

TODA CORPORATION

FINANCIAL STATEMENTS 2023

Year ended March 31, 2023



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, 2023, 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, 2023, 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 477,357 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</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">• 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 status of related internal control development and operation, including the approval of the execution budget at the time of formulation and update, which is the basis for estimating total construction costs.• 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.• We examined the total construction costs to see if any unusual adjustment items were included in the total construction costs.

<p>the site may change, making timely and appropriate 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>	<ul style="list-style-type: none"> • By inspecting the process control materials and asking questions, we identified important estimation factors related to specifications, construction period, etc. , and evaluated the manager's judgment regarding the effects of uncertainty in the estimation factors. • 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.
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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 Environment and Energy segment, 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 company is constructing a floating offshore wind farm off the coast of Goto City, Nagasaki Prefecture, as one of its businesses. The recoverable amount of the facilities under construction, which was calculated based on the future value in use, has fallen below the book value, and the book value was reduced to the recoverable amount in the previous fiscal year, resulting in an impairment loss.</p> <p>In the current consolidated fiscal year, defects were discovered in facilities under construction, and as a result of estimating the recoverable amount, including the cost of dealing with the defects, an impairment loss of 9,534 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"> • We conducted the site visit and additional questions to determine whether the key assumptions used in recording impairment losses reflect actual conditions. • We reviewed contracts or quotations and conducted questions to the person in charge in order to verify consistency with the income plan. • Regarding construction costs with approved execution budgets, we evaluated the maintenance and operation of internal controls in the formulation of execution budgets as the basis for estimates, and then verified the consistency between the approved execution budgets and the expenditure plans. • Regarding construction costs not yet approved in the execution budget (including costs for handling defects), we interviewed the person in charge regarding the process and handling method, and verified the consistency between the cost estimate basis documents and the contract conditions in the approved execution budget. • Regarding operating expenses, we reviewed the quotations from prospective order recipients and verified consistency with the expenditure plan. • We verified that the discount rate is consistent with the rate of return on the business plan.

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, 2023

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, 2023, 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, 2023, 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.
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- 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, 2023

Toshio Saito
Representative Partner
Engagement Partner
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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, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
ASSETS			
Current assets:			
Cash and deposits (Notes 12 and 14)	¥ 120,538	¥ 96,840	\$ 725,232
Notes and accounts receivable - trade (Note 8.1), 14 and 23)	208,892	282,828	2,118,091
Short-term investment securities (Notes 14 and 15)	10,300	700	5,242
Real estate for sale (Notes 8.10))	8,301	15,616	116,954
Costs on uncompleted construction contracts (Note 8.9))	9,680	12,102	90,636
Other inventories	5,124	2,709	20,290
Other	24,887	23,807	178,295
Allowance for doubtful accounts	(1,188)	(3,032)	(22,709)
Total current assets	386,536	431,573	3,232,033
Noncurrent assets:			
Property, plant and equipment: (Notes 8.2), 21 and 22)			
Buildings and structures, net (Notes 8.3), 5) and 10))	47,912	54,240	406,205
Machinery, vehicles, tools, furniture and fixtures, net (Notes 8.3))	11,019	11,256	84,300
Land (Notes 8.3), 5), 8) and 10))	87,652	87,187	652,942
Lease assets, net	59	205	1,540
Construction in progress(Notes 8.3)	15,294	25,785	193,102
Total property, plant and equipment	161,938	178,675	1,338,091
Intangible assets:			
Goodwill	701	1,375	10,303
Other (Notes 8.3))	11,255	10,689	80,050
Total intangible assets	11,956	12,065	90,354
Investments and other assets:			
Investment securities (Notes 8.4), 5) , 14 and 15)	192,650	185,072	1,385,999
Long-term loans receivable (Notes 8.5) and 14)	817	795	5,954
Net defined benefit assets (Note 17)	2,129	1,953	14,630
Deferred tax assets (Note 18)	677	921	6,902
Other	4,585	4,581	34,312
Allowance for doubtful accounts	(91)	(81)	(611)
Total investments and other assets	200,768	193,243	1,447,187
Total noncurrent assets	374,663	383,983	2,875,634
Total assets	¥ 761,199	¥ 815,556	\$ 6,107,667

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
LIABILITIES			
Current liabilities:			
Notes and accounts payable - trade (Note 14)	¥ 97,728	¥ 111,283	\$ 833,393
Short-term loans payable (Note 14)	59,969	81,568	610,861
Commercial papers-liabilities (Note 14)	20,000	—	—
Current portion of bonds payable (Note 14)	15,190	5,050	37,819
Income taxes payable (Note 14)	6,175	6,329	47,403
Advances received on uncompleted construction contracts (Note 8.1) and 23)	28,369	33,408	250,194
Provision for bonuses	6,071	5,115	38,312
Provision for warranties for completed construction	3,819	3,305	24,753
Provision for loss on construction contracts (Note 8.9))	2,666	9,434	70,652
Deposits received	38,465	36,486	273,244
Other	20,660	18,034	135,059
Total current liabilities	299,116	310,016	2,321,696
Noncurrent liabilities:			
Bonds payable (Note 14)	45,245	50,195	375,908
Long-term loans payable (Note 14)	38,991	74,724	559,605
Deferred tax liabilities (Note 18)	22,690	19,244	144,124
Deferred tax liabilities for land revaluation (Note 18)	6,124	6,069	45,455
Provision for directors' retirement benefits	239	98	735
Provision for stock payments for directors	240	465	3,486
Provision for loss on liquidation of subsidiaries and affiliates	1,193	1,141	8,547
Net defined benefit liability (Note 17)	21,849	22,932	171,737
Asset retirement obligations (Note 21)	2,207	2,242	16,797
Other	4,258	5,165	38,680
Total noncurrent liabilities	143,041	182,278	1,365,078
Total liabilities	442,157	492,295	3,686,775
NET ASSETS			
Shareholders' equity:			
Capital stock	23,001	23,001	172,257
Capital surplus	26,457	26,786	200,604
Retained earnings	199,155	200,996	1,505,256
Treasury stock	(8,462)	(7,625)	(57,105)
Total shareholders' equity	240,152	243,159	1,821,013
Accumulated other comprehensive income (Note 10)			
Valuation difference on available-for-sale securities	73,435	72,790	545,122
Deferred gains on hedges	385	111	838
Revaluation reserve for land (Note 8.8))	3,073	3,087	23,122
Foreign currency translation adjustments	(391)	(1,567)	(11,739)
Remeasurements of defined benefit plans	(81)	(327)	(2,453)
Total accumulated other comprehensive income	76,421	74,094	554,890
Non-controlling interests	2,467	6,007	44,989
Total net assets	319,042	323,261	2,420,892
Total liabilities and net assets	¥ 761,199	¥ 815,556	\$ 6,107,667

Consolidated Statements of Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales: (Note 9.1))			
Net sales of construction contracts	¥ 472,641	¥ 518,426	\$ 3,882,469
Net sales of investment development business and other	28,868	28,729	215,152
Total net sales	501,509	547,155	4,097,621
Cost of sales:			
Cost of sales of construction contracts (Notes 9.2) and 3))	417,249	469,076	3,512,892
Cost of sales of investment development business and other (Notes 9.5))	21,582	20,755	155,436
Total cost of sales	438,832	489,831	3,668,328
Gross profit:			
Gross profit on construction contracts	55,392	49,349	369,577
Gross profit on investment development business and other	7,285	7,973	59,715
Total gross profit	62,677	57,323	429,293
Selling, general and administrative expenses (Notes 9.4) and 5))	38,292	43,188	323,436
Operating income	24,385	14,135	105,856
Non-operating income:			
Interest income	210	413	3,100
Dividend income	3,464	4,017	30,085
Dividend income of insurance	276	238	1,786
Share of profit of entities accounted for using equity method	191	149	1,116
Exchange gain	—	1,046	7,838
Other	764	896	6,716
Total non-operating income	4,907	6,762	50,643
Non-operating expenses:			
Interest expenses	861	1,042	7,806
Commission fee	186	637	4,773
Other	133	178	1,336
Total non-operating expenses	1,180	1,858	13,917
Ordinary income	28,111	19,039	142,582
Extraordinary income:			
Gain on step acquisitions	—	1,908	14,294
Gain on sales of noncurrent assets (Note 9.6))	24	28	211
Gain on sales of investment securities (Note 15)	3,127	8,083	60,540
Other	595	378	2,831
Total extraordinary income	3,747	10,399	77,878
Extraordinary loss:			
Loss on abandonment of noncurrent assets (Note 9.7))	1,550	419	3,144
Impairment loss (Note 9.8))	492	10,345	77,473
Loss on valuation of investment securities (Note 15)	—	285	2,138
Provision for loss on liquidation of subsidiaries and affiliates	1,162	255	1,915
Other	423	233	1,751
Total extraordinary losses	3,629	11,540	86,423
Profit before income taxes and non-controlling interests	28,230	17,897	134,037
Income taxes-current	9,271	10,352	77,527
Income taxes-deferred	490	(3,661)	(27,420)
Total income taxes (Note 18)	9,761	6,690	50,106
Profit for the year	18,468	11,207	83,930
Loss attributable to non-controlling interests	(92)	211	1,587
Profit for the year attributable to owners of the parent (Note 27)	¥ 18,560	¥ 10,995	\$ 82,343

Consolidated Statements of Comprehensive Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit for the year	¥ 18,468	¥ 11,207	\$ 83,930
Other comprehensive income (Note 10)			
Valuation difference on available-for-sale securities	(6,039)	(643)	(4,821)
Deferred gains or losses on hedges	277	(273)	(2,051)
Foreign currency translation adjustment	1,349	(533)	(3,996)
Remeasurements of defined benefit plans	88	(153)	(1,152)
Share of other comprehensive income of entities accounted for using equity method	414	(614)	(4,602)
Total other comprehensive income	(3,909)	(2,219)	(16,623)
Comprehensive income	14,559	8,987	67,306
Comprehensive income attributable to			
Owners of the parent	14,654	8,653	64,808
Non-controlling interests	¥ (95)	¥ 333	\$ 2,497

