION	Construction business license (special)	Minister of Land, Infrastructure, Transport and Tourism License (Special-1, No. 2840)	December 19, 2024 (to be renewed every five years)
Higashi Nihon Concrete Co., Ltd.	Construction business license (special)	Minister of Land, Infrastructure, Transport and Tourism License (Special-30, No. 2918)	February 26, 2024 (to be renewed every five years)

(xii) Seasonality of earnings

In the construction business, which is the main line of business for the Group, the ratio of constructions completed in the fourth quarter is typically larger than that in other quarters, and thus, the Group's earnings are affected by seasonality. Therefore, in order to have an accurate assessment of the Group's operating performance, you are recommended to focus on its full-year earnings. Nevertheless, in the event construction schedules are delayed in the fourth quarter for some reason, such delay could affect the full-year earnings of the Group.

Quarterly changes in operating performance during the previous fiscal year and the fiscal year under review are as shown below.

	Year ended March 31, 2019				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Full year
Net sales (Millions of yen)	4,832	5,649	7,525	9,325	27,333
Composition ratio (%)	17.7	20.7	27.5	34.1	100.0
Gross profit (Millions of yen)	731	529	1,099	1,285	3,645
Composition ratio (%)	20.1	14.5	30.2	35.3	100.0
Operating profit (Millions of yen)	156	(88)	567	752	1,386
Composition ratio (%)	11.3	(6.4)	40.9	54.2	100.0

	Year ended March 31, 2020				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Full year
Net sales (Millions of yen)	6,335	7,445	12,109	8,885	34,775
Composition ratio (%)	18.2	21.4	34.8	25.6	100.0
Gross profit (Millions of yen)	683	888	1,507	1,391	4,471
Composition ratio (%)	15.3	19.9	33.7	31.1	100.0
Operating profit (Millions of yen)	97	310	931	819	2,158
Composition ratio (%)	4.5	14.4	43.1	38.0	100.0

## (xiii) Quality of operations by suppliers and subcontractors

The Group chooses its suppliers and subcontractors based on a comprehensive evaluation of their quality control, technological and other capabilities. In the event the quality of their operations is insufficient, however, repair, rework and other costs additionally incurred by the Group could affect its earnings.

## (xiv) Natural and other disasters

Natural disasters including earthquakes, and human-made disasters could affect the Group's earnings in cases where these disasters have a serious impact on its business continuity.

## (xv) Risks associated with COVID-19 pandemic and other infectious diseases

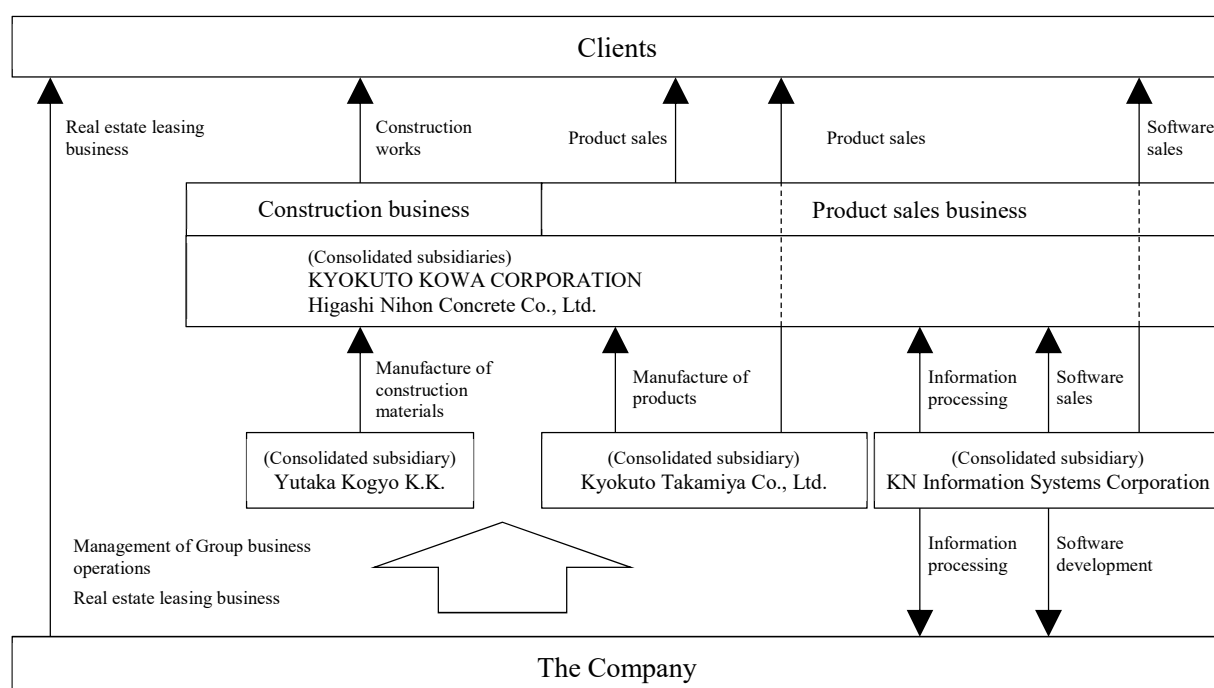
The spread of viral diseases, such as COVID-19, could affect the Group's earnings in cases where its employees are infected with viruses, and as a result, the Group is forced to suspend its operations. To respond to these risks, the Group has built a management system to properly prevent infection and its spread. For details, please refer to "(1) Analysis of operating results, (iii) Reference: Actions taken to prevent COVID-19 infection."

