

# TODA CORPORATION

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## FINANCIAL STATEMENTS 2022

Year ended March 31, 2022



## Independent Auditor's Report

The Board of Directors  
Toda Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Toda Corporation and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimates of total construction costs	
Key Audit Matters Description	How the Key Audit Matters Were Addressed in the Audit
<p>In the building construction and civil engineering, etc., which are the Group's principal business, the Group has the performance obligations to construct buildings or structures, etc. and deliver the outcomes to customers based on construction contracts as described in Note 2.8. The Group has applied the method based on the percentage of costs incurred by the end of each reporting period to the total expected costs as a method of estimating the progress of construction works to the satisfaction of performance obligations. The portion of work completed by the method based on the percentage of costs were 429,888 million yen. In addition, the Group records a provision for losses on construction contracts that have not yet been delivered, for which losses are expected to be incurred as of the end of the current fiscal year and for which the amount can be reasonably estimated as described in Note 2.6).</p> <p>The method based on the percentage of costs is used to record portion of work completed and provision for losses on construction contracts, which is affected by estimates of total construction costs. Estimating total construction costs is highly individualized for each contract, and facts that become known after the start of the construction contract may exist or conditions at the site may change, making timely and appropriate</p>	<p>To evaluate the reasonableness of estimates of total construction costs, we mainly performed the following audit procedures.</p> <ul style="list-style-type: none"><li>• We understood the revenue and expenditure management system and the construction progress management system for each unit of construction revenue recognition developed by the Group, and evaluated the related internal controls, including the approval of the execution budget at the time of formulation and update, which is the basis for estimating total construction costs.</li><li>• As for the construction costs in the unit of construction revenue recognition selected based on certain criteria, we examined whether the total construction costs reflect the actual situation by examining whether there is any abnormality in the status of cost accrual and examining the appropriateness of deviation from the execution budget.</li><li>• We examined the total construction costs to see if any unusual adjustment items were included in the total construction costs.</li><li>• By inspecting the process control materials and asking questions, we identified important estimation</li></ul>

<p>review of total construction costs complex. As a result, estimates of total construction costs are highly uncertain and management's judgment has a significant impact.</p> <p>Based on the above, we have determined estimates of total construction costs to be a key audit matter.</p>	<p>factors related to specifications, construction period, etc. , and evaluated the manager's judgment regarding the effects of uncertainty in the estimation factors.</p> <ul style="list-style-type: none"> <li>• As for particularly important projects, we performed on-site observations and additional questioning to examine whether the progress of construction was consistent with the estimate of total construction costs and the progress toward completion of construction.</li> </ul>
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Impairment of fixed assets related to the floating offshore wind power generation project	
Key Audit Matters Description	How the Key Audit Matters Were Addressed in the Audit
<p>As for the floating offshore wind power generation project, in which the Group has made and plans to make large investment as a new business area, the business market itself is new and uncertain, and there is a risk that impairment of fixed assets will not be properly assessed depending on achievement of the business plan.</p> <p>The Offshore Goto Wind Farm Project in Nagasaki Prefecture is preparing to construct a floating offshore wind farm after the consortium represented by the Group was selected as the operator after a public call for proposals based on the Law Concerning the Promotion of the Utilization of the Sea Area for the Development of Offshore Renewable Energy Power Generation Facilities. The recoverable amount calculated based on the future use value of facilities under construction fell below the book value, therefore, an impairment loss of 312 million yen was recorded as an extraordinary loss as described in Note 9.8).</p> <p>The estimates of future value in use are subject to uncertainty and require management's judgment, therefore, we have determined this matter to be a key audit matter.</p>	<p>In our audit of the impairment of fixed assets related to the floating offshore wind power generation project , we principally performed the following audit procedures.</p> <ul style="list-style-type: none"> <li>• We examined the valuation methods used in the calculation of value in use.</li> <li>• We compared the projected duration of future cash flows in the estimates of future use with the remaining useful life of the related assets.</li> <li>• As for future cash flows in the estimates of future use , we examined consistency with the underlying business plan approved by the management and observable used market data.</li> <li>• We discussed with the management the major components included in the business plan estimates, and reviewed the management's assessment of future uncertainties.</li> <li>• We evaluated the appropriateness of the method for calculating the discount rate based on the valuation items covered and the accounting standard requirements.</li> </ul>

### ***Other Information***

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

### ***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 these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the controls over 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. 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 an 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. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of the most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### ***Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan***

Our firm and its designated engagement partners 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.

#### ***Convenience Translation***

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

SEINAN AUDIT CORPORATION  
Minato-ku, Tokyo, Japan  
June 29, 2022

Toshio Saito  
Representative Partner  
Engagement Partner  
Certified Public Accountant

Daisuke Suzuki  
Representative Partner  
Engagement Partner  
Certified Public Accountant

**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 SEINAN AUDIT CORPORATION.

## Independent Auditor's Report

The Board of Directors  
Toda Corporation

### ***Opinion***

We have audited the accompanying non-consolidated financial statements of Toda Corporation (“the Company”), which comprise the non-consolidated balance sheet as of March 31, 2022, and the non-consolidated statement of income and non-consolidated statement of changes in equity for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as of March 31, 2022, and its non-consolidated financial performance for the year 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 Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

《Estimates of total construction costs》

The description is omitted because the contents are the same as key audit matters (estimates of total construction costs) stated in the Independent Auditor's report of the consolidated financial statements.

《Impairment of fixed assets related to the floating offshore wind power generation project》

The description is omitted because the contents are the same as key audit matters (Impairment of fixed assets related to the floating offshore wind power generation project) stated in the Independent Auditor's report of the consolidated financial statements.

### ***Other Information***

The other information comprises the information included in the disclosure document that contains audited non-consolidated financial statements but does not include the non-consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the non-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. 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 non-consolidated financial statements.

As part of an 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 non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 non-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 Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of the most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### ***Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan***

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### ***Convenience Translation***

We have reviewed the translation of these non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying non-consolidated financial statements have been properly translated on the basis described in Note 1.

SEINAN AUDIT CORPORATION  
Minato-ku, Tokyo, Japan  
June 29, 2022

Toshio Saito  
Representative Partner  
Engagement Partner  
Certified Public Accountant

Daisuke Suzuki  
Representative Partner  
Engagement Partner  
Certified Public Accountant

**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 SEINAN AUDIT CORPORATION.



# Consolidated Balance Sheets

Toda Corporation and consolidated Subsidiaries - As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 12 and 14)	¥ 95,037	¥ 120,538	\$ 984,869
Notes and accounts receivable - trade (Note 8.1), 14 and 22)	209,347	208,892	1,706,778
Short-term investment securities (Notes 14 and 15)	10,100	10,300	84,157
Real estate for sale (Notes 8.10))	11,080	8,301	67,831
Costs on uncompleted construction contracts (Note 8.9))	11,010	9,680	79,099
Other inventories	8,031	5,124	41,868
Other	29,788	24,887	203,347
Allowance for doubtful accounts	(1,248)	(1,188)	(9,713)
<b>Total current assets</b>	<b>373,147</b>	<b>386,536</b>	<b>3,158,238</b>
<b>Noncurrent assets:</b>			
Property, plant and equipment: (Notes 8.2), 20 and 21)			
Buildings and structures, net (Notes 8.3), 5) and 10))	40,552	47,912	391,470
Machinery, vehicles, tools, furniture and fixtures, net (Notes 8.3))	6,119	11,019	90,032
Land (Notes 8.5), 8) and 10))	86,493	87,652	716,171
Lease assets, net	83	59	489
Construction in progress	11,622	15,294	124,969
<b>Total property, plant and equipment</b>	<b>144,871</b>	<b>161,938</b>	<b>1,323,133</b>
Intangible assets:			
Goodwill	608	701	5,730
Other (Notes 8.3))	8,876	11,255	91,962
<b>Total intangible assets</b>	<b>9,484</b>	<b>11,956</b>	<b>97,692</b>
Investments and other assets:			
Investment securities (Notes 8.4), 5) , 14 and 15)	200,290	192,650	1,574,068
Long-term loans receivable (Notes 8.5) and 14)	842	817	6,680
Net defined benefit assets (Note 17)	1,966	2,129	17,395
Deferred tax assets (Note 18)	637	677	5,537
Other	4,744	4,585	37,463
Allowance for doubtful accounts	(194)	(91)	(748)
<b>Total investments and other assets</b>	<b>208,285</b>	<b>200,768</b>	<b>1,640,396</b>
<b>Total noncurrent assets</b>	<b>362,642</b>	<b>374,663</b>	<b>3,061,222</b>
<b>Total assets</b>	<b>¥ 735,789</b>	<b>¥ 761,199</b>	<b>\$ 6,219,461</b>

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable - trade (Note 14)	¥ 114,000	¥ 97,728	\$ 798,500
Short-term loans payable (Note 14)	48,297	59,969	489,988
Commercial papers-liabilities (Note 14)	20,000	20,000	163,412
Current portion of bonds payable (Note 14)	-	15,190	124,111
Income taxes payable (Note 14)	8,525	6,175	50,456
Advances received on uncompleted construction contracts (Note 8.1) and 22)	27,779	28,369	231,795
Provision for bonuses	6,957	6,071	49,608
Provision for warranties for completed construction	3,641	3,819	31,206
Provision for loss on construction contracts (Note 8.9))	2,753	2,666	21,782
Deposits received	32,717	38,465	314,288
Other	17,009	20,660	168,807
Total current liabilities	281,681	299,116	2,443,957
<b>Noncurrent liabilities:</b>			
Bonds payable (Note 14)	50,100	45,245	369,678
Long-term loans payable (Note 14)	32,643	38,991	318,583
Deferred tax liabilities (Note 18)	24,496	22,690	185,395
Deferred tax liabilities for land revaluation (Note 18)	6,389	6,124	50,043
Provision for directors' retirement benefits	205	239	1,959
Provision for stock payments for directors	236	240	1,966
Provision for loss on liquidation of subsidiaries and affiliates	28	1,193	9,754
Net defined benefit liability (Note 17)	21,470	21,849	178,525
Asset retirement obligations (Note 20)	1,999	2,207	18,037
Other	4,003	4,258	34,792
Total noncurrent liabilities	141,573	143,041	1,168,737
Total liabilities	423,255	442,157	3,612,695
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	23,001	23,001	187,936
Capital surplus	26,259	26,457	216,175
Retained earnings	189,217	199,155	1,627,222
Treasury stock	(9,388)	(8,462)	(69,142)
Total shareholders' equity	229,089	240,152	1,962,192
<b>Accumulated other comprehensive income (Note 10)</b>			
Valuation difference on available-for-sale securities	79,474	73,435	600,012
Deferred gains on hedges	108	385	3,152
Revaluation reserve for land (Note 8.8))	3,674	3,073	25,110
Foreign currency translation adjustments	(2,174)	(391)	(3,199)
Remeasurements of defined benefit plans	(153)	(81)	(665)
Total accumulated other comprehensive income	80,928	76,421	624,409
<b>Non-controlling interests</b>	2,515	2,467	20,162
Total net assets	312,533	319,042	2,606,765
<b>Total liabilities and net assets</b>	¥ 735,789	¥ 761,199	\$ 6,219,461

# Consolidated Statements of Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Net sales: (Note 9.1))</b>			
Net sales of construction contracts	¥ 487,994	¥ 472,641	\$ 3,861,764
Net sales of investment development business and other	19,140	28,868	235,873
Total net sales	507,134	501,509	4,097,638
<b>Cost of sales:</b>			
Cost of sales of construction contracts (Notes 9.2) and 3))	430,693	417,249	3,409,178
Cost of sales of investment development business and other (Notes 9.5))	11,553	21,582	176,344
Total cost of sales	442,246	438,832	3,585,523
<b>Gross profit:</b>			
Gross profit on construction contracts	57,300	55,392	452,586
Gross profit on investment development business and other	7,586	7,285	59,528
Total gross profit	64,887	62,677	512,114
<b>Selling, general and administrative expenses (Notes 9.4) and 5))</b>	37,190	38,292	312,873
<b>Operating income</b>	27,697	24,385	199,241
<b>Non-operating income:</b>			
Interest income	220	210	1,723
Dividend income	3,129	3,464	28,303
Dividend income of insurance	257	276	2,259
Share of profit of entities accounted for using equity method	31	191	1,561
Other	872	764	6,246
Total non-operating income	4,511	4,907	40,094
<b>Non-operating expenses:</b>			
Interest expenses	965	861	7,040
Commission fee	518	186	1,519
Other	360	133	1,086
Total non-operating expenses	1,845	1,180	9,646
<b>Ordinary income</b>	30,363	28,111	229,689
<b>Extraordinary income:</b>			
Gain on sales of noncurrent assets (Note 9.6))	35	24	202
Gain on sales of investment securities (Note 15)	2,637	3,127	25,552
Other	105	595	4,867
Total extraordinary income	2,777	3,747	30,622
<b>Extraordinary loss:</b>			
Loss on abandonment of noncurrent assets (Note 9.7))	1,593	1,550	12,668
Impairment loss (Note 9.8))	1,021	492	4,025
Loss on sales of investment securities (Note 15)	424	12	101
Loss on valuation of investment securities (Note 15)	481	0	7
Provision for loss on liquidation of subsidiaries and affiliates	-	1,162	9,501
Other	243	409	3,348
Total extraordinary losses	3,764	3,629	29,653
<b>Profit before income taxes and non-controlling interests</b>	29,376	28,230	230,658
<b>Income taxes-current</b>	10,112	9,271	75,751
<b>Income taxes-deferred</b>	(420)	490	4,008
<b>Total income taxes (Note 18)</b>	9,692	9,761	79,760
<b>Profit for the year</b>	19,684	18,468	150,898
<b>Loss attributable to non-controlling interests</b>	(51)	(92)	(754)
<b>Profit for the year attributable to owners of the parent (Note 25)</b>	¥ 19,735	¥ 18,560	\$ 151,652

# Consolidated Statements of Comprehensive Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Profit for the year</b>	¥ 19,684	¥ 18,468	\$ 150,898
<b>Other comprehensive income (Note 10)</b>			
Valuation difference on available-for-sale securities	27,520	(6,039)	(49,344)
Deferred gains or losses on hedges	121	277	2,268
Foreign currency translation adjustment	(1,527)	1,349	11,025
Remeasurements of defined benefit plans	1,029	88	724
Share of other comprehensive income of entities accounted for using equity method	200	414	3,386
Total other comprehensive income	27,344	(3,909)	(31,940)
<b>Comprehensive income</b>	47,028	14,559	118,958
Comprehensive income attributable to			
Owners of the parent	47,146	14,654	119,735
Non-controlling interests	¥ (118)	¥ (95)	\$ (777)