Consolidated Statements of Changes in Net Assets

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2022 and 2023

	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, 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
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
Changes during period													
Dividends from surplus	—	—	(9,139)	—	(9,139)	—	—	—	—	—	—	—	(9,139)
Profit for the year attributable to owners of the parent	—	—	10,995	—	10,995	—	—	—	—	—	—	—	10,995
Disposal of treasury stock	—	172	—	1,128	1,301	—	—	—	—	—	—	—	1,301
Purchase of treasury stock	—	—	—	(1,293)	(1,293)	—	—	—	—	—	—	—	(1,293)
Increase by share exchanges	—	156	—	1,001	1,157	—	—	—	—	—	—	—	1,157
Reversal of revaluation reserve for land	—	—	(14)	—	(14)	—	—	—	—	—	—	—	(14)
Net changes of items other than shareholders' equity	—	—	—	—	—	(645)	(273)	14	(1,175)	(246)	(2,327)	3,539	1,212
Total changes of items during the period	—	328	1,841	837	3,007	(645)	(273)	14	(1,175)	(246)	(2,327)	3,539	4,219
Balance at March 31, 2023	¥23,001	¥26,786	¥200,996	¥(7,625)	¥243,159	¥72,790	¥111	¥3,087	¥(1,567)	¥(327)	¥74,094	¥6,007	¥323,261

	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, 2022	\$172,257	\$198,140	\$1,491,468	\$(63,373)	\$1,798,492	\$549,954	\$2,889	\$23,051	\$(2,932)	\$(609)	\$572,317	\$18,480	\$2,389,291
Changes during period													
Dividends from surplus	—	—	(68,447)	—	(68,447)	—	—	—	—	—	—	—	(68,447)
Profit for the year attributable to owners of the parent	—	—	82,343	—	82,343	—	—	—	—	—	—	—	82,343
Disposal of treasury stock	—	1,290	—	8,454	9,745	—	—	—	—	—	—	—	9,745
Purchase of treasury stock	—	—	—	(9,684)	(9,684)	—	—	—	—	—	—	—	(9,684)
Increase by share exchanges	—	1,172	—	7,498	8,671	—	—	—	—	—	—	—	8,671
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	(107)	—	(107)	—	—	—	—	—	—	—	(107)
Net changes of items other than shareholders' equity	—	—	—	—	—	(4,832)	(2,051)	107	(8,806)	(1,843)	(17,427)	26,508	9,081
Total changes of items during the period	—	2,463	13,788	6,268	22,250	(4,832)	(2,051)	107	(8,806)	(1,843)	(17,427)	26,508	31,601
Balance at March 31, 2023	\$172,257	\$200,604	\$1,505,256	\$(57,105)	\$1,821,013	\$545,122	\$838	\$23,122	\$(11,739)	\$(2,453)	\$554,890	\$44,989	\$2,420,892

Consolidated Statements of Cash Flows

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	¥ 28,230	¥17,897	\$ 134,037
Depreciation and amortization	4,765	6,296	47,155
Impairment loss	492	10,345	77,473
Amortization of goodwill	104	340	2,549
Increase (decrease) in allowance for doubtful accounts	(172)	164	1,231
Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates	1,164	(53)	(398)
Increase (decrease) in net defined benefit liability	148	52	391
Decrease (increase) in net defined benefit asset	(63)	436	3,271
Increase (decrease) in other provision	(869)	5,335	39,958
Loss (gain) on valuation of investment securities	0	285	2,138
Loss (gain) on sales of investment securities	(3,115)	(8,039)	(60,204)
Loss (gain) on sales of property, plant and equipment	(24)	101	758
Loss on abandonment of noncurrent assets	1,550	419	3,144
Loss on step acquisitions	—	(1,908)	(14,294)
Share of loss (profit) of entities accounted for using equity method	(191)	(149)	(1,116)
Interest and dividend income	(3,675)	(4,431)	(33,185)
Interest expenses	861	1,042	7,806
Decrease (increase) in notes and accounts receivable-trade	1,625	(57,398)	(429,855)
Decrease (increase) in costs on uncompleted construction contracts	1,435	2,644	19,805
Decrease (increase) in real estate for sale	4,304	2,640	19,777
Decrease (increase) in costs on real estate business	1,136	2,543	19,050
Decrease (increase) in other current assets	6,025	2,114	15,835
Increase (decrease) in notes and accounts payable-trade	(16,298)	7,129	53,393
Increase (decrease) in advances received on uncompleted construction contracts	658	(2,004)	(15,014)
Increase (decrease) in other current liabilities	7,877	(8,046)	(60,261)
Other, net	(187)	(1,691)	(12,666)
Subtotal	35,785	(23,930)	(179,216)
Interest and dividend income received	3,681	4,433	33,205
Interest expenses paid	(853)	(916)	(6,865)
Income taxes paid	(11,526)	(10,431)	(78,120)
Other, net	186	—	—
Net cash provided by (used in) operating activities	27,274	(30,845)	(230,996)
Net cash provided by (used in) investing activities:			
Payments into time deposits	—	(158)	(1,185)
Proceeds from withdrawal of time deposits	69	552	4,134
Proceeds from sales and redemption of securities	100	300	2,246
Purchase of property, plant and equipment	(21,814)	(35,874)	(268,659)
Proceeds from sales of property, plant and equipment	80	1,688	12,646
Payments from retirement of property, plant and equipment	(1,471)	(389)	(2,916)
Purchase of intangible assets	(2,511)	(1,344)	(10,071)
Proceeds from subsidy income	2,900	—	—
Purchase of investment securities	(3,357)	(2,649)	(19,843)
Proceeds from sales and redemption of investment securities	6,321	12,053	90,269
Payments of loans receivable	(3)	(32)	(239)
Collection of loans receivable	28	20	153
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,037)	(918)	(6,876)
Purchase of shares of equity method affiliate	(57)	—	—
Payments for lease and guarantee deposits	(263)	(18)	(139)
Other, net	582	667	4,997
Net cash provided by (used in) investing activities	(20,433)	(26,102)	(195,483)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	13,809	23,184	173,624
Increase (decrease) in commercial paper	—	(20,000)	(149,779)
Proceeds from long-term loans payable	12,920	40,630	304,276
Repayments of long-term loans payable	(9,037)	(6,942)	(51,994)
Proceeds from issuance of bonds	10,000	10,000	74,889
Redemption of bonds	(30)	(15,190)	(113,757)
Cash dividends paid	(9,223)	(9,139)	(68,447)
Cash dividends paid to non-controlling interests	(2)	(2)	(16)
Payments for acquisition of shares of subsidiaries not affecting the scope of consolidation	(76)	—	—
Purchase of treasury stock	(1)	(0)	(5)
Other, net	(51)	(3)	(28)
Net cash provided by (used in) financing activities	18,306	22,534	168,761
Effect of exchange rate change on cash and cash equivalents	426	977	7,323
Net increase (decrease) in cash and cash equivalents	25,574	(33,435)	(250,395)
Cash and cash equivalents at the beginning of current period	103,727	129,301	968,334
Cash and cash equivalents at the end of current period (Note 12)	129,301	95,866	717,938

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 ¥133.53 = US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2023, 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 39 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, PT Tatamulia Nusantara Indah, TODA Energia do Brasil Ltda. and other 17 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:

Jack-up Wind Farm Construction Co., and other 2 companies.

The acquisition of additional shares of PT Tatamulia Nusantara Indah changed its status from an equity-method affiliate to a consolidated subsidiary.

3) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, Toda America, Inc., Thai Toda Corporation Ltd., Toda Vietnam Co., Ltd., PT Toda Group Indonesia., Tobic Co., Ltd., TODA Energia do Brasil Ltda., PT Tatamulia Nusantara Indah, Goto Floating Wind Farm LLC, and other 14 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 the current fiscal year, the closing date of Goto Floating Wind Farm LLC was changed from March 31 to December 31, and that of Toda Solar Energy Fukaya LLC was changed from January 31 to March 31.

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 writedown 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 writedown 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 writedown for decline in profitability.)

5) Methods of depreciation and amortization depreciable assets

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

The declining-balance method is primarily used. However, the straightline 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
	2022	2023	2023
Net sales of construction contracts	¥ 429,888	¥ 477,357	\$ 3,574,911

- (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 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
	2022	2023	2023
Impairment loss	¥ 492	¥ 10,345	\$ 77,473

- (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

(Guidance on Accounting Standard for Measurement of Fair Value)

"The Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Guidance") is applied from the beginning of the current fiscal year. The Company shall apply the new accounting policy stipulated in Paragraph 27-2 of the Guidance in the future. The impact of this change on the consolidated financial statements for the current fiscal year is minor.

In addition, notes regarding investment trusts in "Fair value information of financial instruments by level of inputs" are not stated for the previous consolidated fiscal year in accordance with Paragraph 27-3 of Guidance.

5. Accounting Standards Issued but Not Yet Adopted

For the year ended March 31, 2023
None

6. Change in presentation methods

(Notes to consolidated statements of income)

"Foreign exchange gains", which was included in "Other" under "Non-operating income" in the previous consolidated fiscal year, is described separately because of item in the current consolidated fiscal year it exceeded 10/100 of the total amount of "Non-operating income". The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥764 million presented as "Other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year has been reclassified as "Foreign exchange gains" of ¥151 million and "Other" of ¥613 million.

"Loss on sales of investment securities" under "Extraordinary loss", which was independently presented in the previous consolidated fiscal year, is now included in "Other" in the current consolidated fiscal year because it has become insignificant. To reflect this change in presentation, the financial statements for the previous consolidated fiscal year have been reclassified.

As a result, "Loss on sales of investment securities" of ¥12 million and "Other" of ¥409 million, which were included in "Extraordinary loss" in the consolidated statement of income for the previous fiscal year, have been reclassified as "Other" of ¥422 million.