## 2. Status of the Group

The Group is a corporate group consisting of the Company and five subsidiaries. The Company, as a holding company, manages business operations of these subsidiaries and also manages leasing of Kyokuto Building. The subsidiaries mainly operate the construction business specialized in prestressed concrete (PC) construction of bridges and other structures; the product sales business engaged in manufacturing and selling secondary concrete products; and the information systems business engaged in information processing and software developing, etc.

The positioning and operating segment for each of the subsidiaries constituting the Group are as shown below.

Construction business and product sales business	KYOKUTO KOWA CORPORATION	Construction works of mainly bridges, using PC; sale of PC; and manufacture and sale of railroad sleepers
Construction business and product sales business	Higashi Nihon Concrete Co., Ltd.	Construction works of mainly bridges, using PC; sale of PC; and manufacture and sale of railroad sleepers
Construction business	Yutaka Kogyo K.K.	Engaged primarily in manufacture of construction materials for the Group
Product sales business	Kyokuto Takamiya Co., Ltd.	Engaged primarily in manufacture of secondary concrete products for the Group
Information systems business	KN Information Systems Corporation	Engaged primarily in information processing and software developing for the Group



## 3. Basic rationale for selection of accounting standards

The stakeholders of the Group consist mainly of domestic shareholders, creditors and business partners. As the Group rarely has the need to procure funds from abroad, it has adopted the Japanese GAAP as its accounting standards.

The Group, however, may adopt IFRS in the future if it is deemed appropriate to do so in view of circumstances at home and abroad.

#### 4. Consolidated financial statements and significant notes thereto

##### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	2,812	2,732
Notes receivable, accounts receivable from completed construction contracts and other	9,926	13,907
Costs on construction contracts in progress	3,145	1,416
Merchandise and finished goods	1,238	1,876
Work in process	132	168
Raw materials and supplies	110	157
Accounts receivable - other	310	489
Other	26	35
Total current assets	17,703	20,784
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,644	6,401
Machinery, vehicles, tools, furniture and fixtures	5,366	5,612
Land	2,081	2,081
Leased assets	19	19
Construction in progress	309	50
Accumulated depreciation and impairment loss	(8,914)	(9,223)
Total property, plant and equipment	4,508	4,943
Intangible assets		
Software	71	54
Telephone subscription right	20	20
Other	0	-
Total intangible assets	91	74
Investments and other assets		
Investment securities	518	387
Shares of subsidiaries and associates	15	15
Deferred tax assets	61	83
Other	146	135
Allowance for doubtful accounts	(26)	(25)
Total investments and other assets	714	596
Total non-current assets	5,314	5,614
Total assets	23,017	26,398