# Consolidated Statements of Changes in Net Assets

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2021 and 2022

Millions of yen													
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2020	¥23,001	¥26,259	¥176,564	¥(9,392)	¥216,433	¥51,954	¥(13)	¥4,584	¥(805)	¥(1,292)	¥54,427	¥2,635	¥273,496
Changes during period													
Dividends from surplus	-	-	(7,993)	-	(7,993)	-	-	-	-	-	-	-	(7,993)
Profit for the year attributable to owners of the parent	-	-	19,735	-	19,735	-	-	-	-	-	-	-	19,735
Disposal of treasury stock	-	-	-	5	5	-	-	-	-	-	-	-	5
Purchase of treasury stock	-	-	-	(0)	(0)	-	-	-	-	-	-	-	(0)
Increase by share exchanges	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	(0)	-	-	(0)	-	-	-	-	-	-	-	(0)
Reversal of revaluation reserve for land	-	-	909	-	909	-	-	-	-	-	-	-	909
Net changes of items other than shareholders' equity	-	-	-	-	-	27,520	121	(909)	(1,369)	1,138	26,501	(120)	26,381
Total changes of items during the period	-	(0)	12,652	4	12,656	27,520	121	(909)	(1,369)	1,138	26,501	(120)	39,037
Balance at March 31, 2021	¥23,001	¥26,259	¥189,217	¥(9,388)	¥229,089	¥79,474	¥108	¥3,674	¥(2,174)	¥(153)	¥80,928	¥2,515	¥312,533
Changes during period													
Dividends from surplus	-	-	(9,223)	-	(9,223)	-	-	-	-	-	-	-	(9,223)
Profit for the year attributable to owners of the parent	-	-	18,560	-	18,560	-	-	-	-	-	-	-	18,560
Disposal of treasury stock	-	-	-	32	32	-	-	-	-	-	-	-	32
Purchase of treasury stock	-	-	-	(1)	(1)	-	-	-	-	-	-	-	(1)
Increase by share exchanges	-	198	-	894	1,093	-	-	-	-	-	-	-	1,093
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of revaluation reserve for land	-	-	600	-	600	-	-	-	-	-	-	-	600
Net changes of items other than shareholders' equity	-	-	-	-	-	(6,039)	277	(600)	1,782	72	(4,507)	(47)	(4,554)
Total changes of items during the period	-	198	9,938	925	11,063	(6,039)	277	(600)	1,782	72	(4,507)	(47)	6,508
Balance at March 31, 2022	¥23,001	¥26,457	¥199,155	¥(8,462)	¥240,152	¥73,435	¥385	¥3,073	¥(391)	¥(81)	¥76,421	¥2,467	¥319,042

Thousands of U.S. dollars													
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2021	\$187,936	\$214,552	\$1,546,018	\$(76,707)	\$1,871,799	\$649,357	\$884	\$30,020	\$(17,765)	\$(1,258)	\$661,237	\$20,549	\$2,553,587
Changes during period													
Dividends from surplus	-	-	(75,358)	-	(75,358)	-	-	-	-	-	-	-	(75,358)
Profit for the year attributable to owners of the parent	-	-	151,652	-	151,652	-	-	-	-	-	-	-	151,652
Disposal of treasury stock	-	-	-	265	265	-	-	-	-	-	-	-	265
Purchase of treasury stock	-	-	-	(9)	(9)	-	-	-	-	-	-	-	(9)
Increase by share exchanges	-	1,623	-	7,310	8,933	-	-	-	-	-	-	-	8,933
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of revaluation reserve for land	-	-	4,910	-	4,910	-	-	-	-	-	-	-	4,910
Net changes of items other than shareholders' equity	-	-	-	-	-	(49,345)	2,268	(4,910)	14,566	592	(36,827)	(386)	(37,214)
Total changes of items during the period	-	1,623	81,204	7,565	90,392	(49,345)	2,268	(4,910)	14,566	592	(36,827)	(386)	53,178
Balance at March 31, 2022	\$187,936	\$216,175	\$1,627,222	\$(69,142)	\$1,962,192	\$600,012	\$3,152	\$25,110	\$(3,199)	\$(665)	\$624,409	\$20,162	\$2,606,765

# Consolidated Statements of Cash Flows

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Net cash provided by (used in) operating activities:</b>			
Profit before income taxes and non-controlling interests	¥ 29,376	¥ 28,230	\$ 230,658
Depreciation and amortization	3,834	4,765	38,937
Impairment loss	1,021	492	4,025
Amortization of goodwill	86	104	854
Increase (decrease) in allowance for doubtful accounts	246	(172)	(1,406)
Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates	(8)	1,164	9,514
Share of loss (profit) of entities accounted for using equity method	(31)	(191)	(1,561)
Increase (decrease) in net defined benefit liability	378	148	1,216
Decrease (increase) in net defined benefit asset	571	(63)	(517)
Increase (decrease) in other provision	(576)	(869)	(7,102)
Loss (gain) on valuation of investment securities	481	0	7
Loss (gain) on sales of investment securities	(2,212)	(3,115)	(25,451)
Loss (gain) on sales of property, plant and equipment	(34)	(24)	(202)
Loss on abandonment of noncurrent assets	1,593	1,550	12,668
Interest and dividend income	(3,349)	(3,675)	(30,027)
Interest expenses	965	861	7,040
Decrease (increase) in notes and accounts receivable-trade	(46,220)	1,625	13,277
Decrease (increase) in costs on uncompleted construction contracts	5,537	1,435	11,732
Decrease (increase) in real estate for sale	1,365	4,304	35,166
Decrease (increase) in costs on real estate business	(4,092)	1,136	9,288
Decrease (increase) in other current assets	(11,243)	6,025	49,228
Increase (decrease) in notes and accounts payable-trade	8,981	(16,298)	(133,165)
Increase (decrease) in advances received on uncompleted construction contracts	(2,140)	658	5,378
Increase (decrease) in other current liabilities	161	7,877	64,362
Other, net	693	(187)	(1,532)
Subtotal	(14,615)	35,785	292,391
Interest and dividend income received	3,423	3,681	30,077
Interest expenses paid	(953)	(853)	(6,970)
Income taxes paid	(9,012)	(11,526)	(94,176)
Other, net	18	186	1,526
Net cash provided by (used in) operating activities	(21,139)	27,274	222,846
<b>Net cash provided by (used in) investing activities:</b>			
Payments into time deposits	(399)	-	-
Proceeds from withdrawal of time deposits	76	69	565
Proceeds from sales and redemption of securities	-	100	817
Purchase of property, plant and equipment	(25,735)	(21,814)	(178,238)
Proceeds from sales of property, plant and equipment	35	80	659
Payments from retirement of property, plant and equipment	(1,745)	(1,471)	(12,025)
Purchase of intangible assets	(1,842)	(2,511)	(20,519)
Proceeds from subsidy income	9	2,900	23,694
Purchase of investment securities	(4,190)	(3,357)	(27,429)
Proceeds from sales and redemption of investment securities	6,465	6,321	51,648
Payments of loans receivable	(101)	(3)	(27)
Collection of loans receivable	42	28	230
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(107)	(1,037)	(8,474)
Purchase of shares of equity method affiliate	(3,643)	(57)	(465)
Payments for lease and guarantee deposits	(85)	(263)	(2,152)
Other, net	370	582	4,759
Net cash provided by (used in) investing activities	(30,852)	(20,433)	(166,957)
<b>Net cash provided by (used in) financing activities:</b>			
Net increase (decrease) in short-term loans payable	1,224	13,809	112,829
Increase (decrease) in commercial paper	20,000	-	-
Proceeds from long-term loans payable	9,717	12,920	105,564
Repayments of long-term loans payable	(6,616)	(9,037)	(73,839)
Proceeds from issuance of bonds	20,000	10,000	81,706
Redemption of bonds	(5,000)	(30)	(245)
Cash dividends paid	(7,993)	(9,223)	(75,358)
Cash dividends paid to non-controlling interests	(2)	(2)	(18)
Payments for acquisition of shares of subsidiaries not affecting the scope of consolidation	-	(76)	(628)
Purchase of treasury stock	(0)	(1)	(9)
Other, net	(49)	(51)	(421)
Net cash provided by (used in) financing activities	31,279	18,306	149,578
Effect of exchange rate change on cash and cash equivalents	(978)	426	3,488
Net increase (decrease) in cash and cash equivalents	(21,690)	25,574	208,955
Cash and cash equivalents at the beginning of current period	125,418	103,727	847,517
Cash and cash equivalents at the end of current period (Note 12)	103,727	129,301	1,056,473

# Notes to Consolidated Financial Statements

Toda Corporation and Consolidated Subsidiaries

## 1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements presented herein of Toda Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") are prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan.

These consolidated financial statements incorporate certain modifications in format so as to make the financial statements more meaningful to readers outside Japan.

These modifications have no effect on total assets, net sales, retained earnings or profit for the year.

(U.S. Dollar Amounts)

The accounts of consolidated financial statements presented herein are expressed in Japanese yen by rounding down to nearest million.

The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥122.39 = US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2022, and have been then rounded down to the nearest thousand. This translation should not be construed as a representation that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

## 2. Summary of Significant Accounting Policies

### 1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of Toda Corporation and 30 subsidiaries, namely APEC Engineering Co., Ltd., Chiyoda Kenkou Co., Ltd., Toda Road Co., Ltd., Toda Bldg. Partners Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co., Ltd., Toda Staff Service Co., Ltd., Goto Floating Wind Power LLC, Offshore Wind Farm Construction Co., Ltd., Sato kogyo Co., Ltd., Showa Construction Co., Ltd., Goto Floating Wind Farm LLC, Toda Solar Energy Fukaya LLC, Toda America, Inc., Construtora Toda do Brasil S/A, Thai Toda Corporation Ltd., Toda Vietnam Co., Ltd., Tobic Co., Ltd., PT Toda Group Indonesia, PT Toda Eksekutif Properties, TODA Energia do Brasil Ltda. and other 9 companies.

Other subsidiaries were not consolidated, as they were not significant in terms of the effect on total assets, net sales, profit for the year or retained earnings of the consolidated financial statements.

### 2) Application of the equity method

The affiliate to which the equity method is applied is as follows:

PT Tatamulia Nusantara Indah, Jack-up Wind Farm Construction Co., Ltd. In the current consolidated fiscal year, the newly established Jack-up Wind Farm Construction Co., Ltd. became an equity-method affiliate.

Other non-consolidated subsidiaries and affiliates were not accounted for using the equity method, as these Companies were not significant in terms of the effect on profit for the year or retained earnings of the consolidated financial statements.

### 3) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, Toda America, Inc., Construtora Toda do Brasil S/A, Thai Toda Corporation Ltd., Toda Vietnam Co., Ltd., PT Toda Group Indonesia, Tobic Co., Ltd., TODA Energia do Brasil Ltda. and other 5 companies close their fiscal year on December 31 each year.

In preparing the consolidated financial statements, the Company used financial statements as of December 31 of all these subsidiaries.

However, adjustments necessary for the purpose of consolidation have been made for fiscal year-end.

In addition, Toda Solar Energy Fukaya LLC closes the fiscal year on January 31 and in preparing the consolidated financial statements, the financial statement based on provisional settlement of account as of the consolidated closing date March 31 is used.

The fiscal year-end of all other consolidated subsidiaries is the same as the consolidated fiscal year-end.

### 4) Standards and evaluation methods for significant assets

#### (a) Short term investment securities and investment securities

##### Held-to-maturity debt securities

Amortized cost method (straight-line method)

##### Available-for-sale securities

##### • Other than equity securities without market prices:

Stated at fair value (the difference between the book value and the fair value is recorded as a component of net assets, while the cost of securities sold is computed using the moving-average method)

##### • Equity securities without market prices:

Stated at cost, determined by the moving-average method

In addition, the valuations for investments in investment business limited partnerships and similar partnerships (those deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Law of Japan) are based on recent financial statements available according to the settlement closing dates stipulated in the partnership contracts, and are recorded in the net amounts equivalent to their equity.

The accounting methods are as follows:

In the case of investment for the main business purpose, the equity-equivalent profit and loss to be attributable is recorded in "operating profit and loss" and added to or subtracted from "investment securities".

In the case of investment for purposes other than the main business purpose, the equity-equivalent profit and loss to be attributable is recorded as "non-operating profit and loss" and added to or subtracted from "investment securities".

#### (b) Derivatives

Stated at fair value.

#### (c) Inventories

##### Costs on uncompleted construction contracts

Stated at cost, determined by the specific identification cost method

##### Real estate for sale

Stated at cost, determined by the specific identification cost method (The book value on the consolidated balance sheets is presented after write-down for decline in profitability.)

#### (d) Other inventories

##### Raw materials and supplies

Stated at cost, determined by the weighted average method (The book value on the consolidated balance sheets is presented after write-down for decline in profitability.)

##### Costs on real estate business

Stated at cost, determined by the specific identification cost method (The book value on the consolidated balance sheets is presented after write-down for decline in profitability.)

## 5) Methods of depreciation and amortization of depreciable assets

### (a) Property, plant and equipment (excluding lease assets)

The declining-balance method is primarily used. However, the straight-line method is used for buildings (excluding building fixtures) acquired on and after April 1, 1998 and building fixtures and other structures acquired on and after April 1, 2016.

In addition, the straight-line method is used for Machinery, vehicles, tools, furniture and fixtures in some of the consolidated subsidiaries.

Standards identical to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.

### (b) Intangible fixed assets (excluding lease assets)

The straight-line method is used.

Standards identical to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.

However, the amortization of software used by the Companies is computed using the straight-line method based on the estimated useful life.

### (c) Lease assets

Leased assets under finance leases other than those that are deemed to transfer ownership to lessees

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

## 6) Allowances and provisions

### (a) Allowance for doubtful accounts

The allowance for doubtful trade receivables and loans has been provided based on historic loss experience for general accounts and also includes the aggregate amount of the estimated loss for the accounts for which concern actually exists for collectability.



- (b) Provision for bonuses  
This is provided for the payment of bonuses for employees, based on expected payment amount.
- (c) Provision for warranties to completed construction  
To cover expenses for defects claimed concerning completed work, this is provided based on the estimated amount of compensation in the future for the work completed during the current consolidated fiscal year.
- (d) Provision for loss on construction contracts  
The provision for loss on construction contracts is provided at the estimated amount for the future losses on contract backlog at the current consolidated fiscal year-end which will be probably incurred and which can be reasonably estimated.
- (e) Provision for directors' retirement benefits  
To prepare for the payment of retirement benefits for executive officers and subsidiaries' directors, the provision is provided at the amount to be paid according to internal regulations if they had retired at the current consolidated fiscal year-end.
- (f) Provision for loss on liquidation of subsidiaries and affiliates  
The provision for loss on liquidation of subsidiaries and affiliates is provided at the estimated amount for a possible future loss arising from liquidation.
- (g) Provision for stock payments to directors  
The provision for stock payments to directors is provided for stock award debt based on predetermined regulations for awarding stock, which is prepared for future awards of the Company's shares to its directors and executive officers.

#### 7) Accounting Policies of retirement benefits

The provision for retirement benefits to employees is calculated based on estimated amounts of retirement benefit obligations and pension assets as of the consolidated fiscal year-end.

Regarding lump-sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method (method to assume required payment amount based on voluntary termination of employment on the closing date as retirement benefit obligations).

The estimated amount of retirement benefit is allocated to periods of service based on the benefit formula.

Actuarial differences are amortized commencing the following year after the difference is recognized respectively by the straight-line method over a period of five years.

#### 8) Recognition of net sales from construction contracts and related costs

In the building construction and civil engineering, etc., which are the Companies' principal business, the Companies have the performance obligations to construct buildings or structures, etc. and deliver the outcomes to customers based on construction contracts.

The construction contracts are a transaction in which performance obligations are satisfied over time, and the Companies recognize revenue according to the progress in the satisfaction of performance obligations.

The Companies have applied the method based on the percentage of costs incurred by the end of each reporting period to the total expected costs as a method of estimating the progress of construction works to the satisfaction of performance obligations.

In addition, revenue is recognized by the cost recovery method when the progress in the satisfaction of performance obligations cannot be reasonably estimated, but the costs incurred are recoverable.

For construction contracts with a very short term between the commencement date of the transaction in the construction contract and the date when the performance obligations are expected to be fully satisfied, the Companies apply alternative treatment and do not recognize revenue over time.