7. Additional Information

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

1. Outline of the Plan

At the Board of Directors' meeting held on May 13, 2016 and the 93rd General Meeting of Shareholders held on June 29, 2016, the Company resolved to introduce the BIP Trust for Directors' Remuneration (BIP Trust) and the ESOP Trust for Stock Grant (ESOP Trust, and together with the BIP Trust, the Plan) for the Company's directors and executive officers (excluding outside directors and non-residents of Japan; hereinafter collectively referred to as the Directors), for the purpose of improving the Company's medium- to long-term performance, enhancing corporate value, and raising awareness of shareholder-oriented management.

The Plan is an incentive scheme for the Directors and shares of the Company acquired through the Plan are distributed to the Directors in proportion to the degree of achievement of performance targets for each fiscal year.

Additionally, the resolution was passed at the 99th General Meeting of Shareholders held on June 29, 2022 (the General Meeting of Shareholders) to revise the Plan by increasing the ratio of stock compensation. After the revision, outside directors are also eligible for non-performance-linked stock compensation.

In response to the above resolution, at the Board of Directors meeting held on August 10, 2022, the Company made an additional contribution to the trust and acquired the Company's shares as follows.

< Outline of additional contribution to the trust and acquisition of the Company's shares >

Additional cash contributions and additional acquisition of shares were made within the limits of the maximum trust (¥1,400 million in total for three fiscal years, including ¥15 million for outside directors) and the maximum number of shares to be acquired (800,000 shares, including 8,000 shares for outside directors, per year; 2,400,000 shares, including 25,800 shares for outside directors, for a three-year period) as approved at the General Meeting of Shareholders.

(1) Date of the agreement to amend the trust:	August 29, 2022
(2) Period of trust:	August 29, 2022 - September 30, 2025
(3) Total amount of additional trust:	¥1,292,401,800 (US\$9,678,737) (including trust fees and expenses)
(4) Date of share acquisition:	September 1, 2022
(5) Number of additional shares to be acquired:	1,897,800 shares (Breakdown: 1,865,600 shares for BIP Trust, 32,200 shares for ESOP Trust)
(6) Method of share acquisition:	Acquisition through third-party allotment of treasury stock

2. The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets at the book value (excluding incidental expenses). The book value and number of shares of such treasury stock at the end of previous fiscal year were ¥297 million and 584,633 shares for the BIP Trust and ¥76 million and 152,517 shares for the ESOP Trust respectively. At the end of the fiscal year under review, the book value and number of shares were ¥1,559 million (US\$11,679 thousand) and 2,435,810 shares for the BIP Trust and ¥98 million (US\$740 thousand) and 184,717 shares for the ESOP Trust respectively.

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 (23. Revenue Recognition, (a) Balances, etc. of contract assets and contract liabilities)".

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
2) Accumulated depreciation of property, plant and equipment	¥ 34,650	¥ 40,343	\$ 302,131
3) Advanced depreciation:			
Buildings and structures	133	133	996
Machinery, vehicles, tools, furniture and fixtures	7,597	7,597	56,895
Land	—	24	183
Construction in progress	—	22	168
Intangible assets	8	8	63
Total	¥ 7,739	¥ 7,785	\$ 58,307
4) Investments in Non-consolidated subsidiaries and affiliates included in investment securities	¥ 6,407	¥ 1,916	\$ 14,350
5) Pledged assets and Secured debt			
① Pledged assets and Secured debt are as follows:			
Buildings	¥ 25	¥ 1,328	\$ 9,948
Land	296	1,030	7,720
Total	¥ 321	¥ 2,359	\$ 17,669
Liabilities secured thereby			
Short-term loans payable	¥ 9	¥ 11	\$ 87
Current portion of bonds payable	90	50	374
Bonds payable	245	195	1,460
Long-term loans payable	—	3	29
Total	¥ 344	¥ 260	\$ 1,950
② Assets pledged as collateral:			
Investment securities	¥ 435	¥ 415	\$ 3,110
Long-term loans receivable	610	597	4,474
Total	¥ 1,046	¥ 1,012	\$ 7,585
6) Contingent liabilities (guarantee liabilities)	¥ 169	¥ 153	\$ 1,149

7) Loan commitment agreement:			
Maximum limit under the agreement	¥ 30,000	¥ 30,000	\$ 224,668
Loan balance outstanding	—	—	—
Difference (unused portion)	¥ 30,000	¥ 30,000	\$ 224,668

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
	2022	2023	2023
Costs on uncompleted construction contracts	¥ 292	¥ 890	\$ 6,665

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
	2022	2023	2023
Buildings and structures	¥ 530	¥ 1819	\$ 13,628
Land	1,452	8,051	60,294
Machinery, vehicles, tools, furniture and fixture	—	3	22
Construction in progress	—	0	0

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
	2022	2023	2023
Buildings and structures	¥ —	¥ —	\$ —
Land	510	—	—

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 (23. Revenue Recognition, (1) Disaggregation of revenue from contracts with customers)".

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
2) Provision for loss on construction contracts included in costs of sales	¥ 1,513	¥ 6,767	\$ 50,682
3) Valuation loss on inventories included in costs of sales	¥ 16	¥ 163	\$ 1,225
4) Principal components of selling, general and administrative expenses:			
Employees' salaries and allowances	¥ 13,481	¥ 14,843	\$ 111,163
Provision for bonuses	4,312	3,558	26,649
Retirement benefit expenses	988	984	7,375
Provision (reversal) of allowance for doubtful accounts	(175)	336	2,518
5) Research and development expenditures included in selling, general and administrative expenses and construction costs	¥ 2,801	¥ 3,224	\$ 24,151
6) Gain on sales of noncurrent assets:			
Buildings and structures	¥ 8	¥ 15	\$ 115
Land	14	8	60
Other	1	4	36
Total	¥ 24	¥ 28	\$ 211
7) Loss on abandonment of noncurrent assets:			
Buildings and structures	¥ 160	¥ 0	\$ 0
Other	20	16	122
Dismantlement cost	1,369	402	3,016
Total	¥ 1,550	¥ 419	\$ 3,139

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, 2022

Location	Purpose	Type	Impairment loss (Millions of yen)
Minato Ward, Tokyo Pref, Japan	Assets for businesses (Domestic investment and Development Business)	Building and Structure	¥ 104
Naruto City, Tokushima Pref, Japan	Assets for businesses (Domestic investment and Development Business)	Building and Structure	¥ 35
Goto City, Nagasaki Pref, Japan	Assets for businesses (Environment and Energy Business)	Construction in progress	¥ 312
Kamakura City, Kanagawa Pref, Japan	Assets for businesses (Our company)	Building and Structure	¥ 39

Note: Impairment losses other than the above were not considered material and therefore not provided.

For the fiscal year ended March 31, 2023

Location	Purpose	Type	Impairment loss (Millions of yen)	(Thousands of U.S. dollars)
Matsudo City, Chiba Pref, Japan	Assets for businesses (Architectual Construction Business)	Building and Structure	¥ 46	\$ 348
Goto City, Nagasaki Pref, Japan	Assets for businesses (Environment and Energy Business)	Construction in progress	¥ 9,534	\$ 71,400
Koto Ward, Tokyo Pref, Japan	Assets for businesses (Environment and Energy Business)	Machinery, transportation equipment and tools, furniture and fixtures, construction in progress, and intangible fixed asset	¥ 288	\$ 2,157
Goto City, Nagasaki Pref, Japan	Assets for businesses (Environment and Energy Business)	Machinery, transportation equipment and tools, furniture and fixtures	¥ 476 (Note)	\$ 3,567

Note: An impairment loss recorded by the Company's consolidated subsidiary.

Calculation method of recoverable amount:

For assets whose profitability is expected to decline based on future income and expenditure projections, the future cash flows expected to result from their continued use and disposal after use are discounted to present value at 2.250% for the Company and 5.590% for the consolidated subsidiaries.

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
	2022	2023	2023
Valuation difference on available-for-sale securities:			
Accrual	¥ (5,786)	¥ 6,978	\$ 52,259
Reclassification	(2,987)	(7,905)	(59,206)
Before adjust tax effect	(8,774)	(927)	(6,946)
Tax effect	2,734	283	2,124
Valuation difference on available-for-sale securities	¥ (6,039)	¥ (643)	\$ (4,821)
Deferred gains (losses) on hedges:			
Accrual	¥ 404	¥ (222)	\$ (1,664)
Reclassification	(4)	(172)	(1,290)
Before adjust tax effect	400	(394)	(2,955)
Tax effect	(122)	120	904
Deferred gains (losses) on hedges	¥ 277	¥ (273)	\$ (2,051)
Foreign currency translation adjustments:			
Accrual	¥ 1,349	¥ (533)	\$ (3,996)
Remeasurements of defined benefit plans:			
Accrual	¥ 32	¥ (337)	\$ (2,529)
Reclassification	95	116	869
Before adjust tax effect	127	(221)	(1,660)
Tax effect	(39)	67	508
Remeasurements of defined benefit plans	88	(153)	(1,152)
Share of other comprehensive income of entities accounted for using equity method:			
Accrual	414	591	4,433
Reclassification	—	(1,206)	(9,035)
Share of other comprehensive income of entities accounted for using equity method	414	(614)	(4,602)
Total of other comprehensive income	¥ (3,909)	¥ (2,219)	\$(16,623)

11. Notes to Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022	Class of shares	Number of shares			
		April 1, 2021	Increase	Decrease	March 31, 2022
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, 2023	Class of shares	April 1, 2022	Increase	Decrease	March 31, 2023
Issued stock	Common stock	322,656,796	—	—	322,656,796
Treasury stock	Common stock	14,440,349	1,898,863	3,608,716	12,730,496
For the fiscal year ended March 31, 2022	Class 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	¥20.00	March 31, 2021	June 30, 2021
November 15, 2021 Resolution by Board of Directors	Common stock	¥3,074 million	¥10.00	September 30, 2021	December 13, 2021
June 29, 2022 Resolution by Annual General Meeting of Shareholders	Common stock	¥4,943 million	¥16.00	March 31, 2022	June 30, 2022

For the fiscal year ended March 31, 2023	Class of shares	Number of shares			
		Total Dividends	Dividends per share	Record date	Effective date
June 29, 2022 Resolution by Annual General Meeting of Shareholders	Common stock	¥4,943 million (\$37,019 thousand)	¥16.00	March 31, 2022	June 30, 2022
November 11, 2022 Resolution by Board of Directors	Common stock	¥4,196 million (\$31,427 thousand)	¥13.50	September 30, 2022	December 9, 2022
June 29, 2023 Resolution by Annual General Meeting of Shareholders	Common stock	¥4,219 million (\$31,598 thousand)	¥13.50	March 31, 2023	June 30, 2023

12. Notes to Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Reconciliation between cash and deposits on the consolidated balance sheets and cash and cash equivalents at the fiscal year-end:			
Cash and deposits of the consolidated balance sheets	¥ 120,538	¥ 96,840	\$ 725,232
(Less) time deposits with maturities of more than three months	(1,236)	(973)	(7,293)
Short-Term investment securities	10,000	—	—
Cash and cash equivalents of the consolidated statements of cash flows	¥ 129,301	¥ 95,866	\$ 717,938

Consolidated fiscal year under review (April 1, 2022 to March 31, 2023)

Breakdown of assets and liabilities at the time of consolidation of a company that became a newly consolidated subsidiary due to the share acquisition, and the relationship between the cost of the share acquisition and the expenditure (net amount) for the acquisition.