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	3,706	4,756
Electronically recorded obligations - operating	2,621	2,763
Accounts payable - other	222	183
Short-term borrowings	2,400	3,800
Current portion of long-term borrowings	975	1,000
Income taxes payable	269	337
Accrued consumption taxes	164	183
Advances received on construction contracts in progress	3,541	1,425
Provision for loss on construction contracts	45	–
Provision for warranties for completed construction	45	35
Other	615	868
Total current liabilities	14,608	15,353
Non-current liabilities		
Long-term borrowings	2,050	4,050
Other	97	123
Total non-current liabilities	2,147	4,173
Total liabilities	16,756	19,527
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,317	1,317
Capital surplus	889	951
Retained earnings	3,792	4,826
Treasury shares	(30)	(395)
Total shareholders' equity	5,968	6,699
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160	68
Total accumulated other comprehensive income	160	68
Share acquisition rights	133	103
Total net assets	6,261	6,871
Total liabilities and net assets	23,017	26,398

**(2) Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	27,333	34,775
Cost of sales	23,687	30,304
Gross profit	3,645	4,471
Selling, general and administrative expenses	2,258	2,312
Operating profit	1,386	2,158
Non-operating income		
Interest and dividend income	6	6
Rental income from land and buildings	6	6
Royalty income	3	1
Gain on sales of scraps	26	14
Insurance claim income	37	-
Subsidy income	3	8
Reversal of allowance for doubtful accounts	12	-
Other	10	10
Total non-operating income	108	47
Non-operating expenses		
Interest expenses	22	35
Construction guarantee fee	18	25
Financing expenses	22	36
Other	15	11
Total non-operating expenses	79	108
Ordinary profit	1,415	2,097
Extraordinary losses		
Impairment loss	167	-
Total extraordinary losses	167	-
Profit before income taxes	1,247	2,097
Income taxes - current	557	730
Income taxes - deferred	(50)	18
Total income taxes	506	748
Profit	741	1,348
Profit attributable to owners of parent	741	1,348

**Consolidated statements of comprehensive income**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	741	1,348
Other comprehensive income		
Valuation difference on available-for-sale securities	43	(91)
Total other comprehensive income	43	(91)
Comprehensive income	784	1,257
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	784	1,257
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated statements of changes in equity**

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,317	783	3,285	(50)	5,335
Changes during period					
Dividends of surplus			(234)		(234)
Profit attributable to owners of parent			741		741
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		105		20	126
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	105	507	20	633
Balance at end of period	1,317	889	3,792	(30)	5,968

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	116	116	159	-	5,611
Changes during period					
Dividends of surplus					(234)
Profit attributable to owners of parent					741
Purchase of treasury shares					(0)
Disposal of treasury shares					126
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity	43	43	(26)	-	17
Total changes during period	43	43	(26)	-	650
Balance at end of period	160	160	133	-	6,261



Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,317	889	3,792	(30)	5,968
Changes during period					
Dividends of surplus			(314)		(314)
Profit attributable to owners of parent			1,348		1,348
Purchase of treasury shares				(383)	(383)
Disposal of treasury shares		62		17	80
Change in ownership interest of parent due to transactions with non-controlling interests		–			–
Net changes in items other than shareholders' equity					
Total changes during period	–	62	1,033	(365)	731
Balance at end of period	1,317	951	4,826	(395)	6,699

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	160	160	133	–	6,261
Changes during period					
Dividends of surplus					(314)
Profit attributable to owners of parent					1,348
Purchase of treasury shares					(383)
Disposal of treasury shares					80
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity	(91)	(91)	(30)		(122)
Total changes during period	(91)	(91)	(30)	–	609
Balance at end of period	68	68	103	–	6,871