In this case, the Companies recognize revenue when the performance obligations are fully satisfied. When certain refund obligations to customers are expected to arise, such as compensation for damages incurred in association with performance of contracts, the Companies reduce revenue to the extent of the estimated refund liability.

The Companies estimate a financing component of each individual construction contract and determine whether it is significant because the

timing of receipt of the consideration for the transaction of the construction contracts varies depending on the terms of each individual construction contract.

As a result, the Companies determined that there are no construction contracts with a significant financing component.

#### 9) Translation of foreign currency assets and liabilities

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year-end.

The resulting gains and losses are included in net income or loss for the consolidated fiscal year.

Assets and liabilities accounts of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at the fiscal year-end.

Income and expense accounts of foreign consolidated subsidiaries are translated into Japanese yen at the average annual exchange rate.

The resulting translation adjustments are included in foreign currency translation adjustment and minority interests in the net assets of the consolidated balance sheets.

#### 10) Hedge Accounting

The Companies apply hedge accounting as follows:

##### (a) Method of hedge accounting adopted

##### Deferral hedge accounting

If the interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest or liabilities for which the swap contract were executed ("special treatment").

##### (b) Measure and objects

##### 1. Measures: Forward foreign exchange contracts

Objects: Transactions to be paid in foreign currencies in cases of overseas construction of work and overseas procurement of materials

##### 2. Measures: Interest rate swap

Objects: Borrowings

##### (c) Hedging principles:

Based on internal regulations which stipulate the execution authority regarding on derivative transactions and those for transaction limits, the Companies utilize hedges to minimize the risk of currency exchange rate and interest rate fluctuations associated with the hedge objects.

##### (d) Evaluation method of effectiveness of hedging:

During the period from the time when the hedging first started until the current consolidated fiscal year-end, the Companies have been assessing the hedge effectiveness primarily by comparing, in terms of variation amounts, (1)cumulative cash flow changes or exchange rate changes of the hedge objects and (2)cumulative cash flow changes or exchange rate changes of the hedge measures.

However, the evaluation of hedge effectiveness is omitted for interest swaps as they meet certain hedging criteria for the special treatment.

#### 11) Goodwill

Goodwill is amortized by the straight-line method over a period of up to 10 years in which it is effective. However, goodwill that is immaterial is charged to expense in the period.

#### 12) Cash and cash equivalents

For the consolidated statements of cash flows, cash and cash equivalents are defined as cash on hand, deposits that can be withdrawn at any time and highly liquid short-term investments with a maturity date within three months after acquisition.

#### 13) Other significant matters for preparing consolidated financial statements

Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear

The accounting method for joint venture (JV) in the construction industry is mainly based on the method of recognizing assets, liabilities, income and expenses according to the investment ratio of the members.

### 3. Significant Accounting Estimates

#### 1) Estimates for the method of recognizing revenue over time (the so-called old percentage of completion method)

(a) Amount recorded in the consolidated financial statements

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales of construction contracts	¥ 445,590	¥ 429,888	\$ 3,512,446

(b) Information about the content of significant accounting estimates for the identified item

In applying the method of recognizing revenue over time (the so-called old percentage of completion method), in principle, the Companies make the best estimate for all construction works based on the information obtained, regarding the total construction revenue, the total construction cost and the progress of construction on the fiscal closing date.

In the calculation of the total construction revenue, if there is an uncontracted increase or decrease construction, the construction price

is estimated based on the negotiation status with the ordering party is recorded.

In the calculation of the total construction cost, the Companies are continuously reviewing the estimate according to the progress of the construction, based on the negotiation situation with the partner company and the assumption of various conditions.

Accordingly, if the total construction revenue and total construction cost are different from the estimates, it may affect the consolidated financial statements for the next consolidated fiscal year.

#### 2) Estimates for impairment loss on fixed assets

(a) Amount recorded in the consolidated financial statements

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Impairment loss	¥ 1,021	¥ 492	\$ 4,025

(b) Information about the content of significant accounting estimates for the identified item

Asset grouping method is based on management accounting classification, and business assets used by the Companies are grouped by business establishment, and rental assets and idle assets are grouped by individual property.

As a result of examining the necessity of recognition of impairment loss, if it is determined that it should be recognized, the carrying amount

is reduced to the recoverable amount and the reduced amount is recorded as an impairment loss.

The recoverable value is calculated based on net selling price and future value in use.

However, since the estimate of the recoverable value is uncertain, if the preconditions for the estimate change due to economic conditions or deterioration of market conditions, it may affect the consolidated financial statements for the next consolidated fiscal year and thereafter.

### 4. Change in Accounting Policies

#### 1) Application of the Accounting Standard for Revenue Recognition

The Companies have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020) from the beginning of the current consolidated fiscal year, revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. Until the previous consolidated fiscal year, revenue associated with construction contracts of which the outcomes of the progress of construction works can be reliably estimated was accounted for by the percentage of completion method.

The accounting policy has been changed at the beginning of the current consolidated fiscal year, and revenue is recognized over time as the performance obligations to transfer goods or services to the customer is satisfied if control of the goods or services is transferred to the customer over time.

The Companies have applied the method based on the percentage of costs incurred by the end of each reporting period to the total expected costs as a method of estimating the progress of construction works to the satisfaction of performance obligations.

In addition, revenue is recognized by the cost recovery method when the progress in the satisfaction of performance obligations cannot be reasonably estimated, but the costs incurred are recoverable.

For construction contracts with a very short term between the commencement date of the transaction in the construction contract and the date when the performance obligations are expected to be fully satisfied, the Companies apply alternative treatment and do not recognize revenue over time.

In this case, the Companies recognize revenue when the performance obligations are fully satisfied. Furthermore, until the previous consolidated fiscal year, with respect to revenue related to the sales of construction materials, etc., the Companies recognized as revenue the gross amount of consideration received from customers.

In the current consolidated fiscal year, as a result of examining the role (principal or agent) in providing goods or services to customers, the Companies have changed to a method of recognizing revenue in the net amount.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue

Recognition, the cumulative effect of retrospective application of the new accounting policy prior to beginning of the current consolidated fiscal year is added to or deducted from retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy is applied from such beginning balance.

However, the Companies have applied the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition and have not applied the new accounting policy retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current consolidated fiscal year.

As a result, although this change was no effect in retained earnings at the beginning of the current consolidated fiscal year, net sales and cost of sales increased by ¥30 thousand million (US\$25,063 thousand) and ¥30 thousand million (US\$25,064 thousand) in the consolidated statements of income at the current consolidated fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes to "Revenue Recognition" for the previous consolidated fiscal year are not presented.

#### 2) Application of the Accounting Standard for Fair Value Measurement

The Companies have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No.30 issued on July 4, 2019) from the beginning of the current consolidated fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10 issued on July 4, 2019).

The new accounting policy prescribed by the Accounting Standard is to be applied prospectively.

This change has no effect on the consolidated financial statements.

In addition, in the notes to "Financial Instrument", the Companies provide notes on items such as the breakdown of the fair value of financial instruments by level of fair value.

However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 issued on July 4, 2019), no such notes are presented for the previous consolidated fiscal year.



## 5. Accounting Standards Issued but Not Yet Adopted

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31 issued on June 17, 2021)

### 1) Overview

The implementation guidance stipulated the treatment of the calculation of the fair value of investment trusts and the handling of the notes, as well as the handling of the notes of the fair value of investments in partnerships for which equity interests are recorded on a net basis.

### 2) Planned date of adoption

From the beginning of the fiscal year ending March 31, 2023

### 3) Effects of adoption of revised accounting standard and related implementation guidance

The Companies are currently in the process of determining the effects of the implementation guidance on the consolidated financial statements.

## 6. Change in presentation methods

(Consolidated Statements of Cash Flows)

"Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates" included in "Increase (decrease) in other provision" of "Net cash provided by (used in) operating activities" in the fiscal year ended March 31, 2021 is described separately because of increase in materiality from the fiscal year ended March 31, 2022.

To reflect this change in presentation, the consolidated financial statements

for the fiscal year ended March 31, 2021 have been reclassified.

As a result, "Increase (decrease) in other provision" of "Net cash provided by (used in) operating activities" for consolidated statements of cash flows ¥(584) million (US\$(4,778) thousand) have been reclassified into "Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates" ¥(8) million (US\$(68) thousand) and into "Increase (decrease) in other provision" ¥(576) million (US\$(4,709) thousand).

## 7. Additional Information

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

### 1) Transaction summary

At the Board of Directors held on May 13, 2016 and the Company's 93th annual general meeting of shareholders held on June 29, 2016, matters concerning introduction of a performance-linked stock compensation plan for its directors and executive officers (the "Directors") was resolved. The plan is with the goal of increasing management consciousness to further enhancing the corporate value, performance over the medium-to-long-term and shareholders emphasis.

The plan is incentive for the Directors. The Company's shares are acquired through the Board Incentive Plan Trust ("BIP Trust") and the Employee Stock Ownership Plan Trust ("ESOP Trust") and awarded to the Directors in accordance with achievement degree of performance targets.

### 2) 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 value in the Trust (excluding ancillary expenses).

The book value and the number of these treasury stocks in the Trust as of March 31, 2021 were ¥324 million and 636,603 shares (BIP Trust), ¥82 million and 164,378 shares (ESOP Trust). The book value and the number of these treasury stocks in the Trust as of March 31, 2022 were ¥297 million (US\$2,434 thousand) and 584,633 shares (BIP Trust), ¥76 million (US\$628 thousand) and 152,517 shares (ESOP Trust).

(Accounting estimates associated with the spread of COVID-19)

Regarding the impact of the spread of COVID-19 diseases, because the Companies have continued its business activities after implementing thorough infection prevention measures, and at the present time it is maintaining the same level as in normal times, therefore, in the current fiscal year accounting estimates are made under the assumption that the impact on business continuity and business performance will be limited. Depending on the spread of COVID-19 and its impact on the economy, it may have a significant impact on the consolidated financial statements after the next consolidated fiscal year.

## 8. Notes to Consolidated Balance Sheets

- 1) The amount of receivables arising from contracts with customers and contract assets, among notes and accounts receivable - trade, and the amount of contract liabilities among advances received on uncompleted construction contracts are described in the consolidated financial statements "Notes (22. Revenue Recognition, (a) Balances, etc. of contract assets and contract liabilities)".

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
2) Accumulated depreciation of property, plant and equipment	¥ 31,987	¥ 34,650	\$ 283,118
3) Advanced depreciation:			
Buildings and structures	46	133	1,091
Machinery, vehicles, tools, furniture and fixtures	4,784	7,597	62,073
Intangible assets	8	8	69
Total	¥ 4,839	¥ 7,739	\$ 63,234
4) Investments in Non-consolidated subsidiaries and affiliates included in investment securities	¥ 6,619	¥ 6,407	\$ 52,352
5) Pledged assets and Secured debt			
① Pledged assets and Secured debt are as follows:			
Buildings	¥ -	¥ 25	\$ 204
Land	-	296	2,420
Total	¥ -	¥ 321	\$ 2,625
Liabilities secured thereby			
Short-term loans payable	¥ -	¥ 9	\$ 75
Current portion of bonds payable	-	90	735
Bonds payable	-	245	2,001
Total	¥ -	¥ 344	\$ 2,812
② Assets pledged as collateral:			
Investment securities	¥ 462	¥ 435	\$ 3,557
Long-term loans receivable	626	610	4,990
Total	¥ 1,088	¥ 1,046	\$ 8,547
6) Contingent liabilities (guarantee liabilities)	¥ 185	¥ 169	\$ 1,386
7) Loan commitment agreement:			
Maximum limit under the agreement	¥ 30,000	¥ 30,000	\$ 245,118
Loan balance outstanding	-	-	-
Difference (unused portion)	¥ 30,000	¥ 30,000	\$ 245,118

## 8) Land revaluation

Based on the Land Revaluation Law, the Company has revaluated land held for business use and has recorded any discrepancies in the consolidated balance sheets as revaluation reserve for land.

## 9) Provision for loss on construction contracts included in costs on uncompleted construction contracts

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Costs on uncompleted construction contracts	¥ 139	¥ 292	\$ 2,386

## 10) Change in holding purpose of assets

The following noncurrent assets were reclassified as real estate held for sale due to change in holding purpose.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings and structures	¥ 832	¥ 530	\$ 4,336
Land	1,557	1,452	11,867

The following real estate held for sale was reclassified as noncurrent assets due to change in holding purpose.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Land	¥ -	¥ 510	\$ 4,169

## 9. Notes to Consolidated Statements of Income

### 1) Revenue from contracts with customers

Net sales are not stated separately for revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is described in the consolidated financial statements "Notes (22. Revenue Recognition, (1) Disaggregation of revenue from contracts with customers)".

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
2) Provision for loss on construction contracts included in costs of sales	¥ 1,721	¥ 1,513	\$ 12,369
3) Valuation loss on inventories included in costs of sales	¥ -	¥ 16	\$ 133
4) Principal components of selling, general and administrative expenses:			
Employees' salaries and allowances	¥ 12,904	¥ 13,481	\$ 110,152
Provision for bonuses	4,431	4,312	35,233
Retirement benefit expenses	1,313	988	8,077
Provision (reversal) of allowance for doubtful accounts	264	(175)	(1,430)
5) Research and development expenditures included in selling, general and administrative expenses and construction costs	¥ 2,721	¥ 2,801	\$ 22,889
6) Gain on sales of noncurrent assets:			
Buildings and structures	¥ 8	¥ 8	\$ 70
Land	-	14	118
Other	26	1	12
Total	¥ 35	¥ 24	\$ 202
7) Loss on abandonment of noncurrent assets:			
Buildings and structures	¥ 0	¥ 160	\$ 1,309
Other	22	20	171
Dismantlement cost	1,570	1,369	11,187
Total	¥ 1,593	¥ 1,550	\$ 12,668

### 8) Impairment loss on fixed assets

The group puts its assets for business purposes, primarily into main office and branch office. And other assets are put each properties.

Impairment loss on fixed assets was as follows:

For the fiscal year ended March 31, 2021

Location	Purpose	Type	Impairment loss (Millions of yen)
Bunkyo Ward, Tokyo Pref, Japan and others	Assets for businesses (Our company)	Building and Structure	¥ 88
Goto City, Nagasaki Pref, Japan	Assets for businesses (Subsidiary)	Construction in progress, Machinery, vehicles, tools, furniture and fixture	¥ 933

The recoverable value is mainly value in use.

In the case of our company, assets decided to be abolished is zero, and assets with reduced profitability is the net sale value, and the net sale value is computed by withholding the cost of disposal from the sale value.

In the case of Offshore Wind Farm Construction Co., Ltd. (subsidiary), Value in use is measured as the sum of anticipated future cash flows discounted at a rate of 5.590%~5.788% for the fiscal year ended March 31, 2021. (The sum of anticipated future cash flows are expected to be caused by continued use and disposal after use.)

For the fiscal year ended March 31, 2022

Location	Purpose	Type	Impairment loss (Millions of yen)	(Thousands of U.S. dollars)
Minato Ward, Tokyo Pref, Japan	Assets for businesses (Our company)	Building and Structure	¥ 104	\$ 857
Naruto City, Tokushima Pref, Japan	Assets for businesses (Our company)	Building and Structure	¥ 35	\$ 291
Goto City, Nagasaki Pref, Japan	Assets for businesses (Our company)	Construction in progress	¥ 312	\$ 2,554
Kamakura City, Kanagawa Pref, Japan	Assets for businesses (Our company)	Building and Structure	¥ 39	\$ 321

Note: We chose not to describe the detail in the report as the amount of other impairment loss is not material.