(PT Tatamulia Nusantara Indah)	Millions of yen		Thousands of U.S. dollars
	2023	2023	2023
Current assets	¥ 21,752		\$ 162,903
Fixed assets	6,029		45,157
Goodwill	1,112		8,327
Current liabilities	(13,685)		(102,489)
Fixed liabilities	(1,155)		(8,655)
Non-current liabilities	(4,387)		(32,859)
Acquisition cost of shares	¥ 9,665		\$ 72,383
equity method valuation up to the time control acquired	(3,863)		(28,932)
Net gain on step acquisitions	(1,908)		(14,294)
Additional acquisition cost of shares	¥ 3,893		\$ 29,156
Cash and cash equivalents	(2,975)		(22,280)
Payment for purchase	¥ 918		\$ 6,876

13. Lease Transactions

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
As of March 31			
Future minimum lease payments under non-cancelable operating leases:			
Due within one year	¥ 1,140	¥ 1,152	\$ 8,628
Due after one year	2,497	2,577	19,302
Total	¥ 3,638	¥ 3,729	\$ 27,930
Future minimum lease income under non-cancelable operating leases:			
Due within one year	¥ 3,724	¥ 4,026	\$ 30,152
Due after one year	11,411	18,846	141,140
Total	¥ 15,136	¥ 22,872	\$ 171,293

14. Financial Instrument

Fair value of financial instrument

As of March 31, 2022	Millions of yen		
	Book value	Fair value	Difference
(1) Notes and accounts receivable - trade	¥ 208,892	¥ 208,850	¥ (42)
(2) Short-term investment securities, investment securities (Note 2)	186,225	186,339	114
(3) Long-term loans receivable	817	852	34
Assets total	¥ 395,935	¥ 396,041	¥ 106
(1) Notes and accounts payable - trade	¥ 97,728	¥ 97,728	¥ —
(2) Short-term loans payable and Commercial papers-liabilities	79,969	79,969	—
(3) Current portion of bonds payable	15,190	15,202	12
(4) Income taxes payable	6,175	6,175	—
(5) Bonds payable	45,245	44,944	(300)
(6) Long-term loans payable	38,991	38,879	(112)
Liabilities total	¥ 283,299	¥ 282,899	¥ (400)
Derivative transactions (Note 3)	¥ 505	¥ 505	¥ —

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

Equity securities without market prices	
Stocks of subsidiaries	¥ 55
Stocks of affiliated companies	4,785
Unlisted stocks	6,065
Investments in Limited Liability Company	325
Unlisted preferred equity securities	140
Others	9
Investments in partnerships for which equity interests are recorded on a net basis	
Investments in silent partnerships	¥ 1,943
Others	3,399

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

As of March 31, 2023	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Notes and accounts receivable - trade	¥ 282,828	¥ —	¥ —	\$ 2,118,091	\$ —	\$ —
Allowance for doubtful receivables (Note 2)	(1,483)	—	—	11,107	—	—
Subtotal	281,345	281,331	(13)	2,106,983	2,106,879	(104)
(2) Short-term investment securities, investment securities (Note 3)	172,195	172,158	(36)	1,289,562	1,289,286	(275)
(3) Long-term loans receivable	795	821	25	5,954	6,148	193
Assets total	¥ 454,335	¥ 454,311	¥ (24)	\$ 3,402,500	\$ 3,402,314	\$ (186)
(1) Notes and accounts payable - trade	¥ 111,283	¥ 111,283	¥ —	\$ 833,393	\$ 833,393	\$ —
(2) Short-term loans payable and Commercial papers-liabilities	81,568	81,568	—	610,861	610,861	—
(3) Current portion of bonds payable	5,050	5,049	(0)	37,819	37,816	(3)
(4) Income taxes payable	6,329	6,329	—	47,403	47,403	—
(5) Bonds payable	50,195	49,341	(853)	375,908	369,512	(6,395)
(6) Long-term loans payable	74,724	74,028	(695)	559,605	554,397	(5,208)
Liabilities total	¥ 329,150	¥ 327,600	¥ (1,549)	\$ 2,464,992	\$ 2,453,385	\$ (11,606)
Derivative transactions (Note 4)	¥ (91)	¥ (91)	¥ —	\$ (682)	\$ (682)	\$ —

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. Allowance for doubtful accounts individually recorded on accounts receivable for completed construction contracts is deducted.

3. 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, 2023

Millions of yen

Thousands of U.S. dollars

Equity securities without market prices		
Stocks of subsidiaries	¥ 55	\$ 417
Stocks of affiliated companies	631	4,730
Unlisted stocks	6,667	49,930
Investments in Limited Liability Company	305	2,287
Unlisted preferred equity securities	140	1,049
Others	9	73
Investments in partnerships for which equity interests are recorded on a net basis		
Investments in silent partnerships	¥ 1,674	\$ 12,539
Others	4,093	30,652

4. 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, 2023	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	¥ 153,491	¥ —	¥ —	¥ 153,491	\$ 1,149,491	\$ —	\$ —	\$ 1,149,491
Bonds	—	697	—	697	—	5,224	—	5,224
Others	—	12,868	—	12,868	—	96,371	—	96,371
Assets total	153,491	13,566	—	167,057	1,149,491	101,596	—	1,251,088

Derivative Transactions									
Currency-related transactions	—	91	—	91	—	682	—	682	
Liabilities total	¥ —	¥ 91	¥ —	¥ 91	\$ —	\$ 682	\$ —	\$ 682	

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

As of March 31, 2023	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	¥ —	¥ 281,331	¥ —	¥ 281,331	\$ —	\$ 2,106,879	\$ —	\$ 2,106,879
Short-term investment securities, investment securities								
Held-to-maturity debt securities								
Bonds	—	5,100	—	5,100	—	38,198	—	38,198
Others	—	—	—	—	—	—	—	—
Long-term loans receivable	—	821	—	821	—	6,148	—	6,148
Assets total	¥ —	¥ 287,253	¥ —	¥ 287,253	\$ —	\$ 2,151,226	\$ —	\$ 2,151,226
Notes and accounts payable - trade	¥ —	¥ 111,283	¥ —	¥ 111,283	\$ —	\$ 833,393	\$ —	\$ 833,393
Short-term loans payable and	—	81,568	—	81,568	—	610,861	—	610,861
Current portion of bonds payable	—	5,049	—	5,049	—	37,816	—	37,816
Income taxes payable	—	6,329	—	6,329	—	47,403	—	47,403
Bonds payable	—	49,341	—	49,341	—	369,512	—	369,512
Long-term loans payable	—	74,028	—	74,028	—	554,397	—	554,397
Liabilities total	¥ —	¥ 327,600	¥ —	¥ 327,600	\$ —	\$ 2,453,385	\$ —	\$ 2,453,385

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, 2022	Millions of yen		
	Book value	Fair value	Difference
Securities with a fair value that exceeds the book value	¥ 3,845	¥ 4,007	¥ 162
Securities with a fair value that does not exceed the book value	1,200	1,152	(47)
Total	¥ 5,045	¥ 5,159	¥ 114

Available-for-sale securities with a fair value:

As of March 31, 2022	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with a book value that exceeds the acquisition cost:			
Stocks	¥ 152,889	¥ 46,773	¥ 106,115
Bonds	619	600	19
Others	10,431	9,307	1,124
Subtotal	163,941	56,681	107,259
Securities with a book value that does not exceed the acquisition cost:			
Stocks	5,623	7,089	(1,466)
Bonds	99	100	(0)
Others	11,514	11,556	(42)
Subtotal	17,238	18,746	(1,508)
Total	¥ 181,179	¥ 75,428	¥ 105,751

For the fiscal year ended March 31, 2022	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥5,123	¥ 3,127	12

Held-to-maturity debt securities:

As of March 31, 2023	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	¥ 2,324	¥ 2,409	¥ 85	\$ 17,407	\$ 18,045	\$ 638
Securities with a fair value that does not exceed the book value	2,813	2,691	(122)	21,066	20,152	(913)
Total	¥ 5,137	¥ 5,100	¥ (36)	\$ 38,474	\$ 38,198	\$ (275)

Available-for-sale securities with a fair value:

As of March 31, 2023	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	¥ 148,213	¥ 43,966	¥ 104,246	\$ 1,109,963	\$ 329,266	\$ 780,697
Bonds	207	200	7	1,550	1,497	52
Others	12,433	10,625	1,808	93,114	79,573	13,540
Subtotal	160,853	54,792	106,061	1,204,628	410,337	794,290
Securities with a book value that does not exceed the acquisition cost:						
Stocks	5,278	6,391	(1,113)	39,528	47,868	(8,339)
Bonds	490	500	(9)	3,673	3,744	(70)
Others	434	486	(51)	3,257	3,646	(388)
Subtotal	6,203	7,378	(1,174)	46,459	55,258	(8,798)
Total	¥ 167,057	¥ 62,171	¥ 104,886	\$ 1,251,088	\$ 465,596	\$ 785,492

Note: The Companies recognized losses on write-down of ¥285 million(US\$2,132 thousand) for securities (¥137 million(US\$1,033 thousand) for other than equity securities without market prices and ¥147 million(US\$1,098 thousand) for equity securities without market prices).