**(4) Consolidated statements of cash flows**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,247	2,097
Depreciation	311	342
Impairment loss	167	-
Share-based remuneration expenses	100	49
Increase (decrease) in allowance for doubtful accounts	(12)	(1)
Increase (decrease) in provision for loss on construction contracts	(129)	(45)
Increase (decrease) in provision for warranties for completed construction	(82)	(10)
Interest and dividend income	(6)	(6)
Interest expenses	22	35
Decrease (increase) in trade receivables	(3,758)	(3,980)
Decrease (increase) in costs on construction contracts in progress	(63)	1,728
Decrease (increase) in other inventories	(385)	(720)
Decrease (increase) in accounts receivable - other	140	(223)
Increase (decrease) in trade payables	1,779	1,191
Increase (decrease) in advances received on construction contracts in progress	(354)	(2,115)
Increase (decrease) in accrued consumption taxes	(17)	67
Decrease (increase) in other assets	(10)	(1)
Increase (decrease) in other liabilities	281	276
Subtotal	(770)	(1,315)
Interest and dividends received	6	6
Interest paid	(21)	(37)
Income taxes paid	(587)	(669)
Net cash provided by (used in) operating activities	(1,372)	(2,015)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(780)	(1,220)
Proceeds from withdrawal of time deposits	540	1,380
Purchase of property, plant and equipment	(761)	(780)
Purchase of intangible assets	(16)	(12)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	0	0
Loan advances	(0)	(1)
Collection of loans receivable	5	5
Net cash provided by (used in) investing activities	(1,013)	(630)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	2,075	1,400
Proceeds from long-term borrowings	-	3,000
Repayments of long-term borrowings	(828)	(975)
Proceeds from exercise of employee share options	0	0
Purchase of treasury shares	(0)	(383)
Dividends paid	(234)	(313)
Repayments of lease obligations	(2)	(1)
Net cash provided by (used in) financing activities	1,009	2,725
Net increase (decrease) in cash and cash equivalents	(1,376)	80
Cash and cash equivalents at beginning of period	3,609	2,232
Cash and cash equivalents at end of period	2,232	2,312

**(5) Notes to consolidated financial statements**

**Notes on premise of going concern**

Not applicable.

**Important information constituting the basis for preparation of consolidated financial statements**

1. Matters concerning the scope of consolidation

Total number of consolidated subsidiaries: 5

Names of consolidated subsidiaries:

KYOKUTO KOWA CORPORATION

Higashi Nihon Concrete Co., Ltd.

Kyokuto Takamiya Co., Ltd.

Yutaka Kogyo K.K.

KN Information Systems Corporation

2. Matters related to application of equity method

The associate not accounted for using the equity method (Tocon Mitani Sekisan Co., Ltd.) has a minimal effect on the consolidated financial statements in terms of profit (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage) and others and is not material as a whole, and has therefore been excluded from the scope of application of the equity method.

3. Fiscal year of consolidated subsidiaries

The fiscal year ends of all consolidated subsidiaries are the same as the fiscal year end on a consolidated basis.

4. Accounting policies

(1) Valuation standards and methods for significant assets

a. Securities

(a) Shares of subsidiaries and associates

Stated at cost using the moving-average method.

(b) Available-for-sale securities

Available-for-sale securities with fair value

Stated based on the market price, etc. on the balance sheet date (Valuation differences are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Available-for-sale securities without fair value

Stated at cost using the moving-average method.

b. Inventories

(a) Costs on construction contracts in progress, finished goods and work in process

Stated at cost determined by the specific identification method (for the value stated in the balance sheet, the carrying amount is written down based on the decreased profitability).

(b) Raw materials and supplies

Stated at cost using the moving-average method (for the value stated in the balance sheet, the carrying amount is written down based on the decreased profitability).

- (2) Depreciation and amortization methods of significant depreciable and amortizable assets
  - a. Property, plant and equipment (excluding leased assets)

Depreciated by declining-balance method.

However, the Company's main office building, buildings (excluding facilities accompanying the buildings) acquired on April 1, 1998 and thereafter, and facilities accompanying buildings and structures acquired on April 1, 2016 and thereafter are depreciated by the straight-line method.

The range of useful lives of property, plant and equipment is principally as follows:

    - Buildings and structures: 12 to 50 years
    - Machinery, vehicles, tools, furniture and fixtures: 3 to 9 years
  - b. Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over its estimated internal useful life (five years).
  - c. Leased assets  
Depreciated using the straight-line method over the lease period with no residual value.
- (3) Accounting policies for major provisions
  - a. Allowance for doubtful accounts  
To provide against losses on defaults of trade receivables, etc. the Company provides the allowance for doubtful accounts based on a historical experience for general claims and on an estimate of collectability of specific doubtful receivables from customers in financial difficulties.
  - b. Provision for loss on construction contracts  
To provide against future losses on construction contracts, the Company recognizes the anticipated amounts of losses related to construction contracts at the end of the fiscal year.
  - c. Provision for warranties for completed construction  
To provide for expenses arising from warranties, etc. for completed construction, the Company recognizes the future warranty amounts anticipated during the warranty period.
- (4) Accounting policies for major revenues and expenses  
Recognition of net sales and cost of sales of completed construction contracts  