The recoverable value is set at zero for assets that the Company has decided to abolish due to the dismantling of owned assets, etc., and the net sale value is used for rental assets, etc., whose profitability has declined.

The net sale value is computed by withholding the cost of disposal from the sale value.

In addition, unfinished assets at the fiscal year ended March 31, 2022 are measured based on their future value in use.

## 10. Notes to Consolidated Statements of Comprehensive Income

Reclassification and tax effect of comprehensive income for the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Valuation difference on available-for-sale securities:			
Accrual	¥ 42,466	¥ (5,786)	\$ (47,282)
Reclassification	(2,665)	(2,987)	(24,407)
Before adjust tax effect	39,800	(8,774)	(71,690)
Tax effect	(12,279)	2,734	22,345
Valuation difference on available-for-sale securities	¥ 27,520	¥ (6,039)	\$ (49,344)
Deferred gains (losses) on hedges:			
Accrual	¥ 149	¥ 404	\$ 3,305
Reclassification	24	(4)	(36)
Before adjust tax effect	174	400	3,268
Tax effect	(52)	(122)	(1,000)
Deferred gains (losses) on hedges	¥ 121	¥ 277	\$ 2,268
Foreign currency translation adjustments:			
Accrual	¥ (1,527)	¥ 1,349	\$ 11,025
Remeasurements of defined benefit plans:			
Accrual	¥ 446	¥ 32	\$ 267
Reclassification	1,037	95	776
Before adjust tax effect	1,483	127	1,044
Tax effect	(454)	(39)	(319)
Remeasurements of defined benefit plans	1,029	88	724
Share of other comprehensive income of entities accounted for using equity method:			
Accrual	200	414	3,386
Total of other comprehensive income	¥ 27,344	¥ (3,909)	\$ (31,940)

## 11. Notes to Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2021	Class of shares	Number of shares			March 31, 2021
		April 1, 2020	Increase	Decrease	
Issued stock	Common stock	322,656,796	-	-	322,656,796
Treasury stock	Common stock	16,028,138	1,261	10,413	16,018,986
For the fiscal year ended March 31, 2022	Class of shares	Number of shares			March 31, 2022
		April 1, 2021	Increase	Decrease	
Issued stock	Common stock	322,656,796	-	-	322,656,796
Treasury stock	Common stock	16,018,986	1,594	1,580,231	14,440,349
For the fiscal year ended March 31, 2021	Class of shares	Number of shares			
		Total Dividends	Dividends per share	Record date	Effective date
June 25, 2020 Resolution by Annual General Meeting of Shareholders	Common stock	¥7,993 million	¥26.00	March 31, 2020	June 26, 2020
June 29, 2021 Resolution by Annual General Meeting of Shareholders	Common stock	¥6,148 million	¥20.00	March 31, 2021	June 30, 2021

For the fiscal year ended March 31, 2022	Class of shares	Number of shares			
		Total Dividends	Dividends per share	Record date	Effective date
June 29, 2021 Resolution by Annual General Meeting of Shareholders	Common stock	¥6,148 million (\$50,239 thousand)	¥20.00	March 31, 2021	June 30, 2021
November 15, 2021 Resolution by Board of Directors	Common stock	¥3,074 million (\$25,119 thousand)	¥10.00	September 30, 2021	December 13, 2021
June 29, 2022 Resolution by Annual General Meeting of Shareholders	Common stock	¥4,943 million (\$40,389 thousand)	¥16.00	March 31, 2022	June 30, 2022

## 12. Notes to Consolidated Statements of Cash Flows

Reconciliation between cash and deposits on the consolidated balance sheets and cash and cash equivalents at the fiscal year-end:	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash and deposits of the consolidated balance sheets	¥ 95,037	¥ 120,538	\$ 984,869
(Less) time deposits with maturities of more than three months	(1,309)	(1,236)	(10,102)
Short-Term investment securities	10,000	10,000	81,706
Cash and cash equivalents of the consolidated statements of cash flows	¥ 103,727	¥ 129,301	\$ 1,056,473

Major assets acquired and liabilities assumed of the Companies which newly became consolidated subsidiaries through acquisitions during the year ended March 31, 2021

None

Major assets acquired and liabilities assumed of the Companies which newly became consolidated subsidiaries through acquisitions during the year ended March 31, 2022  
Information about assets acquired, liabilities assumed, acquisition cost and payment for purchase as of the date of consolidation is as follows:

[Showa Construction Co., Ltd.]	Millions of yen	Thousands of U.S. dollars
	2022	2022
Current assets	¥ 2,437	\$ 19,914
Fixed assets	2,063	16,860
Goodwill	191	1,568
Current liabilities	(1,213)	(9,918)
Non-current liabilities	(789)	(6,450)
Acquisition cost of shares	¥ 2,689	\$ 21,973
Acquisition cost associated with share exchanges out of total	(1,093)	(8,933)
Cash and cash equivalents	(558)	(4,565)
Payment for purchase	¥ 1,037	\$ 8,474

## 13. Lease Transactions

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Future minimum lease payments under non-cancelable operating leases:			
Due within one year	¥ 875	¥ 1,140	\$ 9,322
Due after one year	2,139	2,497	20,409
Total	¥ 3,015	¥ 3,638	\$ 29,732
Future minimum lease income under non-cancelable operating leases:			
Due within one year	¥ 2,997	¥ 3,724	\$ 30,434
Due after one year	7,331	11,411	93,239
Total	¥ 10,329	¥ 15,136	\$ 123,673

## 14. Financial Instrument

### Fair value of financial instrument

As of March 31, 2021	Millions of yen		
	Book value	Fair value	Difference
(1) Notes and accounts receivable - trade	¥ 209,347	¥ 209,261	¥ (85)
(2) Short-term investment securities, investment securities (Note 2)	193,074	193,252	178
(3) Long-term loans receivable	842	887	44
Assets total	¥ 403,264	¥ 403,401	¥ 137

(1) Notes and accounts payable - trade	¥ 114,000	¥ 114,000	¥ -
(2) Short-term loans payable and Commercial papers-liabilities	68,297	68,297	-
(3) Income taxes payable	8,525	8,525	-
(4) Bonds payable	50,100	49,995	(104)
(5) Long-term loans payable	32,643	32,684	40
Liabilities total	¥ 273,566	¥ 273,502	¥ (64)
Derivative transactions (Note3)	¥ 150	¥ 150	¥ -

Note: 1. "Cash and deposits" are not shown because these financial instruments are in cash or have a short maturity and these values approximate these book values.  
2. Financial instrument for which it is extremely difficult to measure the fair value

As of March 31, 2021	Millions of yen
Stocks of non-consolidated subsidiaries and affiliated companies which are not accounted for by the equity method:	
Stocks of subsidiaries	¥ 55
Stocks of affiliated companies	4,175
Investments in Limited Liability Company	349
Affiliated companies preferred equity securities	1,200
Investments in silent partnerships	838
Other investment securities	
Unlisted stocks	¥ 5,444
Unlisted preferred equity securities	140
Trust beneficiary right	1,040
Others	4,070

These financial instruments are considered to be extremely difficult to measure, as there are no market prices and no valuations of future cash flow. Therefore, these financial instruments are not included in "[2] Short-term investment securities and investment securities".

3. Net receivables/payables arising from derivatives are shown.

As of March 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Notes and accounts receivable - trade	¥ 208,892	¥ 208,850	¥ (42)	\$ 1,706,778	\$ 1,706,430	\$ (348)
(2) Short-term investment securities, investment securities (Note 2)	186,225	186,339	114	1,521,571	1,522,503	932
(3) Long-term loans receivable	817	852	34	6,680	6,965	284
Assets total	¥ 395,935	¥ 396,041	¥ 106	\$ 3,235,030	\$ 3,235,899	\$ 868
(1) Notes and accounts payable - trade	¥ 97,728	¥ 97,728	¥ -	\$ 798,500	\$ 798,500	\$ -
(2) Short-term loans payable and Commercial papers-liabilities	79,969	79,969	-	653,400	653,400	-
(3) Current portion of bonds payable	15,190	15,202	12	124,111	124,212	100
(4) Income taxes payable	6,175	6,175	-	50,456	50,456	-
(5) Bonds payable	45,245	44,944	(300)	369,678	367,223	(2,455)
(6) Long-term loans payable	38,991	38,879	(112)	318,583	317,667	(916)
Liabilities total	¥ 283,299	¥ 282,899	¥ (400)	\$ 2,314,731	\$ 2,311,461	¥ (3,270)
Derivative transactions (Note 3)	¥ 505	¥ 505	¥ -	\$ 4,131	\$ 4,131	\$ -

Note: 1. "Cash and deposits" are not shown because these financial instruments are in cash or have a short maturity and these values approximate these book values.

2. Equity securities without market prices and investments in partnerships for which equity interests are recorded on a net basis are not included in "[2] Short-term investment securities and investment securities".

These financial instruments recorded in the consolidated balance sheets are as follows:

As of March 31, 2022	Millions of yen	Thousands of U.S. dollars
Equity securities without market prices		
Stocks of subsidiaries	¥ 55	\$ 455
Stocks of affiliated companies	4,785	39,099
Unlisted stocks	6,065	49,562
Investments in Limited Liability Company	325	2,658
Unlisted preferred equity securities	140	1,147
Others	9	79
Investments in partnerships for which equity interests are recorded on a net basis		
Investments in silent partnerships	¥ 1,943	\$ 15,877
Others	3,399	27,772

3. Net receivables/payables arising from derivatives are shown.

## Fair value information of financial instruments by level of inputs

The fair values of financial instruments are categorized into the following three levels based on the observability and materiality of the inputs used to measure fair values.

Level 1 fair value: The fair values which are measured by using observable inputs that reflect the quoted market prices for identical assets or liabilities in active markets

Level 2 fair value: The fair values which are measured by using observable inputs that are not included in level 1

Level 3 fair value: The fair values which are measured by using unobservable inputs

If multiple inputs that have significant impact on measurement of fair values are used, the fair values are categorized in the lowest priority level in measurement of fair values among the levels to which these inputs belong.

### (1) Financial assets and liabilities of which fair value is recognized in the consolidated balance sheets

As of March 31, 2022	Millions of yen				Thousands of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term investment securities, investment securities								
Other investment securities								
Stocks	¥ 158,513	¥ -	¥ -	¥ 158,513	\$ 1,295,152	\$ -	\$ -	\$ 1,295,152
Bonds	-	719	-	719	-	5,879	-	5,879
Derivative Transactions								
Currency-related transactions	-	505	-	505	-	4,131	-	4,131
Assets total	¥ 158,513	¥ 1,225	¥ -	¥ 159,739	\$ 1,295,152	\$ 10,011	\$ -	\$ 1,305,163

Note: 1. There are no financial liabilities whose book value is recorded in the consolidated balance sheets at fair value.

2. The fair value of investment trusts is not included in the above. The book value of the investment trusts on the consolidated balance sheets is ¥11,946 million (US\$97,611 thousand).

### (2) Financial assets and liabilities of which fair value is not recognized in the consolidated balance sheets

As of March 31, 2022	Millions of yen				Thousands of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade	¥ -	¥ 208,850	¥ -	¥ 208,850	\$ -	\$ 1,706,430	\$ -	\$ 1,706,430
Short-term investment securities, investment securities								
Held-to-maturity debt securities								
Bonds	-	5,159	-	5,159	-	42,154	-	42,154
Others	-	10,000	-	10,000	-	81,706	-	81,706
Long-term loans receivable	-	852	-	852	-	6,965	-	6,965
Assets total	¥ -	¥ 224,861	¥ -	¥ 224,861	\$ -	\$ 1,837,256	\$ -	\$ 1,837,256
Notes and accounts payable - trade	¥ -	¥ 97,728	¥ -	¥ 97,728	\$ -	\$ 798,500	\$ -	\$ 798,500
Short-term loans payable and Commercial papers-liabilities	-	79,969	-	79,969	-	653,400	-	653,400
Current portion of bonds payable	-	15,202	-	15,202	-	124,212	-	124,212
Income taxes payable	-	6,175	-	6,175	-	50,456	-	50,456
Bonds payable	-	44,944	-	44,944	-	367,223	-	367,223
Long-term loans payable	-	38,879	-	38,879	-	317,667	-	317,667
Liabilities total	¥ -	¥ 282,899	¥ -	¥ 282,899	\$ -	\$ 2,311,461	\$ -	\$ 2,311,461

Note: Description of the valuation techniques and inputs used to measure fair value

Assets

Notes and accounts receivable - trade

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

These financial instruments are classified as Level 2.

Short-term investment securities, investment securities

Listed stocks and Bonds are based on the prices of exchange and the prices presented by the dealing financial institutions.

Listed stocks are classified as Level 1 because these financial instruments are traded in active markets.

Bonds of the Company are classified as Level 2 because these financial instruments are not traded in the market frequently and are not recognized as quoted market prices in active markets.

Certificates of deposit are classified as Level 2 because these financial instruments have a short maturity and these value approximates these book value.

Long-term loans receivable

These financial instruments are categorized by collection terms and made into credit risk categories for credit management.

The fair values of these are based on the present value of discounted cash flows at the Companies' assumed corporate discount rate by adding the credit spread to the appropriate indexes, such as the yield of government bonds.

These financial instruments are classified as Level 2.

## Liabilities

Notes and accounts payable - trade, Short-term loans payable and Commercial papers-liabilities, and Income taxes payable

These financial instruments are classified as Level 2 because these have a short maturity and these value approximates these book value.

Current portion of bonds payable and Bonds payable

The fair values of the Companies' bonds payable are based on the market prices and classified as Level 2.

However, the fair values of some of the consolidated subsidiaries' bonds payable are classified as Level 2 because there is no market price.

The fair values are based on the present value of discounted cash flows using the interest rate assumed for a similar new bond, with respect to the total amount of principal and interest.

Long-term loans payable

The fair values of these financial instruments are based on the present value of discounted cash flows using the interest rate assumed for a similar new loan, with respect to the total amount of principal and interest, and are classified as Level 2.

However, Some long-term loans payable are subject to exceptional treatment of interest rate swaps.

The fair values of these financial instruments are based on the present value of discounted cash flows using the interest rate assumed for a similar new loan, with respect to the total amount of principal and interest treated together with the interest rate swap.

Derivative Transactions

The fair values of interest rate swaps to which the exceptional treatment is applied are included in the fair values of long-term loans payable because these financial instruments are accounted for as an integral part of long-term loans payable that are hedged (referred to "Liabilities" above).

The fair values of foreign exchange contracts are based on the prices presented by the dealing financial institutions, and classified as Level 2.

## 15. Marketable Securities and Investment Securities

### Held-to-maturity debt securities:

As of March 31, 2021	Millions of yen		
	Book value	Fair value	Difference
Securities with a fair value that exceeds the book value	¥ 4,134	¥ 4,320	¥ 185
Securities with a fair value that does not exceed the book value	717	710	(7)
Total	¥ 4,852	¥ 5,030	¥ 178

### Available-for-sale securities with a fair value:

As of March 31, 2021	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with a book value that exceeds the acquisition cost:			
Stocks	¥ 161,047	¥ 46,958	¥ 114,089
Bonds	640	615	25
Others	9,415	8,481	933
Subtotal	171,103	56,055	115,048
Securities with a book value that does not exceed the acquisition cost:			
Stocks	6,527	7,039	(512)
Bonds	99	100	(0)
Others	10,491	10,491	-
Subtotal	17,118	17,631	(512)
Total	¥ 188,222	¥ 73,686	¥ 114,535

Note: The Companies recognized losses on write-down of ¥481 million for securities (¥431 million for available-for-sale securities and ¥50 million for securities without a fair value).