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, 2023	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	¥11,676	¥ 8,083	¥ 44	\$ 87,445	\$ 60,540	\$ 336

16. Derivative Transactions

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		
			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
	Buy USD	Forecasted purchasing transaction	¥ 1,562	¥ 537	¥ 265
Total			¥ 6,193	¥ 1,684	¥ 505

(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	¥ 8,080	¥ 5,720	*

(*) 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, 2023

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

(1) Currency-related transactions

	Measures	Millions of yen				Thousands of U.S. dollars			
		Contract amount	more than 1 year	Estimated fair value	Loss (gain) on valuation	Contract amount	more than 1 year	Estimated fair value	Loss (gain) on valuation
Non-market transactions	Forward foreign exchange contracts								
	Buy EUR	¥ 633	¥ —	¥ 84	¥ 84	\$ 4,746	\$ —	\$ 630	\$ 630
	Buy USD	¥ 324	¥ —	¥ 95	¥ 95	\$ 2,433	\$ —	\$ 711	\$ 711
Total		¥ 958	¥ —	¥ 179	¥ 179	\$ 7,179	\$ —	\$ 1,341	\$ 1,341

(2) Interest-related transactions

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	¥ 1,011	¥ 658	¥ 24	\$ 7,578	\$ 4,931	\$ 185
	Buy USD	Forecasted purchasing transaction	¥ 3,025	¥ 2,860	¥ (163)	\$ 22,660	\$ 21,420	\$ (1,223)
	Buy CNH	Forecasted purchasing transaction	¥ 2,323	¥ 1,258	¥ (131)	\$ 17,403	\$ 9,424	\$ (986)
Total			¥ 6,361	¥ 4,777	¥ (270)	\$ 47,641	\$ 35,776	\$ (2,024)

(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	¥ 5,720	¥ 4,360	*	\$ 42,836	\$ 32,651	*

(*) 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
	2022	2023	2023
Balance at the beginning of the fiscal year	¥ 43,193	¥ 43,588	\$ 326,432
Service cost	2,333	2,245	16,813
Interest cost	83	111	838
Actuarial gain and loss	3	48	362
Benefit paid	(2,258)	(2,088)	(15,638)
Prior service cost	—	(39)	(296)
Other	234	919	6,883
Balance at the end of the fiscal year	¥ 43,588	¥ 44,785	\$ 335,395

The schedule of the pension assets	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	Balance at the beginning of the fiscal year	¥ 23,689	¥ 23,867
Expected return on pension assets	283	276	2,069
Actuarial gain and loss	35	(302)	(2,263)
Contributions by the employer	860	916	6,863
Benefit paid	(1,004)	(991)	(7,425)
Other	3	39	298
Balance at the end of the fiscal year	¥ 23,867	¥ 23,806	\$ 178,287

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
	2022	2023	2023
	Retirement benefit obligation of funded plan	¥ 21,738	¥ 22,746
Pension assets	(23,867)	(23,806)	(178,287)
	(2,129)	(1,060)	(7,938)
Retirement benefit obligation of unfunded plan	21,849	22,038	165,046
Net amount of liabilities and assets recognized in consolidated balance sheets	19,720	20,978	157,107
Net defined benefit liability	21,849	22,932	171,737
Net defined benefit asset	(2,129)	(1,953)	(14,630)
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ 19,720	¥ 20,978	\$ 157,107

The breakdown of items in retirement benefit costs	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	Service cost	¥ 2,333	¥ 2,245
Interest cost	83	111	838
Expected return on pension assets	(283)	(276)	(2,069)
Amortization of actuarial differences	95	116	869
Amortization of prior service cost	—	(39)	(296)
other	—	(28)	(216)
Retirement benefit costs	¥ 2,228	¥ 2,128	\$ 15,938

Remeasurements of defined benefit plans	Millions of yen		Thousands of U.S. dollars
	2022	2023	2022
	Actuarial gain and loss	¥ 127	¥ (222)
Total	¥ 127	¥ (222)	\$ (1,666)

Unrecognized remeasurements of defined benefit plans	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	Unrecognized actuarial (gain) loss	¥ 250	¥ 472
Total	¥ 250	¥ 472	\$ 3,535

The breakdown of pension assets by major category	2022	2023
	Bonds	24%
Equities	9%	8%
General account	58%	59%
other	9%	8%
Total	100%	100%

The items of actuarial assumptions	2022	2023
	Discount rate	0.2%
Expected long-term return on pension assets	1.2%	1.2%
Expected rate of salary raise	5.6%	5.6%

Required amount of contribution to the corporate defined contribution pension plan	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
		¥ 445	¥ 494

18. Deferred Tax Accounting

The tax effects of temporary differences which gave rise to deferred tax assets and liabilities at March 31, 2022 and 2023 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	Deferred tax assets:		
Real estate for sale	¥ 194	¥ 171	\$ 1,285
Buildings, structures and land	1,217	5,042	37,764
Investment securities	242	264	1,980
Allowance for doubtful receivables	389	533	3,997
Provision for bonuses	1,888	1,597	11,962
Provision for loss on construction contracts	818	2,898	21,704
Net defined benefit liability	6,727	6,775	50,742
Tax loss carryforwards	1,281	1,638	12,271
Other	4,711	5,328	39,902
Subtotal	17,472	24,250	181,611
Less: valuation allowance	(5,110)	(7,739)	(57,959)

Deferred tax assets	¥ 12,361	¥ 16,511	\$ 123,652
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(32,244)	(32,035)	(239,914)
Net defined benefit asset	(651)	(598)	(4,484)
Other	(1,479)	(2,199)	(16,474)
Deferred tax liabilities	(34,374)	(34,834)	(260,874)
Net deferred tax assets (liabilities)	¥ (22,012)	¥ (18,323)	\$ (137,222)

In addition to the above, the Companies recognized deferred tax liabilities of ¥6,124 million and ¥6,069 million (US\$45,455 thousand) related to revaluation reserve for land at March 31, 2022 and 2023, respectively.

Reconciliation between the statutory tax rate and the effective tax rate	2022	2023
Statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.0%	2.6%
Non-taxable income	(0.7)%	(1.3)%
Inhabitant taxes (per capita levy)	0.7%	1.1%
Valuation allowance	3.8%	7.2%
Tax exemption	(0.5)%	(1.4)%
Other	(0.3)%	(1.4)%
Effective tax rate	34.6%	37.4%

19. Business Combinations

(Becoming a subsidiary through additional acquisition of shares)

On September 12, 2022, the Company acquired an equity-method affiliate, PT Tatamulia Nusantara Indah (headquartered in the Republic of Indonesia, hereinafter referred to as "TATA"), from existing shareholders and made it a consolidated subsidiary.

Since the capital of TATA is equivalent to more than 10/100 of the Company's capital, TATA is a specified subsidiary of the Company.

1. Outline of this Business Combination

(1) Name and business of the acquired company

Name of the acquired company: PT Tatamulia Nusantara Indah

Description of business: General construction business

(2) Main reasons for the Business Combination

TATA is one of the leading companies in the construction industry in the Republic of Indonesia, a growing market. In October 2020, the Company subscribed to a third-party allotment of new shares of TATA and made it an equity-method affiliate of the Company.

As the Group has identified overseas business development as one of the key management priorities in the "Medium-Term Management Plan 2024 Rolling Plan", we aim to establish a market position in growing country by strengthening relationships with local capital.

(3) Date of the Business Combination

June 30, 2022 (deemed acquisition date)

September 12, 2022 (additional share acquisition date)

(4) Legal form of the Business Combination

Acquisition of shares for cash consideration

(5) Company names after the Business Combination

Unchanged.

(6) Ratio of voting rights acquired

Ratio of voting rights before acquisition: 40.01%

Ratio of voting rights additionally acquired: 26.99%

Ratio of voting rights after acquisition: 67.00%

(7) Main basis for determining the acquisition

The Company acquired shares for cash consideration.

2. Period of the acquired company's results included in the consolidated financial statements

As June 30, 2022 is the deemed acquisition date, the results from July 1, 2022 to December 31, 2022 are included. Since TATA was an equity-method affiliate of the Company, the portion of TATA's results from January 1, 2022, to June 30, 2022, attributable to the Company, is reported as equity in earnings of affiliates.

TATA's fiscal year ends on December 31, which is three months different from the Company's consolidated fiscal year end on March 31.

3. Breakdown of acquisition cost by type of consideration

Fair value of shares of the acquired company held prior to the additional acquisition on the date of business combination	¥5,772 million (US\$43,226 thousand)
Consideration for additional shares of the acquired company acquired on the date of business combination: cash	¥3,893 million (US\$29,156 thousand)
Acquisition cost	¥9,665 million (US\$72,383 thousand)

4. Details and amounts of major acquisition-related expenses

Advisory fees, etc. ¥13 million (US\$98 thousand)

Difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that led to the acquisition

Difference related to step acquisitions ¥1,908 million (US\$14,294 thousand)

5. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

(1) Amount of goodwill incurred ¥1,112 million (US\$8,327 thousand)

(2) Reason for the incurrence

Since the acquisition cost exceeded the net amount allocated to the assets received and liabilities assumed, the excess amount was recorded as goodwill.