Concerning the recognition of net sales of completed construction contracts, the percentage-of-completion method is applied for the portion of the construction work for which completion is deemed to be certain by the end of the current fiscal year. (The percentage of completion is estimated based on the percentage of costs incurred compared with the estimated total costs). For other construction work, the completed-contract method is applied.

The net sales of completed construction contracts according to the percentage-of-completion method are ¥24,378 million for the fiscal year under review.
- (5) Scope of cash in consolidated statements of cash flows  
Cash (cash and cash equivalents) in consolidated statements of cash flows includes cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of changes in value.

## (6) Other significant matters for preparing consolidated financial statements

## a. Accounting of consumption taxes, etc.

The Company excludes consumption taxes from transaction amounts.

## b. Application of consolidated taxation system

The Company applies the consolidated taxation system.

## c. Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

As for items regarding the transition to the group tax sharing system introduced in the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and some consolidated subsidiaries in Japan have not applied the provisions of paragraph (44) of the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph (3) of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

**Notes to consolidated balance sheets**

## \*1. Assets pledged as collateral and corresponding liabilities are as follows:

## a) Assets pledged as collateral

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Buildings and structures	63	67
Machinery, vehicles, tools, furniture and fixtures	43	37
Land	495	495
Total	603	600

Of the above property, plant and equipment, assets pledged as collateral on factory foundation mortgages

	As of March 31, 2019	As of March 31, 2020
Buildings and structures	63	67
Machinery, vehicles, tools, furniture and fixtures	43	37
Land	495	495
Total	603	600

## b) Liabilities corresponding to the above

	As of March 31, 2019	As of March 31, 2020
Long-term borrowings (including current portion)	45	—
Short-term borrowings	—	—
Total	45	—

## \*2. Inventories for construction contracts on which losses are expected and provision for loss on construction contracts are not offset and are presented separately.

Of inventories for construction contracts on which losses are expected, the amounts corresponding to the provision for loss on construction contracts are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Costs on construction contracts in progress	44	—
Finished goods	—	—
Total	44	—

**\*3. Loan commitment**

The Company has entered into loan commitment agreements with six banks to efficiently raise working capital.

The balance of unexecuted borrowings based on the loan commitment agreements at the end of the fiscal year under review is as follows:

(Millions of yen)		
	As of March 31, 2019	As of March 31, 2020
Total amount of loan commitment	2,400	4,400
Outstanding borrowings	2,400	1,100
Balance of unexecuted borrowings	-	3,300

**\*4. Notes maturing on the last day of the fiscal year**

Accounting of notes maturing on the last day of the fiscal year is settled on the clearing date.

However, because financial institutions were closed on the last day of the fiscal year ended March 31, 2019, the following notes maturing on the last day of the fiscal year are included in the balance as of March 31, 2019.

(Millions of yen)		
	As of March 31, 2019	As of March 31, 2020
Notes receivable	34	-

**Notes to consolidated statements of income****\*1. Provision for loss on construction contracts included in cost of sales is as follows:**

(Millions of yen)		
Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	
45	-	

**\*2. The inventory balance at the end of the fiscal year is presented after book values were written down due to a decline in profitability of assets and the following loss on valuation of inventories is included in cost of sales.**

(Millions of yen)		
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Amount of reduction in book value of inventories	88	-

**\*3. The major components and amounts of selling, general and administrative expenses are as follows:**

(Millions of yen)		
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Employees' salaries and allowances	779	774
Bonuses	201	252
Provision of allowance for doubtful accounts	-	0

**\*4. The components of research and development expenses are as follows:**

(Millions of yen)		
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Selling, general and administrative expenses	43	51

## \*5 Impairment loss

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

The Group grouped the business assets into units of stores, etc. based on the management accounting classifications on which profit and loss are continuously monitored.