For the fiscal year ended March 31, 2021	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥ 6,129	¥ 2,637	424

### Held-to-maturity debt securities:

As of March 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with a fair value that exceeds the book value	¥ 3,845	¥ 4,007	¥ 162	\$ 31,417	\$ 32,741	\$ 1,324
Securities with a fair value that does not exceed the book value	1,200	1,152	(47)	9,804	9,412	(392)
Total	¥ 5,045	¥ 5,159	¥ 114	\$ 41,222	\$ 42,154	\$ 932



**Available-for-sale securities with a fair value:**

As of March 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with a book value that exceeds the acquisition cost:						
Stocks	¥ 152,889	¥ 46,773	¥ 106,115	\$ 1,249,201	\$ 382,170	\$ 867,031
Bonds	619	600	19	5,064	4,902	161
Others	10,431	9,307	1,124	85,235	76,050	9,185
Subtotal	163,941	56,681	107,259	1,339,501	463,122	876,378
Securities with a book value that does not exceed the acquisition cost:						
Stocks	5,623	7,089	(1,466)	45,951	57,929	(11,978)
Bonds	99	100	(0)	814	817	(2)
Others	11,514	11,556	(42)	94,081	94,427	(345)
Subtotal	17,238	18,746	(1,508)	140,847	153,173	(12,326)
Total	¥ 181,179	¥ 75,428	¥ 105,751	\$ 1,480,349	\$ 616,296	\$ 864,052

Note: We chose not to describe the detail in the report as the amount of the losses on write-down is not material.

Write-down losses are recognized in each of following cases.

Case of other than equity securities without market prices

- Fair value of fiscal year end and quarter settlement day in a row decline more than 30% compared to book value in succession.
- Fair value declined more than 50% compared to book value.

Case of equity securities without market prices

- Net worth of equivalent of Equity declines more than 50% compared to acquisition cost.

For the fiscal year ended March 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥ 5,123	¥ 3,127	¥ 12	\$ 41,865	\$ 25,552	\$ 101

## 16. Derivative Transactions

For the year ended March 31, 2021

Derivative transactions to which the hedge accounting method is not applied:

None

Derivative transactions to which the hedge accounting method is applied:

### (1) Currency-related transactions

Method of processing	Measures	Objects	Millions of yen		
			Contract amount	more than 1 year	Estimated fair value
Method in principle	Forward foreign exchange contracts				
	Buy EUR	Forecasted purchasing transaction	¥ 2,944	¥ 2,531	¥ 45
	Buy USD	Forecasted purchasing transaction	¥ 1,640	¥ 1,300	¥ 104
Total			¥ 4,585	¥ 3,832	¥ 150

### (2) Interest-related transactions

Method of processing	Measures	Objects	Millions of yen		
			Contract amount	more than 1 year	Estimated fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Payment fixed, Receive floating	Long-term loans payable	¥ 7,580	¥ 2,300	*

(\* The fair value of interest rate swaps that qualify for special treatment is included in long-term loans payable.

For the year ended March 31, 2022

Derivative transactions to which the hedge accounting method is not applied:

None

Derivative transactions to which the hedge accounting method is applied:

### (1) Currency-related transactions

Method of processing	Measures	Objects	Millions of yen			Thousands of U.S. dollars		
			Contract amount	more than 1 year	Estimated fair value	Contract amount	more than 1 year	Estimated fair value
Method in principle	Forward foreign exchange contracts							
	Buy EUR	Forecasted purchasing transaction	¥ 4,630	¥ 1,147	¥ 240	\$ 37,836	\$ 9,372	\$ 1,964
	Buy USD	Forecasted purchasing transaction	¥ 1,562	¥ 537	¥ 265	\$ 12,765	\$ 4,394	\$ 2,167
Total			¥ 6,193	¥ 1,684	¥ 505	\$ 50,602	\$ 13,767	\$ 4,131



## (2) Interest-related transactions

Method of processing	Measures	Objects	Millions of yen			Thousands of U.S. dollars		
			Contract amount	more than 1 year	Estimated fair value	Contract amount	more than 1 year	Estimated fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Payment fixed, Receive floating	Long-term loans payable	¥ 8,080	¥ 5,720	*	\$ 66,018	\$ 46,735	*

(\*) The fair value of interest rate swaps that qualify for special treatment is included in long-term loans payable.

## 17. Retirement Benefits

The Company has a defined benefit plan that consists of a defined benefit pension plan and a lump-sum benefit plan, and has also a corporate defined contribution pension plan since April 2020.

Some of the domestic consolidated subsidiaries have a defined benefit pension plan and a defined contribution pension plan, and some of the foreign consolidated subsidiaries have a defined contribution plan.

In addition, the other consolidated subsidiaries have lump-sum benefit plans based on the simplified method.

The schedule of the defined benefit obligation	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Balance at the beginning of the fiscal year	¥ 42,750	¥ 43,193	\$ 352,914
Service cost	2,251	2,333	19,063
Interest cost	82	83	681
Actuarial gain and loss	335	3	25
Benefit paid	(2,223)	(2,258)	(18,455)
other	(2)	234	1,916
Balance at the end of the fiscal year	¥ 43,193	¥ 43,588	\$ 356,145
The schedule of the pension assets	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Balance at the beginning of the fiscal year	¥ 22,710	¥ 23,689	\$ 193,553
Expected return on pension assets	270	283	2,316
Actuarial gain and loss	781	35	292
Contributions by the employer	857	860	7,027
Benefit paid	(930)	(1,004)	(8,204)
other	-	3	28
Balance at the end of the fiscal year	¥ 23,689	¥ 23,867	\$ 195,015
The reconciliation of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefits recognized in the consolidated balance sheets	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Retirement benefit obligation of funded plan	¥ 21,722	¥ 21,738	\$ 177,619
Pension assets	(23,689)	(23,867)	(195,015)
	(1,966)	(2,129)	(17,395)
Retirement benefit obligation of unfunded plan	21,470	21,849	178,525
Net amount of liabilities and assets recognized in consolidated balance sheets	19,504	19,720	161,129
Net defined benefit liability	21,470	21,849	178,525
Net defined benefit asset	(1,966)	(2,129)	(17,395)
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ 19,504	¥ 19,720	\$ 161,129
The breakdown of items in retirement benefit costs	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥ 2,251	¥ 2,333	\$ 19,063
Interest cost	82	83	681
Expected return on pension assets	(270)	(283)	(2,316)
Amortization of actuarial differences	1,037	95	776
Retirement benefit costs	¥ 3,101	¥ 2,228	\$ 18,205
Remeasurements of defined benefit plans	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Actuarial gain and loss	¥ 1,483	¥ 127	\$ 1,044
Total	¥ 1,483	¥ 127	\$ 1,044

Unrecognized remeasurements of defined benefit plans	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized actuarial (gain) loss	¥ 378	¥ 250	\$ 2,045
Total	¥ 378	¥ 250	\$ 2,045
<b>The breakdown of pension assets by major category</b>			
	2021	2022	
Bonds	25%	24%	
Equities	8%	9%	
General account	57%	58%	
other	10%	9%	
Total	100%	100%	
<b>The items of actuarial assumptions</b>			
	2021	2022	
Discount rate	0.2%	0.2%	
Expected long-term return on pension assets	1.2%	1.2%	
Expected rate of salary raise	5.6%	5.6%	
<b>Required amount of contribution to the corporate defined contribution pension plan</b>			
	2021	2022	Thousands of U.S. dollars
	2021	2022	2022
Required amount of contribution to the corporate defined contribution pension plan	¥ 364	¥ 445	\$ 3,642

## 18. Deferred Tax Accounting

The tax effects of temporary differences which gave rise to deferred tax assets and liabilities at March 31, 2021 and 2022 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Deferred tax assets:</b>			
Real estate for sale	¥ 173	¥ 194	\$ 1,592
Buildings, structures and land	1,111	1,217	9,948
Investment securities	305	242	1,984
Allowance for doubtful receivables	447	389	3,180
Provision for bonuses	2,160	1,888	15,431
Provision for loss on construction contracts	797	818	6,687
Net defined benefit liability	6,589	6,727	54,970
Tax loss carryforwards	673	1,281	10,470
Other	4,681	4,711	38,492
Subtotal	16,938	17,472	142,759
Less: valuation allowance	(4,035)	(5,110)	(41,757)
Deferred tax assets	¥ 12,903	¥ 12,361	\$ 101,002
<b>Deferred tax liabilities:</b>			
Valuation difference on available-for-sale securities	(34,974)	(32,244)	(263,454)
Net defined benefit asset	(602)	(651)	(5,320)
Other	(1,186)	(1,479)	(12,086)
Deferred tax liabilities	(36,762)	(34,374)	(280,860)
Net deferred tax assets (liabilities)	¥ (23,859)	¥ (22,012)	\$ (179,858)

In addition to the above, the Companies recognized deferred tax liabilities of ¥6,389 million and ¥6,124 million (US\$50,043 thousand) related to revaluation reserve for land at March 31, 2021 and 2022, respectively.

Reconciliation between the statutory tax rate and the effective tax rate	2021	2022
Statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.1%	1.0%
Non-taxable income	(0.6%)	(0.7%)
Inhabitant taxes (per capita levy)	0.7%	0.7%
Valuation allowance	2.0%	3.8%
Other	(0.8%)	(0.8%)
Effective tax rate	33.0%	34.6%

## 19. Business Combinations

Business combination through stock acquisition and stock exchange

(1) Outline of the business combination

① Name and business of the acquired company

Name of the acquired company: Showa Construction Co., Ltd.

Business: General construction

② Principal reason for business combination

Showa Construction Co., Ltd. is a major local general contractor in the Ibaraki area, with a long history and a wealth of construction experience.

By making Showa Construction Co., Ltd. a subsidiary, the Companies aim to utilize each other's know-how and management resources, establish a solid business foundation in the Ibaraki area, and expand our market share.

- ③ Date of the business combination  
November 1, 2021 (Date of stock acquisition)  
December 22, 2021 (Date of stock exchange)  
December 31, 2021 (Deemed date of acquisition)
- ④ Legal form of business combination  
Acquisition of stock for cash and deposits, and acquisition of stock through stock exchange
- ⑤ Name after the business combination  
There is no change
- ⑥ Ratio of voting rights acquired  
Ratio of voting rights acquired for cash and deposits: 57%  
Ratio of voting rights acquired through stock exchange: 43%  
Ratio of voting rights after acquired: 100%
- ⑦ Principal basis for determination of the acquiring company  
The Company acquired the stock for cash and deposits.  
Stock exchange was carried out, with the Company becoming parent of wholly owned subsidiary by stock exchange and Showa Construction Co., Ltd. as a wholly owned subsidiary by stock exchange.

(2) Period of the operating results of the acquired company included in the accompanying consolidated financial statements  
January 1, 2022 through March 31, 2022

(3) Acquisition cost of the acquired company and details of the type of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and deposits	¥ 1,596	\$ 13,040
	Fair value of common stock of the Company on effective date of stock exchange	1,093	8,933
Acquisition cost		2,689	21,973

(4) Exchange ratio by class of stocks, its calculation method, and number of stock delivered

① Exchange ratio by class of stock

Company name	The Company (Parent of wholly owned subsidiary by stock exchange)	Showa Construction Co., Ltd. (Wholly owned subsidiary by stock exchange)
Allotment ratio for stock exchange (Ratio for stock exchange)	1	3,526.51 (Note1)
Number of stock delivered through stock exchange	Common stock of the Company: 1,516,400 shares	

Note: 1. The ratio is rounded off to the third decimal place.

2. 1,516,400 shares of common stock of the Company were allotted and delivered for each stock of common stock of Showa Construction Co., Ltd. at the above allotment ratio.

However, no shares were allotted in the stock exchange for common stock of Showa Construction Co., Ltd. held by the Company as of the effective date of stock exchange (December 22, 2021).

The Company has not issued any new shares, as all of the shares related to the delivery have been allocated from treasury stock held by the Company.

3. Showa Construction Co., Ltd. has not issued new stock reservation rights or bonds with new stock reservation rights in connection with stock exchange.

② Calculation method of ratio for stock exchange

The stock value of the Company was calculated using Market Price Method, as the Company's common stock is listed on the 1st Section of the Tokyo Stock Exchange (shifted to the Prime Market on April 4, 2022).

In addition, the Company set September 29, 2021 as the base date for calculation, and the calculation results are as follows:

	YEN	U.S. dollars
Closing price on the base date for calculation	792	6.47
Simple average of closing prices for the most recent month	826	6.74
Simple average of closing prices for the last 3 months	795	6.49
Simple average of closing prices for the last 6 months	794	6.48

On the other hand, regarding the stock value of Showa Construction Co., Ltd., when considering ratio for stock exchange to be used for the stock exchange, in order to ensure fairness and appropriateness, the Company requested the calculation to AGS Consulting Co., Ltd.

AGS Consulting Co., Ltd. did not adopt Market Price Method and Comparable Multiple Valuation Method for the common stock of Showa Construction Co., Ltd. because it is unlisted and there are no similar listed companies.

However, the source of stock value lies in future earnings ability.

Therefore, Discounted Cash Flow Method was used in order to reflect the earning ability based on the status of future business activities, instead of Adjusted Book Value Method.

The calculation results of the stock value per share of Showa Construction Co., Ltd. calculated by AGS Consulting Co., Ltd. based on Discounted Cash Flow Method are as follows:

	Calculation results	
	Thousands of yen / share	Thousands of U.S. dollars / share
Discounted Cash Flow Method	2,620 ~ 3,201	21 ~ 26

\* The net assets per share of Showa Construction Co., Ltd. for the fiscal year ended March 2021 is ¥3,647,245 (US\$29,800), but the calculation result of the stock value is lower than that because dividends were paid after the accounting period.

Based on the above calculation method, the valuation range of ratio for stock exchange when the stock value per share of common stock of the Company is set to 1 is as follows:

Calculation method adopted		Calculation results of ratio for stock exchange
The Company	Showa Construction Co., Ltd.	
Market Price Method	Discounted Cash Flow Method	3,172.81 ~ 4,042.01

③ Number of shares delivered  
1,516,400 shares

(5) Major acquisition-related costs and nature  
Financial due diligence costs and transaction brokerage fees, etc.: ¥219 million (US\$1,796 thousand)

(6) Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period

- ① Amount of goodwill  
¥191 million (US\$1,568 thousand)
- ② Reason for generation of goodwill  
Acquisition cost exceeded net amount of assets acquired and liabilities assumed.  
The excess amount has been recorded as goodwill.
- ③ Method of amortization and amortization period  
Equal amortization over 3 years

(7) Amount of assets acquired and liabilities assumed as of the date of business combination and major breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,437	\$ 19,914
Non-current assets	2,063	16,860
Total assets	¥ 4,500	\$ 36,774
Current liabilities	¥ 1,213	\$ 9,918
Non-current liabilities	789	6,450
Total liabilities	¥ 2,003	\$ 16,369

(8) Estimated amount of the effect on the consolidated statement of income for the current fiscal year assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method.

Since the estimated amount of the effect on the consolidated statement of income for the current fiscal year is immaterial, details are omitted.  
However, the note has not been audited.

## 20. Asset Retirement Obligations

### The asset retirement obligations in the consolidated balance sheets

We chose not to describe the detail in the report due to its immateriality.