(3) Amortization method and period

Equal amortization over 3 years

6. Amounts of assets received and liabilities assumed on the date of business combination and their major breakdown

Current assets	¥21,752 million	(US\$162,903 thousand)
Fixed assets	¥6,029 million	(US\$45,157 thousand)

Total assets	¥27,782 million	(US\$208,060 thousand)
Current liabilities	¥13,685 million	(US\$102,489 thousand)
Fixed liabilities	¥1,155 million	(US\$8,655 thousand)
Total liabilities	¥14,841 million	(US\$111,145 thousand)

7. Effect of the Business Combination on the consolidated statement of income for the current consolidated fiscal year assuming the Business Combination had been completed on the first day of the consolidated fiscal year:
- | | | |
|------------------|-----------------|------------------------|
| Net sales | ¥15,775 million | (US\$118,138 thousand) |
| Operating income | ¥813 million | (US\$6,089 thousand) |

Method of calculating the estimated amount

The difference between the net sales and profit/loss information calculated as if the business combination had been completed on the first day of the consolidated fiscal year and the net sales and profit/loss information in the consolidated statement of income for the current consolidated fiscal year is the estimated amount of impact.

20. Transaction under common control

(Toda Bldg. Partners Co., Ltd. becomes a wholly owned subsidiary through a share exchange)

At the Board of Directors' meeting held on December 27, 2022, the Company resolved to implement a share exchange in which the Company becomes the wholly owning parent company and Toda Bldg. Partners Co. Ltd. (Head office: 3-4-10 Ariake, Koto-ku, Tokyo; Representative Director: Yoshihiko Saito; hereinafter referred to as "Toda BP"), the Company's consolidated subsidiary, as its wholly owned subsidiary through a share exchange (hereinafter referred to as the "Share Exchange"), and concluded a share exchange agreement with Toda BP on the same date.

The Share Exchange was implemented through a simplified share exchange procedure pursuant to Article 796, Paragraph 2 of the Companies Act for the Company, and through a short-form share exchange procedure pursuant to Article 784, Paragraph 1 of the Companies Act for Toda B.P., without obtaining approval by a resolution at a general meeting of shareholders of the respective companies, and effected on February 28, 2023.

1. Outline of the transaction

- (1) Name and the business of the company involved in the combination
 - Name of the combined company: Toda Bldg. Partners Co., Ltd.
 - Description of business: Building management business, construction business, etc.
- (2) Date of the Business Combination
 - February 28, 2023 (effective date of the Share Exchange)
- (3) Legal form of the Business Combination
 - Acquisition of shares through share exchange with non-controlling shareholder
- (4) Company names after the Business Combination
 - Unchanged.
- (5) Other matters relating to outline of the transaction
 - The Company decided to make Toda BP a wholly owned subsidiary in order to strengthen the unity of the Group and further enhance the Group's flexible management.

2. Outline of accounting procedures implemented

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, etc.", the transaction was accounted for as a transaction with a noncontrolling shareholder among transactions under common control.

3. Matters listed in the case of additional acquisition of shares of a subsidiary

(1) Breakdown of acquisition cost by type of consideration	
Consideration for acquisition - Market price of the Company's common stock on the effective date of the Share Exchange (February 28, 2023)	¥645 million (US\$4,832 thousand)
Acquisition cost	¥645 million (US\$4,832 thousand)

(2) Exchange ratio by type of shares, calculation method and number of shares delivered

① Exchange ratio by type of shares

Company name	The Company (Wholly owning parent company in share exchange)	Toda BP (Wholly owned subsidiary company in share exchange)
Allotment ratio for the Share Exchange (Share exchange ratio)	1	673.27 (Note1)

Note1: Rounded to two decimal places.

2: Shares of common stock of the Company were allotted and delivered for each share of common stock of Toda BP at the abovementioned allotment ratio. However, no shares were allocated for the 20,650 shares of Toda BP common stock held by the Company as of the effective date of the Share Exchange (February 28, 2023). The Company did not issue any new shares because all the shares delivered were allocated from the treasury stock held by the Company.

3: Toda BP did not issue any stock acquisition rights or bonds with stock acquisition rights in connection with the Share Exchange.

② Calculation method of the Share Exchange ratio

As the Company's common stock is listed on the Tokyo Stock Exchange Prime Market, the market price method was used to calculate the value of the Company's shares. November 30, 2022 was set as the calculation base date for the market price method, and the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Market on the base date, the simple average closing price for the one-month period prior to the base date, the simple average closing price for the three-month period prior to the base date, and the simple average closing price for the six-month period prior to the base date were used.

The results of each calculation were as follows.

Closing market price on the base date	¥732(US\$5.482)
Simple average of closing price for the last 1 month	¥708(US\$5.302)
Simple average of closing price for the last 3 months	¥730(US\$5.467)
Simple average of closing price for the last 6 months	¥716(US\$5.362)

With respect to the value of Toda BP's shares, in order to ensure fairness and appropriateness when considering the share exchange ratio to be used in the Share Exchange, YAMADA Consulting Group Co., Ltd. was appointed as a third-party appraiser independent of the Company and Toda BP.

YAMADA Consulting Group Co., Ltd. did not adopt the market price method or the comparable listed company method for the valuation of the common stock of Toda BP as it is unlisted and there were no comparable listed companies available. Instead as the source of the stock's value was its ability to earn future earnings, the discounted cash flow method (hereinafter referred to as the "DCF method") was used to reflect the ability to earn earnings based on future business activities in the valuation, rather than the adjusted book value net asset method.

The results of YAMADA Consulting Group's calculation of Toda BP's equity value per share based on the DCF method are as follows.

	Calculation result (yen/ share)
DCF method	431,136 – 539,909 (US\$ 3,228 – 4,043)

The valuation range of the share exchange ratio, assuming that the value per share of common stock of the Company was 1 based on the above calculation method, was as follows.

Calculation method adopted		Calculation results of share exchange ratio
The Company	Toda BP	
Market price method	DCF method	608.95 – 737.58 (US\$4.56 – 5.52)

- ③ Number of shares delivered
908,915 shares

4. Matters related to changes in the Company's interest in transactions with noncontrolling shareholder

- (1) Main reasons for changes in capital surplus
Acquisition of additional shares of a subsidiary
- (2) Amount of capital surplus decreased due to transactions with noncontrolling shareholder
¥87 million (US\$652 thousand)

Toda Road Co., Ltd. becomes a wholly owned subsidiary through a share exchange

At the Board of Directors' meeting held on December 27, 2022, the Company resolved to implement a share exchange in which the Company becomes the wholly owning parent company and Toda Road Co. Ltd. (Head office: 2-13-6 Nihonbashi-Kakigaracho, Chuo-ku, Tokyo; Representative Director: Koichi Kubota; hereinafter referred to as "Toda Road"), the Company's consolidated subsidiary, as its wholly owned subsidiary through a share exchange (hereinafter referred to as the "Share Exchange"), and concluded a share exchange agreement with Toda Road on the same date.

The Share Exchange was implemented through a simplified share exchange procedure pursuant to Article 796, Paragraph 2 of the Companies Act for the Company, without obtaining an approval of the general meeting of shareholders of the Company, and for Toda Road, the implementation of the share exchange agreement was approved by a resolution at an extraordinary general meeting of shareholders of Toda Road held on January 19, 2023, and effected on February 28, 2023.

1. Outline of the transaction

- (1) Name and the business of the company involved in the combination
Name of the combined company: Toda Road Co., Ltd.
Description of business: Road paving and road construction business
- (2) Date of the Business Combination
February 28, 2023 (effective date of the Share Exchange)
- (3) Legal form of the Business Combination
Acquisition of shares through share exchange with non-controlling shareholder
- (4) Company names after the Business Combination
Unchanged.
- (5) Other matters relating to outline of the transaction
The Company decided to make Toda Road a wholly owned subsidiary in order to strengthen the unity of the Group and further enhance the Group's flexible management.

2. Outline of accounting procedures implemented

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, etc.", the transaction was accounted for as a transaction with a noncontrolling shareholder among transactions under common control.

3. Matters listed in the case of additional acquisition of shares of a subsidiary

- (1) Breakdown of acquisition cost by type of consideration

Consideration for acquisition - Market price of the Company's common stock on the effective date of the Share Exchange (February 28, 2023)	¥559 million (US\$4,187 thousand)
Acquisition cost	¥559 million (US\$4,187 thousand)

- (2) Exchange ratio by type of shares, calculation method and number of shares delivered

① Exchange ratio by type of shares

Company name	The Company (Wholly owning parent company in share exchange)	Toda Road (Wholly owned subsidiary company in share exchange)
Allotment ratio for the Share Exchange (Share exchange ratio)	1	220.61 (Note 1)

Note1: Rounded to two decimal places.

2: Shares of common stock of the Company were allotted and delivered for each share of common stock of Toda Road at the abovementioned allotment ratio. However, no shares were allocated for the 20,430 shares of Toda Road common stock held by the Company as of the effective date of the Share Exchange (February 28, 2023). The Company did not issue any new shares because all the shares delivered were allocated from the treasury stock held by the Company.

3: Toda Road did not issue any stock acquisition rights or bonds with stock acquisition rights in connection with the Share Exchange.

② Calculation method of the Share Exchange ratio

As the Company's common stock is listed on the Tokyo Stock Exchange Prime Market, the market price method was used to calculate the value of the Company's shares. November 30, 2022 was set as the calculation base date for the market price method, and the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Market on the base date, the simple average closing price for the one-month period prior to the base date, the simple average closing price for the three-month period prior to the base date, and the simple average closing price for the six-month period prior to the base date were used.

The results of each calculation were as follows.

Closing market price on the base date	¥732(US\$5.482)
Simple average of closing price for the last 1 month	¥708(US\$5.302)
Simple average of closing price for the last 3 months	¥730(US\$5.467)
Simple average of closing price for the last 6 months	¥716(US\$5.362)

With respect to the value of Toda Road's shares, in order to ensure fairness and appropriateness when considering the share exchange ratio to be used in the Share Exchange, YAMADA Consulting Group Co., Ltd. was appointed as a third-party appraiser independent of the Company and Toda Road.