Regarding the Takamiya Plant, as profit and loss from business activities has continuously been negative, book values have been written down to their recoverable value. These reductions have been recorded as ¥113 million in impairment loss under extraordinary losses. Regarding the Koda Equipment Center, as the Company expects retired assets, etc. to arise after resolving to transfer in the next fiscal year, book values have been written down to their recoverable value. These reductions have been recorded as ¥53 million in impairment loss under extraordinary losses.

Place	Purpose of use	Description	Impairment loss (Millions of yen)
Takamiya Plant (Akitakata-shi, Hiroshima)	Product sales business	Buildings and structures	113
Koda Equipment Center (Akitakata-shi, Hiroshima)	Construction business, etc.	Buildings and structures	15
		Land	15
		Disposal expenses	22
		Total	53

The Takamiya Plant's recoverable amount is measured by value in use and is calculated by discounting future cash flows at a rate of 5.4%. Furthermore, the Koda Equipment Center's recoverable amount is measured by net realizable value and is calculated on the basis of real estate appraisal value.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Not applicable.

### Notes to consolidated statements of changes in equity

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

#### 1. Type and total number of issued shares and type and number of treasury shares

	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Issued shares				
Common shares	39,700,000	–	–	39,700,000
Total	39,700,000	–	–	39,700,000
Treasury shares				
Common shares (Note)	793,176	20	317,200	475,996
Total	793,176	20	317,200	475,996

Note: The increase in the number of common shares in treasury shares is due to the purchase of shares less than one unit. The decrease resulted from a decrease of 206,200 shares from disposal as restricted share remuneration, and a decrease of 111,000 shares from the exercise of stock options.

## 2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares subject to share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (shares)				Balance as of the end of the fiscal year (Millions of yen)
			As of the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	As of the end of the fiscal year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	133
Total		–	–	–	–	–	133

## 3. Matters related to dividends

## (1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2018	Common shares	116	3	March 31, 2018	June 25, 2018
Board of Directors Meeting held on November 7, 2018	Common shares	117	3	September 30, 2018	December 3, 2018

## (2) Of the dividends whose record date falls during the fiscal year, those which become effective in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2019	Common shares	156	Retained earnings	4	March 31, 2019	June 24, 2019

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

## 1. Type and total number of issued shares and type and number of treasury shares

	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Issued shares				
Common shares	39,700,000	–	–	39,700,000
Total	39,700,000	–	–	39,700,000
Treasury shares				
Common shares (Note)	475,996	800,000	280,200	995,796
Total	475,996	800,000	280,200	995,796

(Note 1) The increase of 800,000 shares of common shares in treasury shares is due to purchases through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3).

(Note 2) The decrease of shares of common shares in treasury shares is due to the disposal of 157,200 shares as restricted share remuneration, and the disposal of 123,000 treasury shares from the exercise of stock options.



## 2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares subject to share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (shares)				Balance as of the end of the fiscal year (Millions of yen)
			As of the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	As of the end of the fiscal year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	103
Total		–	–	–	–	–	103

## 3. Matters related to dividends

## (1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2019	Common shares	156	4	March 31, 2019	June 24, 2019
Board of Directors Meeting held on November 11, 2019	Common shares	158	4	September 30, 2019	December 2, 2019

## (2) Of the dividends whose record date falls during the fiscal year, those which become effective in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 19, 2020	Common shares	193	Retained earnings	5	March 31, 2020	June 22, 2020

**Notes to consolidated statements of cash flows**

- \* Relationship between the balance of cash and cash equivalents at the end of the fiscal year and the amounts of the items shown on the consolidated balance sheets

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash and deposits	2,812	2,732
Time deposits with maturities of more than three months	(580)	(420)
Cash and cash equivalents	2,232	2,312

**Segment information, etc.**

[Segment information]

## 1. Overview of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors in order to make decisions on allocation of business resources and to evaluate the business performances.

The Company engages in the management of subsidiaries and the rent and management of real estate as a holding company. Each group company formulates comprehensive business strategies for each business categorized by industry, such as construction, product sales and information systems.

Accordingly, the Group consists of segments by industry, with four reportable segments: "Construction business," "Product sales business," "Information systems business" and "Real estate leasing business."