## 21. Investment and Rental Properties

As of March 31, 2021	Millions of yen		Thousands of U.S. dollars	
	Book Value	Fair Value	Book Value	Fair Value
Real estate for rent	¥ 109,727	¥ 190,751		

  

As of March 31, 2022	Millions of yen		Thousands of U.S. dollars	
	Book Value	Fair Value	Book Value	Fair Value
Real estate for rent	¥ 116,313	¥ 226,704	\$ 950,350	\$ 1,852,314

## 22. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

For the year ended March 31, 2022	Millions of yen					
	Reporting segments					
	Building Construction	Civil Engineering	Investment Development	Domestic Group Companies	New Business Fields	Total
Goods or services transferred over time	¥ 275,826	¥ 142,687	¥ -	¥ 11,374	¥ -	¥ 429,888
Goods or services transferred at a point in time	17,340	3,271	16,491	26,618	786	64,510
Revenue from contracts with customers	293,167	145,959	16,491	37,993	786	494,398
Other revenue	1	-	4,183	730	2,196	7,111
Sales on third parties	¥ 293,168	¥ 145,959	¥ 20,675	¥ 38,723	¥ 2,982	¥ 501,509

For the year ended March 31, 2022	Thousands of U.S. dollars					
	Reporting segments					
	Building Construction	Civil Engineering	Investment Development	Domestic Group Companies	New Business Fields	Total
Goods or services transferred over time	\$ 2,253,667	\$ 1,165,845	\$ -	\$ 92,933	\$ -	\$ 3,512,446
Goods or services transferred at a point in time	141,686	26,734	134,747	217,492	6,425	527,085
Revenue from contracts with customers	2,395,353	1,192,579	134,747	310,425	6,425	4,039,532
Other revenue	10	-	34,180	5,968	17,945	58,105
Sales on third parties	\$ 2,395,363	\$ 1,192,579	\$ 168,928	\$ 316,394	\$ 24,371	\$ 4,097,638

(2) Information as a basis to understand revenue from contracts with customers  
Information as a basis to understand revenue from contracts with customers is described in the consolidated financial statements "Notes (2. Summary of Significant Accounting Policies, 8) Recognition of net sales from construction contracts and related costs)".

(3) Information related to the relationship between the satisfaction of performance obligations based on contracts with customers and the cash flows resulting from such contracts, and the amounts and timing of revenue expected to be recognized in or after the next consolidated fiscal year from contracts with customers that existed at the current consolidated fiscal year-end

(a) Balances, etc. of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	Balance as of April 1, 2021	Balance as of March 31, 2022	Balance as of March 31, 2022
Receivables from contracts with customers	¥ 90,269	¥ 71,821	\$ 586,826
Contract assets	127,445	136,657	1,116,574
Contract liabilities	36,468	28,369	231,795

Contract assets are rights of the Companies to the unbilled consideration for performance obligations satisfied or partially satisfied as of closing date, with respect to performance obligations related to the construction, etc. of buildings or structures, etc. based on construction contracts.

Contract assets are transferred to receivables from contracts with customers when the rights of the Companies to the consideration become unconditional upon invoicing or delivery.

In addition, there is no clear link between the timing of satisfaction of performance obligations and the timing of receipt of the consideration for transaction because payment terms for construction contracts vary.

Contract liabilities consist primarily of advances received from customers based on payment terms stipulated for individual construction contracts, with respect to construction contracts for which revenue is recognized over time.

In addition, contract liabilities are reversed upon recognition of revenue.

The amounts of contract liabilities recognized as revenue in the current consolidated fiscal year among the balance of contract liabilities in the beginning of the current consolidated fiscal year are ¥35,614 million (US\$290,995 thousand).

Furthermore, the amounts of revenue recognized in the current consolidated fiscal year for performance obligations that were satisfied or partially satisfied in the past consolidated fiscal years is not material.

(b) Transaction price allocated to the remaining performance obligations

At the current consolidated fiscal year-end, the total transaction price allocated to unsatisfied or partially unsatisfied performance obligations is ¥796,421 million (US\$6,507,243 thousand) in the Companies.

The total transaction price allocated to the remaining performance obligations, such as the construction, etc. of buildings or structures, etc. in "Building Construction" and "Civil Engineering", etc., is expected to be recognized as revenue within approximately 3 years.

The total transaction price allocated to the remaining performance obligations, such as the sale of real estate in "Investment Development" and "New Business Fields", and the building management in "Domestic Group Companies", is expected to be recognized as revenue within 3 years.

## 23. Segment Information

### Effect of change in accounting method

From the beginning of the consolidated fiscal year March 31, 2022, the Companies have applied "Accounting Standard for Revenue Recognition". Compared to the previous accounting standards, the accounting standard resulted in an increase of net sales of "Building Construction" by ¥8.2 thousand million (US\$67,234 thousand), but in a decrease of net sales of "Civil Engineering" by ¥91 million (US\$744 thousand) for the current consolidated fiscal year. In addition, "Investment Development" net sales decreased by ¥12 million (US\$100 thousand) for the current consolidated fiscal year. Furthermore, "Domestic Group Companies" net sales decreased by ¥13 thousand million (US\$106,373 thousand) for the current consolidated fiscal year, of which the main component was inter-segment sales.

For the year ended March 31, 2021	Millions of yen								
	Reporting segments						Total	Adjustments	Consolidated
	Building Construction	Civil Engineering	Investment Development	Domestic Group Companies	New Business Fields				
Net sales:									
Customers	¥ 322,808	¥ 133,098	¥ 12,184	¥ 37,035	¥ 2,006	¥ 507,134	¥ -	¥ 507,134	
Inter-segment	5,204	3,260	847	18,785	-	28,097	(28,097)	-	
Total	328,012	136,359	13,031	55,821	2,006	535,231	(28,097)	507,134	
Segment profit (loss)	¥ 9,166	¥ 14,110	¥ 4,212	¥ 2,282	¥ (1,025)	¥ 28,746	¥ (1,049)	¥ 27,697	
Depreciation and amortization	¥ 1,380	¥ 375	¥ 1,193	¥ 223	¥ 660	¥ 3,834	¥ -	¥ 3,834	
Amortization of goodwill	¥ -	¥ -	¥ 69	¥ -	¥ 17	¥ 86	¥ -	¥ 86	
Impairment loss on fixed assets	¥ -	¥ -	¥ -	¥ -	¥ 933	¥ 933	¥ 88	¥ 1,021	

For the year ended March 31, 2022	Millions of yen								
	Reporting segments						Total	Adjustments	Consolidated
	Building Construction	Civil Engineering	Investment Development	Domestic Group Companies	New Business Fields				
Net sales:									
Customers	¥ 293,168	¥ 145,959	¥ 20,675	¥ 38,723	¥ 2,982	¥ 501,509	¥ -	¥ 501,509	
Inter-segment	11,456	1,996	810	6,473	-	20,736	(20,736)	-	
Total	304,624	147,956	21,486	45,196	2,982	522,246	(20,736)	501,509	
Segment profit (loss)	¥ 7,823	¥ 11,912	¥ 4,131	¥ 1,909	¥ (263)	¥ 25,513	¥ (1,128)	¥ 24,385	
Depreciation and amortization	¥ 1,767	¥ 476	¥ 1,334	¥ 240	¥ 946	¥ 4,765	¥ -	¥ 4,765	
Amortization of goodwill	¥ -	¥ -	¥ 69	¥ 9	¥ 25	¥ 104	¥ -	¥ 104	
Impairment loss on fixed assets	¥ -	¥ -	¥ 104	¥ 0	¥ 348	¥ 453	¥ 39	¥ 492	

For the year ended March 31, 2022	Thousands of U.S. dollars								
	Reporting segments						Total	Adjustments	Consolidated
	Building Construction	Civil Engineering	Investment Development	Domestic Group Companies	New Business Fields				
Net sales:									
Customers	\$ 2,395,363	\$ 1,192,579	\$ 168,928	\$ 316,394	\$ 24,371	\$ 4,097,638	\$ -	\$ 4,097,638	
Inter-segment	93,605	16,311	6,625	52,889	-	169,432	(169,432)	-	
Total	2,488,969	1,208,891	175,554	369,284	24,371	4,267,070	(169,432)	4,097,638	
Segment profit (loss)	\$ 63,924	\$ 97,331	\$ 33,753	\$ 15,605	\$ (2,150)	\$ 208,464	\$ (9,223)	\$ 199,241	
Depreciation and amortization	\$ 14,442	\$ 3,893	\$ 10,902	\$ 1,963	\$ 7,736	\$ 38,937	\$ -	\$ 38,937	
Amortization of goodwill	\$ -	\$ -	\$ 566	\$ 78	\$ 209	\$ 854	\$ -	\$ 854	
Impairment loss on fixed assets	\$ -	\$ -	\$ 857	\$ 1	\$ 2,845	\$ 3,704	\$ 321	\$ 4,025	

- Notes: 1. Adjustments of segment profit (loss) is negative ¥1,049 million and negative ¥1,128 million (US\$9,223 thousand) elimination of inter-segment transactions.  
2. Segment profit (loss) is adjusted in accordance with operating income as recorded in the consolidated statements of income.  
3. Impairment loss on fixed assets that don't belong to the reporting segments are ¥88 million and ¥39 million (US\$321 thousand), and are described in the adjustments.

The Companies operate in the following 5 reporting segments:

Building Construction .....	Domestically and overseas our groups' research, planning, design, management and execution of building construction work, and architectural and comprehensive engineering and consulting related thereto
Civil Engineering.....	Domestically and overseas our company's research, planning, design, management and execution of civil engineering work, such as tunnel construction, and architectural and comprehensive engineering and consulting related thereto
Investment Development.....	Domestically real estate development, resale and rent of real estate
Domestic Group Companies.....	Business carried out by domestic consolidated subsidiaries (building construction, civil engineering, real estate mainly for building management, hotel business, worker dispatching mainly for the Companies and financing and leasing)
New Business Fields.....	Overseas resale and rent of real estate, and onshore wind power generation business overseas, and floating offshore wind power generation business, agricultural diversification and other new business

## 24. Related Party Transactions

### Related party transactions between the Company and related parties

Directors and principal shareholders (only individual shareholders), etc., of the Company

For the year ended March 31, 2021

None

For the year ended March 31, 2022

None

## 25. Per Share Information

As of March 31	Yen		U.S. dollars
	2021	2022	2022
Net assets per share of common stock	¥ 1,011.02	¥1,027.12	\$ 8.392
Profit for the year per share of common stock	64.36	60.43	0.493
	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2021	2022	2022
Basis for calculation of net assets per share:			
Total net assets	¥ 312,533	¥ 319,042	\$ 2,606,765
Amount attributable to items other than common stock	2,515	2,467	20,162
Net assets attributable to common stock	¥ 310,018	¥ 316,574	\$ 2,586,602
Number of shares of common stock outstanding at fiscal year-end	306,637,810	308,216,447	
	shares	shares	
Basis for calculation of profit for the year per share:			
Profit for the year attributable to owners of the parent	¥ 19,735	¥ 18,560	\$ 151,652
Profit for the year attributable to owners of the parent attributable to common stock	¥ 19,735	¥ 18,560	\$ 151,652
Average number of shares of common stock outstanding during the fiscal year	306,633,969	307,139,020	
	shares	shares	

## 26. Significant Subsequent Events

(The issue of unsecured straight bonds)

The Board of Directors has resolved the issuance of unsecured straight bonds at February 28, 2022, and the Company has issued the unsecured straight bonds under the following terms and conditions at June 2, 2022.

- (1) Name of issue  
The 9th unsecured straight bonds (subject to a limited inter-bond pari passu clause) (Sustainability-Linked Bond)
- (2) Issue amount  
¥10,000 million (US\$81,706 thousand)
- (3) Interest rate  
0.734%
- (4) Redemption period  
June 2, 2032 (10 years)
- (5) Issue price  
¥100 for face value of ¥100
- (6) Redemption price  
¥100 for face value of ¥100
- (7) Redemption method  
Lump-sum redemption upon maturity
- (8) Purpose of the funds  
Working capital

(Conversion into subsidiary by additional stock acquisition)

The Company resolved at its Board of Directors held on June 29, 2022, to acquire additional stocks in PT Tatamulia Nusantara Indah (headquartered in the Republic of Indonesia; hereinafter "TATA"), an equity method affiliate of the Company, from existing shareholders (hereinafter the "Stock Acquisition") to convert TATA into a subsidiary.

TATA will become a specified subsidiary of the Company as its capital amount reaches 10% or more of the capital of the Company.

(1) Outline of the business combination

① Name and business of the acquired company

Name of the acquired company: PT Tatamulia Nusantara Indah

Head office location: Sapta Mulia Center; J1.Rawa Gelam V Kav.OR-3B; Jakarta, Indonesia

Representative: Ir Iwan Adi Susanto (President Director)

Business: General construction

Capital: Rp333,400 million (approx. ¥3.0 thousand million (US\$24,511 thousand))

Establishment: December 17, 1984

② Reason for the Additional Stock Acquisition

TATA is one of the leading companies in the construction industry in the Republic of Indonesia, a growing market.

The Company subscribed for new stocks issued by TATA through a third-party allotment in October 2020 to make it an equity method affiliate.

In the Medium-term Management Plan 2024—Rolling Plan, the Companies are committed to the development of overseas business as a priority management initiative.

The Stock Acquisition is aimed at establishing the Company's presence in the growing Indonesian market by strengthening its relationship with the local capital company.

③ Date of the business combination

August 2022 (planned)

④ Legal form of business combination

Acquisition of stock for cash

⑤ Name after the business combination

There is no change

⑥ Ratio of voting rights to be acquired

Ratio of voting rights before to be acquired: 40.01%

Ratio of voting rights to be acquired additionally: 26.99%

Ratio of voting rights after to be acquired: 67.00%

(2) Acquisition cost of the acquired company

While the Company refrains from disclosing the acquisition price in accordance with the wishes of the counterparties to the Stock Acquisition, the Company plans to acquire the stocks for an amount calculated in a fair manner by reference to the opinions of experts.