YAMADA Consulting Group Co., Ltd. did not adopt the market price method or the comparable listed company method for the valuation of the common stock of Toda Road as it is unlisted and there were no comparable listed companies available. Instead as the source of the stock's value was its ability to earn future earnings, the discounted cash flow method (hereinafter referred to as the "DCF method") was used to reflect the ability to earn earnings based on future business activities in the valuation, rather than the adjusted book value net asset method.

The results of YAMADA Consulting Group's calculation of Toda Road's equity value per share based on the DCF method are as follows.

	Calculation result (yen/ share)
DCF method	147,625 – 170,333 (US\$ 1,105 – 1,275)

The valuation range of the share exchange ratio, assuming that the value per share of common stock of the Company was 1 based on the above calculation method, was as follows.

Calculation method adopted		Calculation results of share exchange ratio
The Company	Toda Road	
Market price method	DCF method	208.51 - 232.70 (US\$1.56 – 1.74)

③ Number of shares delivered
787,578 shares

4. Matters related to changes in the Company's interest in transactions with noncontrolling shareholder

- (1) Main reasons for changes in capital surplus
Acquisition of additional shares of a subsidiary
- (2) Amount of capital surplus increased due to transactions with noncontrolling shareholder
¥44 million (US\$334 thousand)

21. 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.

22. Investment and Rental Properties

As of March 31, 2022	Millions of yen	
	Book Value	Fair Value
Real estate for rent	¥ 116,313	¥ 226,704

As of March 31, 2023	Millions of yen		Thousands of U.S. dollars	
	Book Value	Fair Value	Book Value	Fair Value
Real estate for rent	¥124,483	¥ 236,154	\$ 932,247	\$ 1,768,551

23. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

For the year ended March 31, 2023	Millions of yen							Total
	Reporting segments							
	Building Construction	Civil Engineering	Domestic Investment and Development	Domestic Group Companies	Overseas Investment and Development	Environment and Energy		
Goods or services transferred over time	¥ 312,270	¥ 123,427	¥ —	¥ 18,247	¥ 23,412	¥ —	¥ 477,357	
Goods or services transferred at a point in time	20,580	1,676	14,369	23,378	398	1,527	61,930	
Revenue from contracts with customers	332,850	125,103	14,369	41,626	23,810	1,527	539,288	
Other revenue	24	—	4,361	871	2,594	14	7,866	
Sales on third parties	¥ 332,875	¥ 125,103	¥ 18,731	¥ 42,498	¥ 26,404	¥ 1,541	¥ 547,155	

For the year ended March 31, 2023	Thousands of U.S. dollars							Total
	Reporting segments							
	Building Construction	Civil Engineering	Domestic Investment and Development	Domestic Group Companies	Overseas Investment and Development	Environment and Energy		
Goods or services transferred over time	\$ 2,338,576	\$ 924,345	\$ —	\$ 136,654	\$ 175,335	\$ —	\$ 3,574,911	
Goods or services transferred at a point in time	154,124	12,552	107,614	175,083	2,980	11,441	463,796	
Revenue from contracts with customers	2,492,700	936,897	107,614	311,737	178,316	11,441	4,038,708	
Other revenue	186	—	32,665	6,527	19,428	105	58,913	
Sales on third parties	\$ 2,492,886	\$ 936,897	\$ 140,279	\$ 318,265	\$ 197,744	\$ 11,546	\$ 4,097,621	

(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, 2022	Balance as of March 31, 2023	Balance as of March 31, 2023
	Receivables from contracts with customers	¥ 71,821	¥ 106,156
Contract assets	136,657	176,190	1,319,480
Contract liabilities	28,369	33,408	250,194

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 ¥24,659 million (US\$184,670 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 ¥821,404 million (US\$6,151,458 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 4 years

In addition, building management services are expected to be recognized as revenue within 1 year, and sales of real estate in "Domestic Investment and Development" and "Overseas Investment and Development" are expected to be recognized as revenue within 5 years.

24. Segment Information

Changes in Reportable Segments

Effective from the current consolidated fiscal year, the Group changed its reporting segments from the previous five segments of "Building Construction", "Civil Engineering", "Investment and Development", "Domestic Group Companies", and "New Business" to six segments of "Building Construction", "Civil Engineering", "Domestic Investment and Development", "Domestic Group Companies", "Overseas Investment and Development", and "Environment and Energy". The changes were made to align the classification of reportable segments with the classification of business performance targets in the "Medium-Term Management Plan 2024 Rolling Plan" and the classification of business reports in the monthly report materials of the Board of Directors.

For the year ended March 31, 2022	Millions of yen							Total	Adjustments	Consolidated
	Reporting segments									
	Building Construction	Civil Engineering	Domestic Investment and Development	Domestic Group Companies	Overseas Investment and Development	Environment and Energy				
Net sales:										
Customers	¥ 293,168	¥ 145,959	¥ 20,683	¥ 38,726	¥ 2,283	¥ 687	¥ 501,509	¥ —	¥ 501,509	
Inter-segment	11,456	1,996	810	6,480	—	—	20,744	(20,744)	—	
Total	304,624	147,956	21,494	45,207	2,283	687	522,254	(20,744)	501,509	
Segment profit (loss)	¥ 7,823	¥ 11,912	¥ 4,057	¥ 1,913	¥ 705	¥ (897)	¥ 25,513	¥ (1,128)	¥ 24,385	
Depreciation and amortization	¥ 1,767	¥ 476	¥ 1,334	¥ 240	¥ 460	¥ 486	¥ 4,765	¥ —	¥ 4,765	
Amortization of goodwill	¥ —	¥ —	¥ 69	¥ 9	¥ —	¥ 25	¥ 104	¥ —	¥ 104	
Impairment loss on fixed assets	¥ —	¥ —	¥ 140	¥ 0	¥ —	¥ 312	¥ 453	¥ 39	¥ 492	

For the year ended March 31, 2023	Millions of yen								
	Reporting segments								
	Building Construction	Civil Engineering	Domestic Investment and Development	Domestic Group Companies	Overseas Investment and Development	Environment and Energy	Total	Adjustments	Consolidated
Net sales:									
Customers	¥ 332,875	¥ 125,103	¥ 18,731	¥ 42,498	¥ 26,404	¥ 1,541	¥ 547,155	¥ —	¥ 547,155
Inter-segment	10,989	16,507	770	9,880	—	—	38,148	(38,148)	—
Total	343,865	141,611	19,502	52,378	26,404	1,541	585,304	(38,148)	547,155
Segment profit (loss)	¥ (2,043)	¥ 11,789	¥ 3,257	¥ 1,971	¥ 1,740	¥ 124	¥ 16,839	¥ (2,704)	¥ 14,135
Depreciation and amortization	¥ 2,260	¥ 712	¥ 1,541	¥ 263	¥ 839	¥ 679	¥ 6,296	¥ —	¥ 6,296
Amortization of goodwill	¥ —	¥ —	¥ 69	¥ 70	¥ 168	¥ 32	¥ 340	¥ —	¥ 340
Impairment loss on fixed assets	¥ 46	¥ —	¥ —	¥ —	¥ —	¥ 10,298	¥ 10,345	¥ —	¥ 10,345

For the year ended March 31, 2023	Millions of yen								
	Reporting segments								
	Building Construction	Civil Engineering	Domestic Investment and Development	Domestic Group Companies	Overseas Investment and Development	Environment and Energy	Total	Adjustments	Consolidated
Net sales:									
Customers	\$ 2,492,886	\$ 936,897	\$ 140,279	\$ 318,265	\$ 197,744	\$ 11,546	\$ 4,097,621	\$ —	\$ 4,097,621
Inter-segmen	82,302	123,626	5,772	73,993	—	—	285,695	(285,695)	—
Total	2,575,189	1,060,523	146,052	392,259	197,744	11,546	4,383,316	(285,695)	4,097,621
Segment profit (loss)	\$ (15,306)	\$ 88,294	\$ 24,394	\$ 14,764	\$ 13,034	\$ 931	\$ 126,111	\$ (20,255)	\$ 105,856
Depreciation and amortization	\$ 16,926	\$ 5,337	\$ 11,546	\$ 1,970	\$ 6,287	\$ 5,086	\$ 47,155	\$ —	\$ 47,155
Amortization of goodwill	\$ —	\$ —	\$ 518	\$ 526	\$ 1,261	\$ 241	\$ 2,549	\$ —	\$ 2,549
Impairment loss on fixed assets	\$ 348	\$ —	\$ —	\$ —	\$ —	\$ 77,125	\$ 77,473	\$ —	\$ 77,473

Note: 1. Adjustments of segment profit (loss) is negative ¥1,128 million and negative ¥2,704 million (US\$20,255 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.

An overview of each reporting segment is as follows.

Building ConstructionContracting of building construction work and related business conducted by the Group
Civil EngineeringContracting of civil engineering work and related business conducted by the Company.
Domestic Investment and DevelopmentBusinesses related to the Company's independent development, purchase and sale, and leasing of real estate in Japan.
Domestic Group CompaniesBusiness conducted by domestic consolidated subsidiaries including architectural construction business, civil engineering business, real estate business mainly for building management, hotel business, temporary staffing service business mainly within the Group companies, and finance and leasing business.
Overseas Investment and DevelopmentBusinesses related to the independent development, sale and purchase, and leasing of real estate overseas conducted by overseas consolidated subsidiaries, and construction business conducted by an overseas consolidated subsidiary in the Republic of Indonesia.
Environment and EnergyBusinesses related to power generation and sales of electricity conducted by the Group.