The "Construction business" mainly engages in prestressed concrete work, primarily for bridges. The "Product sales business" mainly engages in the sale of concrete secondary products. The "Information systems business" mainly engages in information processing and software development. The "Real estate leasing business" mainly engages in renting and managing properties held by the Group.

## 2. The methods of calculating the amounts of net sales, profit (loss), assets and other items by reportable segment

The accounting method for reportable segments is generally the same as the method described in "Important information constituting the basis for preparation of consolidated financial statements."

Profit of reportable segments is calculated based on operating profit.

Intersegment revenue and transfers are based on prevailing market prices.

## 3. Information on net sales, profit (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Construction business	Product sales business	Information systems business	Real estate leasing business	Total	Adjusted amount (Note) 1	Amount in consolidated financial statements (Note) 2
Net sales:							
Sales to external customers	24,647	2,386	251	47	27,333	–	27,333
Intersegment sales and transfers	–	26	115	136	278	(278)	–
Total	24,647	2,413	366	183	27,611	(278)	27,333
Segment profit (loss)	2,563	(203)	0	124	2,485	(1,099)	1,386
Segment assets	15,662	2,149	26	1,157	18,996	4,021	23,017
Other items:							
Depreciation	167	82	0	17	267	43	311
Impairment loss	37	113	–	15	167	–	167
Increase in property, plant and equipment and intangible assets	859	426	–	0	1,285	38	1,323

Notes: 1. Details of adjustment are as follows:

- (1) Included in the ¥1,099 million deducted from segment profit as adjustment are a deduction of ¥6 million in intersegment eliminations, and a deduction of ¥1,092 million in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segments.
- (2) The adjustment of ¥4,021 million of segment assets includes eliminations of ¥5,121 million in common group-wide receivables and ¥9,143 million in corporate assets not allocated to each reportable segment.
- (3) Included in the ¥43 million added to depreciation as adjustment are an elimination of ¥0 million in common group-wide depreciation and amortization, and an addition of ¥43 million in depreciation and amortization for the whole Group that has not been allocated to each reportable segment.
- (4) The adjustment of ¥38 million to increase in property, plant and equipment and intangible assets is the amount of capital investment in corporate assets.

2. Segment profit is adjusted for operating profit on the consolidated financial statements.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Construction business	Product sales business	Information systems business	Real estate leasing business	Total	Adjusted amount (Note) 1	Amount in consolidated financial statements (Note) 2
Net sales:							
Sales to external customers	30,953	3,509	267	45	34,775	–	34,775
Intersegment sales and transfers	–	94	117	131	343	(343)	–
Total	30,953	3,603	384	177	35,118	(343)	34,775
Segment profit (loss)	3,035	122	7	121	3,287	(1,128)	2,158
Segment assets	18,771	2,362	278	1,206	22,618	3,779	26,398
Other items:							
Depreciation	187	97	1	15	302	39	342
Impairment loss	–	–	–	–	–	–	–
Increase in property, plant and equipment and intangible assets	119	574	2	50	747	12	760

Notes: 1. Details of adjustment are as follows:

- (1) Included in the ¥1,128 million deducted from segment profit as adjustment are a deduction of ¥0 million in intersegment eliminations, and a deduction of ¥1,128 million in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segments.
  - (2) The adjustment of ¥3,779 million of segment assets includes eliminations of ¥8,217 million in common group-wide receivables and ¥11,996 million in corporate assets not allocated to each reportable segment.
  - (3) Included in the ¥39 million added to depreciation as adjustment are an elimination of ¥2 million in common group-wide depreciation and amortization, and an addition of ¥41 million in depreciation and amortization for the whole Group that has not been allocated to each reportable segment.
  - (4) The adjustment of ¥12 million to increase in property, plant and equipment and intangible assets is the amount of capital investment in the corporate assets.
2. Segment profit is adjusted for operating profit on the consolidated financial statements.

[Related information]

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Information by product and service

This information has been omitted as similar information has been disclosed in “Segment information 1. Overview of reportable segments.”

2. Regional information

(1) Net sales

This information is not presented as the Group has no sales to customers outside Japan.

(2) Property, plant and equipment

This information is not presented as the Group has no property, plant and equipment outside Japan.