(3) Major acquisition-related costs and nature

Not confirmed at this time

(4) Acquisition cost of the acquired company and difference from the total acquisition cost for each transaction leading to acquisition

Not confirmed at this time

(5) Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period

Not confirmed at this time

(6) Amount of assets to be acquired and liabilities to be assumed as of the date of business combination and major breakdown

Not confirmed at this time



# Non-consolidated Balance Sheets

Toda Corporation - As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits	¥ 80,149	¥ 107,668	\$ 879,716
Notes receivable - trade	216	930	7,599
Electronically recorded monetary claims - operating	1,653	2,578	21,063
Accounts receivable from completed construction contracts	196,472	190,784	1,558,824
Short-term investment securities	10,000	10,000	81,706
Real estate for sale (Notes 7.5))	11,076	5,250	42,899
Costs on uncompleted construction contracts	9,322	8,629	70,505
Costs on real estate business	7,095	4,044	33,045
Raw materials and supplies	567	685	5,597
Accounts receivable - other	1,659	1,373	11,219
Advanced paid	18,144	17,945	146,624
Other	8,964	3,656	29,872
Allowance for doubtful accounts	(1,225)	(1,154)	(9,435)
Total current assets	344,096	352,390	2,879,238
<b>Noncurrent assets:</b>			
Property, plant and equipment			
Buildings	48,033	55,522	453,653
Accumulated depreciation	(17,594)	(18,555)	(151,608)
Buildings, net (Notes 7.1) and 5))	30,439	36,967	302,044
Structures	2,066	2,295	18,757
Accumulated depreciation	(1,371)	(1,213)	(9,911)
Structures, net (Notes 7.1) and 5))	695	1,082	8,845
Machinery and equipment	6,410	7,065	57,728
Accumulated depreciation	(5,136)	(4,855)	(39,671)
Machinery and equipment, net	1,274	2,209	18,056
Vehicles	90	73	600
Accumulated depreciation	(81)	(68)	(559)
Vehicles, net	8	5	41
Tools, furniture and fixtures	2,020	2,077	16,976
Accumulated depreciation	(1,527)	(1,635)	(13,366)
Tools, furniture and fixtures, net (Notes 7.1))	492	441	3,610
Land (Notes 7.5))	75,433	77,168	630,516
Lease assets	297	120	986
Accumulated depreciation	(249)	(82)	(674)
Lease assets, net	47	38	311
Construction in progress	9,634	15,092	123,310
Total property, plant and equipment	118,027	133,005	1,086,737

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Intangible assets</b>			
Leasehold right	5,123	5,123	41,865
Software (Notes 7.1)	2,038	2,448	20,009
Goodwill	450	381	3,114
Other	1,685	2,879	23,523
<b>Total intangible assets</b>	<b>9,298</b>	<b>10,833</b>	<b>88,512</b>
<b>Investments and other assets:</b>			
Investment securities	186,874	178,983	1,462,400
Stocks of subsidiaries and affiliates (Notes 7.2) and 9)	21,542	28,643	234,031
Investments in other securities of subsidiaries and affiliates (Notes 9)	2,387	1,566	12,796
Investments in capital	23	3	26
Long-term loans receivable	102	103	842
Long-term loans receivable from employees	10	5	48
Long-term loans receivable from subsidiaries and affiliates (Notes 7.2))	1,803	1,661	13,575
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	-	-
Long-term prepaid expenses	356	259	2,120
Long-term non-operating accounts receivable	109	3	28
Prepaid pension cost	1,906	2,012	16,443
Other	2,891	3,114	25,450
Allowance for doubtful accounts	(201)	(91)	(751)
<b>Total investments and other assets</b>	<b>217,807</b>	<b>216,264</b>	<b>1,767,014</b>
<b>Total noncurrent assets</b>	<b>345,133</b>	<b>360,103</b>	<b>2,942,265</b>
<b>Total assets</b>	<b>¥ 689,230</b>	<b>¥ 712,493</b>	<b>\$ 5,821,504</b>

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes payable - trade	¥ 2,781	¥ 2,156	\$ 17,618
Electronically recorded obligations - operating	21,043	31,982	261,316
Accounts payable for construction contracts	83,193	57,392	468,929
Short-term loans payable	43,758	55,471	453,231
Commercial paper	20,000	20,000	163,412
Current portion of bonds payable	-	15,000	122,559
Lease obligations	17	14	118
Accounts payable - other	4,427	3,116	25,465
Income taxes payable	7,955	5,767	47,123
Advances received on uncompleted construction contracts	23,650	26,774	218,762
Deposits received	32,142	37,706	308,081
Provision for bonuses	6,478	5,586	45,640
Provision for warranties for completed construction	3,548	3,782	30,903
Provision for loss on construction contracts	2,521	2,580	21,081
Deposits received from employees	10,383	11,340	92,655
Other	1,115	4,413	36,059
Total current liabilities	263,017	283,083	2,312,960
<b>Noncurrent liabilities:</b>			
Bonds payable	50,000	45,000	367,677
Long-term loans payable	30,043	36,528	298,463
Lease obligations	36	28	229
Deferred tax liabilities (Notes 10)	24,251	22,279	182,033
Deferred tax liabilities for land revaluation (Notes 10)	6,389	6,124	50,043
Provision for retirement benefits	20,219	20,353	166,303
Provision for directors' retirement benefits	127	128	1,045
Provision for stock payments for directors	236	240	1,966
Provision for loss on business of subsidiaries and affiliates	427	1,608	13,139
Asset retirement obligations	444	411	3,366
Other	2,922	3,211	26,241
Total noncurrent liabilities	135,100	135,915	1,110,510
Total liabilities	398,118	418,998	3,423,471
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	23,001	23,001	187,936
Capital surplus			
Legal capital surplus	25,573	25,573	208,948
Other capital surplus	-	198	1,623
Total capital surplus	25,573	25,771	210,571
Retained earnings			
Legal retained earnings	5,750	5,750	46,984
Other retained earnings			
Reserve for construction	50,000	50,000	408,530
General reserve	91,774	101,774	831,560
Retained earnings brought forward	21,187	18,780	153,450
Total retained earnings	168,712	176,305	1,440,525
Treasury stock	[9,388]	[8,462]	[69,142]
Total shareholders' equity	207,899	216,617	1,769,891
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	79,430	73,419	599,878
Deferred gains on hedges	108	385	3,152
Revaluation reserve for land	3,674	3,073	25,110
Total valuation and translation adjustments	83,213	76,878	628,141
Total net assets	291,112	293,495	2,398,033
<b>Total liabilities and net assets</b>	<b>¥ 689,230</b>	<b>¥ 712,493</b>	<b>\$ 5,821,504</b>

# Non-consolidated Statements of Income

Toda Corporation - For the years of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Net sales:</b>			
Net sales of construction contracts	¥ 448,130	¥ 430,983	\$ 3,521,394
Net sales of investment development business and other	13,249	20,786	169,839
Total net sales	461,380	451,770	3,691,233
<b>Cost of sales:</b>			
Cost of sales of construction contracts	395,887	380,879	3,112,015
Cost of sales of investment development business and other	7,631	14,958	122,217
Total cost of sales	403,519	395,837	3,234,232
<b>Gross profit:</b>			
Gross profit on construction contracts	52,242	50,103	409,378
Gross profit on investment development business and other	5,618	5,828	47,622
Total gross profit	57,861	55,932	457,000
<b>Selling, general and administrative expenses</b>			
Directors' compensations	440	480	3,922
Provision for share allocation to directors	53	36	296
Employees' salaries and allowances	10,970	11,440	93,473
Provision for bonuses	4,255	4,141	33,836
Provision for directors' retirement benefits	99	108	887
Retirement benefit expenses	1,250	913	7,466
Legal welfare expenses	1,693	1,757	14,360
Welfare expenses	720	706	5,775
Repair and maintenance	172	191	1,562
Stationery expenses	1,493	1,577	12,888
Correspondence and transportation expenses	763	912	7,454
Power utilities expenses	84	88	720
Research study expenses	2,259	2,278	18,619
Advertising expenses	286	297	2,431
Provision of allowance for doubtful accounts	293	(178)	(1,461)
Entertainment expenses	499	608	4,972
Contribution	197	194	1,590
Rents	1,727	2,047	16,730
Depreciation	1,465	1,760	14,384
Amortization of goodwill	69	69	566
Taxes and dues	2,201	1,543	12,608
Insurance expenses	35	36	298
Miscellaneous expenses	1,636	2,380	19,446
Total selling, general and administrative expenses	32,671	33,392	272,833
<b>Operating income</b>	25,189	22,540	184,167
<b>Non-operating income:</b>			
Interest income	60	39	324
Interest on securities	0	0	0
Dividend income	3,413	3,724	30,431
Dividend income of insurance	257	276	2,259
Miscellaneous income	819	506	4,137
Total non-operating income	4,550	4,547	37,153
<b>Non-operating expenses:</b>			
Interest expenses	790	583	4,771
Interest on bonds	165	195	1,595
Commission fee	518	210	1,722
Miscellaneous expenses	196	101	830
Total non-operating expenses	1,670	1,091	8,919
<b>Ordinary income</b>	28,069	25,995	212,401
<b>Extraordinary income:</b>			
Gain on sales of noncurrent assets (Notes 8.1))	18	0	7
Gain on sales of investment securities	2,610	3,008	24,582
Other	84	280	2,293
Total extraordinary income	2,713	3,290	26,882

<b>Extraordinary loss:</b>			
Loss on abandonment of noncurrent assets (Notes 8.2))	1,603	1,542	12,604
Impairment loss	88	492	4,024
Loss on valuation of investment securities	431	0	7
Loss on valuation of stocks of subsidiaries and affiliates	3,005	1,189	9,715
Provision for loss on business of subsidiaries and affiliates	176	1,181	9,650
Other	634	344	2,811
Total extraordinary losses	5,939	4,750	38,813
<b>Profit before income taxes and non-controlling interests</b>	<b>24,843</b>	<b>24,535</b>	<b>200,470</b>
<b>Income taxes-current</b>	<b>8,987</b>	<b>7,966</b>	<b>65,094</b>
<b>Income taxes-deferred</b>	<b>(804)</b>	<b>353</b>	<b>2,885</b>
<b>Total income taxes (Notes 10)</b>	<b>8,182</b>	<b>8,320</b>	<b>67,979</b>
<b>Profit for the year</b>	<b>¥ 16,660</b>	<b>¥ 16,215</b>	<b>\$ 132,491</b>

## Non-consolidated Statements of Changes in Net Assets

Toda Corporation - For the years ended March 31, 2021 and 2022

	Millions of yen															
	Shareholders' equity									Valuation and translation adjustments				Total net assets		
	Capital stock	Capital surplus			Retained earnings					Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		Revaluation reserve for land	Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings								
				Reserve for construction	General reserve	Retained earnings brought forward										
Balance at March 31, 2020	¥23,001	¥25,573	¥-	¥25,573	¥5,750	¥50,000	¥71,774	¥31,610	¥159,135	¥(9,392)	¥198,317	¥51,957	¥(11)	¥4,584	¥56,530	¥254,848
Changes during period																
Provision of general reserve	-	-	-	-	-	-	20,000	(20,000)	-	-	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	(7,993)	(7,993)	-	(7,993)	-	-	-	-	-	(7,993)
Profit for the year	-	-	-	-	-	-	16,660	16,660	-	16,660	-	-	-	-	-	16,660
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	5	5	-	-	-	-	5
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(0)	(0)	-	-	-	-	(0)
Increase by share exchanges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	909	909	-	909	-	-	-	-	909
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-	27,472	119	(909)	26,682	26,682	
Total changes of items during the period	-	-	-	-	-	-	20,000	(10,422)	9,577	4	9,581	27,472	119	(909)	26,682	36,263
Balance at March 31, 2021	¥23,001	¥25,573	¥-	¥25,573	¥5,750	¥50,000	¥91,774	¥21,187	¥168,712	¥(9,388)	¥207,899	¥79,430	¥108	¥3,674	¥83,213	¥291,112
Changes during period																
Provision of general reserve	-	-	-	-	-	-	10,000	(10,000)	-	-	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	(9,223)	(9,223)	-	(9,223)	-	-	-	-	-	(9,223)
Profit for the year	-	-	-	-	-	-	16,215	16,215	-	16,215	-	-	-	-	-	16,215
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	32	32	-	-	-	-	32
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(1)	(1)	-	-	-	-	(1)
Increase by share exchanges	-	-	198	198	-	-	-	-	-	894	1,093	-	-	-	-	1,093
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	600	600	-	600	-	-	-	-	600
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-	(6,011)	277	(600)	(6,334)	(6,334)	
Total changes of items during the period	-	-	198	198	-	-	10,000	(2,406)	7,593	925	8,717	(6,011)	277	(600)	(6,334)	2,383
Balance at March 31, 2022	¥23,001	¥25,573	¥198	¥25,771	¥5,750	¥50,000	¥101,774	¥18,780	¥176,305	¥(8,462)	¥216,617	¥73,419	¥385	¥3,073	¥76,878	¥293,495

Thousands of U.S. dollars																
	Shareholders' equity								Valuation and translation adjustments				Total net assets			
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land		Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings									Total retained earnings	
					Reserve for construction	General reserve	Retained earnings brought forward									
Balance at March 31, 2021	\$187,936	\$208,948	\$-	\$208,948	\$46,984	\$408,530	\$749,854	\$173,113	\$1,378,482	\$(76,707)	\$1,698,660	\$648,996	\$884	\$30,020	\$679,901	\$2,378,561
Changes during period																
Provision of general reserve	-	-	-	-	-	-	81,706	(81,706)	-	-	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	(75,358)	(75,358)	-	(75,358)	-	-	-	-	-	(75,358)
Profit for the year	-	-	-	-	-	-	132,491	132,491	-	132,491	-	-	-	-	-	132,491
Disposal of treasury stock	-	-	-	-	-	-	-	-	265	265	-	-	-	-	-	265
Purchase of treasury stock	-	-	-	-	-	-	-	-	(9)	(9)	-	-	-	-	-	(9)
Increase by share exchanges	-	-	1,623	1,623	-	-	-	-	7,310	8,933	-	-	-	-	-	8,933
Reversal of revaluation reserve for land	-	-	-	-	-	-	4,910	4,910	-	4,910	-	-	-	-	-	4,910
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	(49,117)	2,268	(4,910)	(51,759)	(51,759)		
Total changes of items during the period	-	-	1,623	1,623	-	-	81,706	(19,663)	62,042	7,565	71,231	(49,117)	2,268	(4,910)	(51,759)	19,471
Balance at March 31, 2022	\$187,936	\$208,948	\$1,623	\$210,571	\$46,984	\$408,530	\$831,560	\$153,450	\$1,440,525	\$(69,142)	\$1,769,891	\$599,878	\$3,152	\$25,110	\$628,141	\$2,398,033

# Notes to Non-consolidated Financial Statements

Toda Corporation

## 1. Basis of Presenting Non-consolidated Financial Statements

The non-consolidated financial statements presented herein of Toda Corporation (the "Company") are prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan.

These non-consolidated financial statements incorporate certain modifications in format so as to make the financial statements more meaningful to readers outside Japan.

These modifications have no effect on total assets, net sales, retained earnings or profit for the year.

(U.S. Dollar Amounts)

The accounts of non-consolidated financial statements presented herein are expressed in Japanese yen by rounding down to nearest million.

The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥122.39 = US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2022, and have been then rounded down to the nearest thousand. This translation should not be construed as a representation that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

## 2. Summary of Significant Accounting Policies

### 1) Standards and evaluation methods for significant assets

#### (a) Short term investment securities and investment securities

##### Held-to-maturity debt securities

Amortized cost method (straight-line method)

##### Stocks of subsidiaries and affiliates

Stated at cost, determined by the moving-average method

##### Available-for-sale securities

###### • Other than equity securities without market prices:

Stated at fair value (the difference between the book value and the fair value is recorded as a component of net assets, while the cost of securities sold is computed using the moving-average method)

###### • Equity securities without market prices:

Stated at cost, determined by the moving-average method

In addition, the valuations for investments in investment business limited partnerships and similar partnerships (those deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Law of Japan) are based on recent financial statements available according to the settlement closing dates stipulated in the partnership contracts, and are recorded in the net amounts equivalent to their equity.

The accounting methods are as follows:

In the case of investment for the main business purpose, the equity-equivalent profit and loss to be attributable is recorded in "operating profit and loss" and added to or subtracted from "investment securities" or "investments in other securities of subsidiaries and affiliates".

In the case of investment for purposes other than the main business purpose, the equity-equivalent profit and loss to be attributable is recorded as "non-operating profit and loss" and added to or subtracted from "investment securities" or "investments in other securities of subsidiaries and affiliates".

#### (b) Derivatives

Stated at fair value.

#### (c) Inventories

##### Costs on uncompleted construction contracts

Stated at cost, determined by the specific identification cost method

##### Real estate for sale

Stated at cost, determined by the specific identification cost method (The book value on the non-consolidated balance sheets is presented after write-down for decline in profitability.)