3. Information by major customer

Name of customer	Net sales (Millions of yen)	Name of related segment
Miyagi Prefectural Government	4,516	Construction business
Japan Railway Construction, Transport and Technology Agency	4,282	Construction business
Ministry of Land, Infrastructure, Transport and Tourism	3,805	Construction business

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Information by product and service

This information has been omitted as similar information has been disclosed in “Segment information 1. Overview of reportable segments.”

2. Regional information

(1) Net sales

This information is not presented as the Group has no sales to customers outside Japan.

## (2) Property, plant and equipment

This information is not presented as the Group has no property, plant and equipment outside Japan.

## 3. Information by major customer

Name of customer	Net sales (Millions of yen)	Name of related segment
Expressway companies	8,366	Construction business
Japan Railway Construction, Transport and Technology Agency	6,902	Construction business
Ministry of Land, Infrastructure, Transport and Tourism	3,552	Construction business

## [Information on impairment loss on non-current assets by reportable segment]

This information has been omitted as similar information has been disclosed in the segment information.

## [Information on amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

## [Information on gains on bargain purchase by reportable segment]

Not applicable.

**Per-share information**

(Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	156.24	174.86
Earnings per share	18.94	34.45
Diluted earnings per share	18.68	34.07

Note: The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	741	1,348
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent concerning common shares (Millions of yen)	741	1,348
Average number of shares during the period (Thousand shares)	39,140	39,152
Diluted earnings per share		
Adjustments of profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (Thousands of shares)	551	431
(Of which, share acquisition rights (Thousands of shares))	(551)	(431)
Overview of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	–	–

**Significant subsequent events**

Not applicable.

## 5. Overview of production, orders received and sales

### (i) Production results

(Tons)

Business segments	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
	Product production weight	Product production weight	Product production weight
Construction business	37,988	47,723	9,735
Product sales business	43,606	57,345	13,739
Total	81,594	105,069	23,475

Note: The Group's production results are based on product production weight in the manufacture of factory products.

### (ii) Orders received

(Millions of yen)

Business segments	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
	Orders received	Orders received	Orders received
Construction business	32,231	26,887	(5,343)
Product sales business	3,252	5,217	1,965
Information systems business	365	416	50
Real estate leasing business	183	177	(6)
Total	36,032	32,699	(3,333)

Notes: 1. Intersegment transactions are included in the amounts.  
2. The above amounts do not include consumption and other taxes.

### (iii) Sales results

(Millions of yen)

Business segments	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
	Sales	Sales	Sales
Construction business	24,647	30,953	6,305
Product sales business	2,386	3,509	1,122
Information systems business	251	267	15
Real estate leasing business	47	45	(1)
Total	27,333	34,775	7,442

Notes: 1. Intersegment transactions have been eliminated.  
2. The above amounts do not include consumption and other taxes

The status of the construction business, which is a core business of the Group, is as follows.

Orders, net sales, balance carried forward and value of finished work

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Segment	Balance carried from the previous fiscal year	Orders received for the fiscal year	Total	Net sales for the fiscal year	Balance carried forward		Value of finished work for the fiscal year
					Amount on hand	Of which, value of finished work	
Construction business						(%)	
Bridges	29,977	23,222	53,199	17,445	35,754	7.7	2,761
Other	10,951	9,009	19,961	7,202	12,759	0.9	116
Total	40,929	32,231	73,161	24,647	48,514	5.9	2,878

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Segment	Balance carried from the previous fiscal year	Orders received for the fiscal year	Total	Net sales for the fiscal year	Balance carried forward		Value of finished work for the fiscal year
					Amount on hand	Of which, value of finished work	
Construction business						(%)	
Bridges	35,754	14,522	50,277	21,424	28,852	2.7	769
Other	12,759	12,365	25,124	9,528	15,596	1.9	301
Total	48,514	26,887	75,401	30,953	44,448	2.4	1,071

- Notes: 1. Amounts that have been changed in contract amounts due to renewal of contracts for construction that was ordered in the previous fiscal year or before are included in orders received for the fiscal year. Accordingly, this change is also included in net sales for the fiscal year.
2. The value of finished work in balance carried forward for the next fiscal year assumes the value of finished work of construction in progress using costs on construction contracts in progress.