- (d) Other inventories  
**Raw materials and supplies**  
 Stated at cost, determined by the weighted average method (The book value on the non-consolidated balance sheets is presented after write-down for decline in profitability.)  
**Costs on real estate business**  
 Stated at cost, determined by the specific identification cost method (The book value on the non-consolidated balance sheets is presented after write-down for decline in profitability.)

## 2) Methods of depreciation and amortization depreciable assets

- (a) Property, plant and equipment (excluding lease assets)  
 The declining-balance method is used. However, the straight-line method is used for buildings (excluding building fixtures) acquired on and after April 1, 1998 and building fixtures and other structures acquired on and after April 1, 2016.  
 Standards identical to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.
- (b) Intangible fixed assets (excluding lease assets)  
 The straight-line method is used.  
 Standards identical to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.  
 However, the amortization of software used by the Company is computed using the straight-line method based on the estimated useful life.
- (c) Lease assets  
 Leased assets under finance leases other than those that are deemed to transfer ownership to lessees  
 Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

## 3) Allowances and provisions

- (a) Allowance for doubtful accounts  
 The allowance for doubtful trade receivables and loans has been provided based on historic loss experience for general accounts and also includes the aggregate amount of the estimated loss for the accounts for which concern actually exists for collectability.
- (b) Provision for bonuses  
 This is provided for the payment of bonuses for employees, based on expected payment amount.
- (c) Provision for warranties for completed construction  
 To cover expenses for defects claimed concerning completed work, this is provided based on the estimated amount of compensation in the future for the work completed during the fiscal year.
- (d) Provision for retirement benefits  
 To prepare for retirement benefits to employees, the provision for retirement benefits is calculated based on estimated amounts of retirement benefit obligations and pension assets as of the fiscal year-end.
1. Period attribution method for estimated retirement benefits  
 The estimated amount of retirement benefit is allocated to periods of service based on the benefit formula.
  2. Actuarial differences expense processing method  
 Actuarial differences are amortized commencing the following year after the difference is recognized primarily by the straight-line method over a period of five years.
- (e) Provision for loss on construction contracts  
 The provision for loss on construction contracts is provided at the estimated amount for the future losses on contract backlog at the fiscal year-end which will be probably incurred and which can be reasonably estimated.
- (f) Provision for directors' retirement benefits  
 To prepare for the payment of retirement benefits for executive officers, the provision is provided at the amount to be paid according to internal regulations if they had retired at the fiscal year-end.
- (g) Provision for loss on business of subsidiaries and affiliates  
 To prepare for the loss of investment in subsidiaries and affiliates, the amount that is expected to be borne beyond the investment and loans to subsidiaries and affiliates is estimated.
- (h) Provision for stock payments to directors  
 The provision for stock payments to directors is provided for stock award debt based on predetermined regulations for awarding stock, which is prepared for future awards of the Company's shares to its directors and executive officers.

## 4) Recognition of net sales from construction contracts and related costs

In the building construction and civil engineering, etc., which are the Company's principal business, the Company has the performance obligations to construct buildings or structures, etc. and deliver the outcomes to customers based on construction contracts. The construction contracts are a transaction in which performance obligations are satisfied over time, and the Company recognizes revenue according to the progress in the satisfaction of performance obligations. The Company has applied the method based on the percentage of costs incurred by the end of each reporting period to the total expected costs as a method of estimating the progress of construction works to the satisfaction of performance obligations.

In addition, revenue is recognized by the cost recovery method when the progress in the satisfaction of performance obligations cannot be reasonably estimated, but the costs incurred are recoverable. For construction contracts with a very short term between the commencement date of the transaction in the construction contract and the date when the performance obligations are expected to be fully satisfied, the Company applies alternative treatment and do not recognize revenue over time.

In this case, the Company recognizes revenue when the performance obligations are fully satisfied.

When certain refund obligations to customers are expected to arise, such as compensation for damages incurred in association with performance of contracts, the Company reduces revenue to the extent of the estimated refund liability.

The Company estimates a financing component of each individual construction contract and determine whether it is significant because the timing of receipt of the consideration for the transaction of the construction contracts varies depending on the terms of each individual construction contract. As a result, the Company determined that there are no construction contracts with a significant financing component.

## 5) Hedge Accounting

The Company applies hedge accounting as follows:

- (a) Method of hedge accounting adopted  
 Deferral hedge accounting  
 If the interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest or liabilities for which the swap contract were executed ("special treatment").
- (b) Measure and objects  
  1. Measures: Forward foreign exchange contracts  
 Objects: Transactions to be paid in foreign currencies in cases of overseas construction of work and overseas procurement of materials
  2. Measures: Interest rate swap  
 Objects: Borrowings
- (c) Hedging principles:  
 Based on internal regulations which stipulate the execution authority regarding on derivative transactions and those for transaction limits, the Company utilizes hedges to minimize the risk of currency exchange rate and interest rate fluctuations associated with the hedge objects.
- (d) Evaluation method of effectiveness of hedging:  
 During the period from the time when the hedging first started until the fiscal year-end, the Company has been assessing the hedge effectiveness primarily by comparing, in terms of variation amounts, (1)cumulative cash flow changes or exchange rate changes of the hedge objects and (2)cumulative cash flow changes or exchange rate changes of the hedge measures.  
 However, the evaluation of hedge effectiveness is omitted for interest swaps as they meet certain hedging criteria for the special treatment.

## 6) Other significant matters for preparing non-consolidated financial statements

- (a) Accounting for retirement benefits  
 The method of accounting for unrecognized actuarial differences to retirement benefits is different from the method of accounting for consolidated financial statements.
- (b) Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear  
 The accounting method for joint venture (JV) in the construction industry is mainly based on the method of recognizing assets, liabilities, income and expenses according to the investment ratio of the members.



### 3. Significant Accounting Estimates

#### 1) Estimates for the method of recognizing revenue over time (the so-called old percentage of completion method)

(a) Amount recorded in the non-consolidated financial statements

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales of construction contracts	¥ 428,283	¥ 410,386	\$ 3,353,105

(b) Information about the content of significant accounting estimates for the identified item

The information is the same as the content described in the consolidated financial statements "Notes (3. Significant Accounting Estimates, 1) Estimates for the method of recognizing revenue over time (the so-called old percentage of completion method)".

#### 2) Estimates for impairment loss on fixed assets

(a) Amount recorded in the non-consolidated financial statements

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Impairment loss	¥ 88	¥ 492	\$ 4,024

(b) Information about the content of significant accounting estimates for the identified item

The information is the same as the content described in the consolidated financial statements "Notes (3. Significant Accounting Estimates, 2) Estimates for impairment loss on fixed assets)".

### 4. Change in Accounting Policies

#### 1) Application of the Accounting Standard for Revenue Recognition

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020) from the beginning of the current fiscal year, revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. Until the previous fiscal year, revenue associated with construction contracts of which the outcome of the progress of construction works can be reliably estimated was accounted for by the percentage of completion method. The accounting policy has been changed at the beginning of the current fiscal year, and revenue is recognized over time as the performance obligations to transfer goods or services to the customer is satisfied if control of the goods or services is transferred to the customer over time. The Company has applied the method based on the percentage of costs incurred by the end of each reporting period to the total expected costs as a method of estimating the progress of construction works to the satisfaction of performance obligations.

In addition, revenue is recognized by the cost recovery method when the progress in the satisfaction of performance obligations cannot be reasonably estimated, but the costs incurred are recoverable.

For construction contracts with a very short term between the commencement date of the transaction in the construction contract and the date when the performance obligations are expected to be fully satisfied, the Company applies alternative treatment and does not recognize revenue over time.

In this case, the Company recognizes revenue when the performance obligations are fully satisfied. Furthermore, until the previous fiscal year, with respect to revenue related to the sales of construction materials, etc., the Company recognized as revenue the gross amount of consideration received from customers. In the current fiscal year, as a result of examining the role (principal or agent) in providing goods or services to customers, the Company has changed to a method of

recognizing revenue in the net amount.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance.

However, the Company has applied the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition and has not applied the new accounting policy retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year.

As a result, although this change was no effect in retained earnings at the beginning of the current fiscal year, net sales and cost of sales increased by ¥32 thousand million (US\$26,474 thousand) and ¥32 thousand million (US\$26,474 thousand) in the non-consolidated statements of income at the current fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes to "Revenue Recognition" for the previous fiscal year are not presented.

#### 2) Application of the Accounting Standard for Fair Value Measurement

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No.30 issued on July 4, 2019) from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10 issued on July 4, 2019). The new accounting policy prescribed by the Accounting Standard is to be applied prospectively. This change has no effect on the non-consolidated financial statements.

### 5. Change in Presentation Methods

(Non-consolidated Statements of Income)

Due to the change in the management accounting treatment method implemented by the Company in the fiscal year ended March 31, 2022, regarding to "Selling, general and administrative expenses" of the fiscal year ended March 31, 2021, "Depreciation" included in "Welfare expenses", "Repair and maintenance", "Stationery expenses", "Correspondence and transportation expenses", "Research study expenses", "Advertising expenses", "Rents" and "Miscellaneous expenses" are aggregated in "Depreciation" listed separately.

To reflect this change in presentation, the non-consolidated financial

statements for the fiscal year ended March 31, 2021 have been reclassified.

As a result, "Welfare expenses", "Repair and maintenance", "Stationery expenses", "Correspondence and transportation expenses", "Research study expenses", "Advertising expenses", "Rents", "Depreciation" and "Miscellaneous expenses" among "Selling, general and administrative expenses" for non-consolidated statements of income have been reclassified and are as follows:



For the fiscal year ended March 31, 2021	Millions of yen		Thousands of U.S. dollars
	Before reclassification	After reclassification	After reclassification
	Welfare expenses	¥ 724	¥ 720
Repair and maintenance	235	172	1,407
Stationery expenses	1,968	1,493	12,204
Research study expenses	2,438	2,259	18,459
Advertising expenses	324	286	2,340
Rents	1,886	1,727	14,114
Depreciation	545	1,465	11,974
Miscellaneous expenses	1,637	1,636	13,372

## 6. Additional Information

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

Since the same content is described in the consolidated financial statements "Notes (7. Additional Information)", the notes are omitted.

(Accounting estimates associated with the spread of COVID-19)

Since the same content is described in the consolidated financial statements "Notes (7. Additional Information)", the notes are omitted.

## 7. Notes to Non-consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>1) Advanced depreciation:</b>			
Buildings	¥ 46	¥ 130	\$ 1,065
Structures	-	2	21
Tools, furniture and fixtures	7	7	57
Software	8	8	69
Total	¥ 61	¥ 148	\$ 1,214
<b>2) Pledged assets:</b>			
Stocks of subsidiaries and affiliates	¥ 462	¥ 435	\$ 3,557
Long-term loans receivable from subsidiaries and affiliates	626	610	4,990
Total	¥ 1,088	¥ 1,046	\$ 8,547
<b>3) Contingent liabilities (guarantee liabilities)</b>	¥ 7,913	¥ 6,818	\$ 55,709
<b>4) Loan commitment agreement:</b>			
Maximum limit under the agreement	¥ 30,000	¥ 30,000	\$ 245,118
Loan balance outstanding	-	-	-
Difference (unused portion)	¥ 30,000	¥ 30,000	\$ 245,118

### 5) Change in holding purpose of assets

The following noncurrent assets were reclassified as real estate held for sale due to change in holding purpose.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings	¥ 830	¥ -	\$ -
Structures	2	-	-
Land	1,557	-	-

The following real estate held for sale was reclassified as noncurrent assets due to change in holding purpose.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Land	¥ -	¥ 510	\$ 4,169

## 8. Notes to Non-consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>1) Gain on sales of noncurrent assets:</b>			
Machinery and equipment	¥ 18	¥ 0	\$ 3
Tools, furniture	0	0	4
Total	¥ 18	¥ 0	\$ 7
<b>2) Loss on abandonment of noncurrent assets:</b>			
Buildings and structures	¥ -	¥ 160	\$ 1,307
Other	22	20	166
Dismantlement cost	1,580	1,362	11,129
Total	¥ 1,603	¥ 1,542	\$ 12,604

## 9. Securities

For the year ended March 31, 2021	Millions of yen
The stocks of subsidiaries and affiliates whose fair value is extremely difficult to calculate due to the lack of market prices are as follows:	2021
Stocks of subsidiaries	¥ 17,598
Stocks of affiliated companies	3,943
Investments in Limited Liability Company	349
Affiliated companies preferred equity securities	1,200
Investments in silent partnerships	838
Total	¥ 23,929

Note: For the stocks of subsidiaries and affiliates whose fair value is extremely difficult to calculate, the fair value are not shown.

For the year ended March 31, 2022	Millions of yen	Thousands of U.S. dollars
The book value of the stocks of subsidiaries and affiliates is as follows:	2022	2022
Stocks of subsidiaries	¥ 24,695	\$ 201,775
Stocks of affiliated companies	3,947	32,256
Investments in Limited Liability Company	325	2,658
Investments in silent partnerships	1,240	10,138
Total	¥ 30,209	\$ 246,828

Note: 1. The stocks of subsidiaries and affiliates are not shown because they are equity securities without market prices.  
2. The stocks of subsidiaries and affiliates includes in the investments in partnerships for which equity interests are recorded on a net basis. In addition, the fair value of the investments are omitted.

## 10. Deferred Tax Accounting

The tax effects of temporary differences which gave rise to deferred tax assets and liabilities at March 31, 2021 and 2022 are as follows:	Millions of yen		Thousands of U.S. dollars
As of March 31	2021	2022	2022
<b>Deferred tax assets:</b>			
Real estate for sale	¥ 161	¥ 183	\$ 1,498
Buildings, structures and land	698	838	6,852
Investment securities	1,954	2,253	18,409
Allowance for doubtful receivables	545	490	4,009
Provision for bonuses	1,998	1,727	14,118
Provision for loss on construction contracts	771	789	6,451
Provision for retirement benefits	6,187	6,228	50,888
Other	3,524	3,566	29,144
Subtotal	15,842	16,078	131,373
Less: valuation allowance	(4,065)	(4,883)	(39,899)
Deferred tax assets	¥ 11,777	¥ 11,195	\$ 91,473
<b>Deferred tax liabilities:</b>			
Valuation difference on available-for-sale securities	(34,905)	(32,192)	(263,035)
Prepaid pension cost	(583)	(615)	(5,031)
Other	(539)	(665)	(5,440)
Deferred tax liabilities	(36,028)	(33,474)	(273,507)
Net deferred tax assets (liabilities)	¥ (24,251)	¥ (22,279)	\$ (182,033)

In addition to the above, the Company recognized deferred tax liabilities of ¥6,389 million and ¥6,124 million (US\$50,043 thousand) related to revaluation reserve for land at March 31, 2021 and 2022, respectively.

Reconciliation between the statutory tax rate and the effective tax rate	2021	2022
Statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.9%	1.1%
Non-taxable income	(1.2%)	(1.2%)
Inhabitant taxes (per capita levy)	0.7%	0.7%
Valuation allowance	3.5%	3.3%
Other	(1.6%)	(0.6%)
Effective tax rate	32.9%	33.9%

## 11. Revenue Recognition

Information as a basis to understand revenue from contracts with customers is described in non-consolidated financial statements "Notes (2. Summary of Significant Accounting Policies, 4) Recognition of net sales from construction contracts and related costs)".

## 12. Significant Subsequent Events

(The issue of unsecured straight bonds)

Since the same content is described in the consolidated financial statements "Notes (26. Significant Subsequent Events)", the notes are omitted.