25. Related Party Transactions

Related party transactions between the Company and related parties

For the year ended March 31, 2022

None

For the year ended March 31, 2023

Category	Related Party	Address	Capital or Investment (Millions of Yen)	Type of Business	Percentage of voting rights held (Held by others)	Relationship	Nature of Transaction	Amounts of Transaction (Millions of Yen)	Account	Balance at the end of the year (Millions of Yen)
affiliated companies	Yokohama Shinko Partners Co., Ltd.	Yokohama City, Yokohama	50 (US\$374 thousand)	Facility development, maintenance and operation, Welfare service operation business, etc	39% (Direct)	Orders for construction work Loan of funds Interlocking directors	Orders for construction work	13,184 (US\$98,734 thousand)	accounts receivable - trade	16,416 (US\$122,945 thousand)
									Accounts receivable - other	57 (US\$428 thousand)
							Loan of funds	—	Long-term loans receivable	400 (US\$2,995 thousand)
						Receipt of interest	2 (US\$14 thousand)	—	—	

Note: 1. Orders for construction work, etc. are determined in the same manner as general terms and conditions of business after price negotiations.
2. Transaction terms are determined reasonably, taking market interest rates into consideration.

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

For the year ended March 31, 2022

None

For the year ended March 31, 2023

Category	Related Party	Address	Capital or Investment (Millions of Yen)	Type of Business	Percentage of voting rights held (Held by others)	Relationship	Nature of Transaction	Amounts of Transaction (Millions of Yen)	Account	Balance at the end of the year (Millions of Yen)
Officer (equivalent to officer)	Morimichi Toda	—	—	Executive vice officer (Former director)	1.36% (Note1)	—	Stock exchange	893 (US\$6,693 thousand)	—	—

Note: 1. Indicates percentage of held by others.
2. The purpose of the share exchange was to make Toda Building Partners Co., Ltd. and Toda Road, Ltd. a consolidated subsidiary of the Company, a wholly owned subsidiary. The share value for determining the share exchange ratio and transaction amount was calculated using the market share price method for the Company, Toda Building Partners Co., Ltd. and Toda Road Co., Ltd. are calculated by YAMADA Consulting Group's, an independent third party, using the DCF method.

26. Notes regarding Special Purpose Entities Subject to Disclosure

- Outline of special purpose entities subject to disclosure, and outline of transactions using such entities
For the diversification of funding sources of stable funds procurement, the Group's implements securitization of real estate. In these securitizations, the Group's transfers the above-mentioned real estate, to the special purpose entities, and receives funds that the special purpose entities obtain by issuing borrowings backed by the transferred assets as proceeds of the sales.
※(meaning a special purpose company within the Act on Securitization of Assets Act No. 105 of 1998)

In addition, the Group holds preferred securities in special purpose companies. The Group plans to recover the full amount of these preferred securities.

As of the end of the current consolidated fiscal year, the following special-purpose companies with investments in securitized real estate had the following balance of investments, and the Group does not have any voting rights in these companies, nor does it dispatch any directors to these companies.

The information is omitted because it was immaterial as of the end of the previous fiscal year.

	For the year ended March 31, 2023
Number of Special Purpose Companies	1 company
Total assets as of the most recent balance sheet date	¥2,802 Million (US\$20,988 thousand)
Aggregate amount of indebtedness	¥157 Million (US\$1,176 thousand)

- Amounts of transactions with special purpose entities subject to disclosure

For the year ended March 31, 2022

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

For the year ended March 31, 2023

	Amount of major transactions or balance at the end of the consolidated fiscal year	Main profit and loss	
		item	Amount
preferred securities	¥140 Million (US\$1,049 thousand)	dividend	¥2,505 Million (US\$18,762 thousand)

27. Per Share Information

As of March 31	Yen		U.S. dollars
	2022	2023	2023
Net assets per share of common stock	¥ 1,027.12	¥ 1,023.64	\$ 7.666
Profit for the year per share of common stock	60.43	35.64	0.266
	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2022	2023	2023
Basis for calculation of net assets per share:			
Total net assets	¥ 319,042	¥ 323,261	\$ 2,420,892
Amount attributable to items other than common stock	2,467	6,007	44,989
Net assets attributable to common stock	¥ 316,574	¥ 317,254	\$ 2,375,903
Number of shares of common stock outstanding at fiscal year-end	308,216,447 shares	309,926,300 shares	
Basis for calculation of profit for the year per share:			
Profit for the year attributable to owners of the parent	¥ 18,560	¥ 10,995	\$ 82,343
Profit for the year attributable to owners of the parent attributable to common stock	¥ 18,560	¥ 10,995	\$ 82,343
Average number of shares of common stock outstanding during the fiscal year	307,139,020 shares	308,484,939 shares	

Non-consolidated Balance Sheets

Toda Corporation - As of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
ASSETS			
Current assets:			
Cash and deposits	¥107,668	¥62,310	\$ 466,638
Notes receivable - trade	930	118	885
Electronically recorded monetary claims - operating	2,578	1,030	7,718
Accounts receivable from completed construction contracts	190,784	252,077	1,887,796
Short-term investment securities	10,000	—	—
Real estate for sale (Notes 6.5))	5,250	8,295	62,126
Costs on uncompleted construction contracts	8,629	13,457	100,785
Costs on real estate business	4,044	1,525	11,424
Raw materials and supplies	685	861	6,453
Accounts receivable - other	1,373	1,878	14,071
Advanced paid	17,945	17,690	132,484
Other	3,656	2,284	17,106
Allowance for doubtful accounts	(1,154)	(1,508)	(11,300)
Total current assets	352,390	360,022	2,696,188
Noncurrent assets:			
Property, plant and equipment			
Buildings	55,522	60,011	449,420
Accumulated depreciation	(18,555)	(18,163)	(136,027)
Buildings, net (Notes 6.1) and 5))	36,967	41,847	313,393
Structures	2,295	2,442	18,292
Accumulated depreciation	(1,213)	(957)	(7,170)
Structures, net (Notes 6.1) and 5))	1,082	1,485	11,122
Machinery and equipment	7,065	7,234	54,181
Accumulated depreciation	(4,855)	(5,438)	(40,731)
Machinery and equipment, net	2,209	1,795	13,449
Vehicles	73	89	670
Accumulated depreciation	(68)	(73)	(550)
Vehicles, net	5	16	120
Tools, furniture and fixtures	2,077	2,071	15,510
Accumulated depreciation	(1,635)	(1,733)	(12,982)
Tools, furniture and fixtures, net (Notes 6.1))	441	337	2,528
Land (Notes 6.1),5))	77,168	76,030	569,391
Lease assets	120	146	1,096
Accumulated depreciation	(82)	(44)	(334)
Lease assets, net	38	101	761
Construction in progress(Notes 6.1))	15,092	19,359	144,982
Total property, plant and equipment	133,005	140,974	1,055,750

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Intangible assets			
Leasehold right	5,123	5,123	38,372
Software (Notes 6.1))	2,448	4,309	32,270
Goodwill	381	311	2,335
Other	2,879	387	2,900
Total intangible assets	10,833	10,132	75,879
Investments and other assets:			
Investment securities	178,983	175,786	1,316,457
Stocks of subsidiaries and affiliates (Notes 6.2) and 8)	28,643	39,583	296,439
Investments in other securities of subsidiaries and affiliates (Notes 8)	1,566	1,228	9,202
Investments in capital	3	3	26
Long-term loans receivable	103	103	772
Long-term loans receivable from employees	5	1	12
Long-term loans receivable from subsidiaries and affiliates (Notes 6.2))	1,661	11,742	87,936
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	—	—
Long-term prepaid expenses	259	159	1,197
Long-term non-operating accounts receivable	3	3	25
Prepaid pension cost	2,012	2,138	16,012
Other	3,114	2,953	22,116
Allowance for doubtful accounts	(91)	(143)	(1,073)
Total investments and other assets	216,264	233,561	1,749,127
Total noncurrent assets	360,103	384,667	2,880,757
Total assets	¥712,493	¥744,689	\$ 5,576,946

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
LIABILITIES			
Current liabilities:			
Notes payable - trade	¥ 2,156	¥ 2,016	\$ 15,098
Electronically recorded obligations - operating	31,982	24,559	183,924
Accounts payable for construction contracts	57,392	68,796	515,216
Short-term loans payable	55,471	77,001	576,657
Commercial paper	20,000	—	-
Current portion of bonds payable	15,000	5,000	37,444
Lease obligations	14	19	145
Accounts payable - other	3,116	3,440	25,765
Income taxes payable	5,767	5,528	41,403
Advances received on uncompleted construction contracts	26,774	27,555	206,361
Deposits received	37,706	35,714	267,461
Provision for bonuses	5,586	4,587	34,353
Provision for warranties for completed construction	3,782	3,128	23,431
Provision for loss on construction contracts	2,580	9,195	68,862
Deposits received from employees	11,340	11,605	86,916
Other	4,413	1,263	9,465
Total current liabilities	283,083	279,412	2,092,509
Noncurrent liabilities:			
Bonds payable	45,000	50,000	374,447
Long-term loans payable	36,528	72,486	542,850
Lease obligations	28	91	688
Deferred tax liabilities (Notes 9)	22,279	18,126	135,751
Deferred tax liabilities for land revaluation (Notes 9)	6,124	6,069	45,455
Provision for retirement benefits	20,353	20,665	154,765
Provision for directors' retirement benefits	128	—	-
Provision for stock payments for directors	240	465	3,486
Provision for loss on business of subsidiaries and affiliates	1,608	1,706	12,776
Asset retirement obligations	411	446	3,344
Other	3,211	3,936	29,479
Total noncurrent liabilities	135,915	173,995	1,303,046
Total liabilities	418,998	453,408	3,395,555
NET ASSETS			
Shareholders' equity:			
Capital stock	23,001	23,001	172,257
Capital surplus			
Legal capital surplus	25,573	25,573	191,516
Other capital surplus	198	574	4,300
Total capital surplus	25,771	26,147	195,816
Retained earnings			
Legal retained earnings	5,750	5,750	43,064
Other retained earnings			
Reserve for construction	50,000	50,000	374,447
General reserve	101,774	109,774	822,097
Retained earnings brought forward	18,780	8,250	61,786
Total retained earnings	176,305	173,775	1,301,396
Treasury stock	(8,462)	(7,625)	(57,105)
Total shareholders' equity	216,617	215,299	1,612,365
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	73,419	72,782	545,064
Deferred gains on hedges	385	111	838
Revaluation reserve for land	3,073	3,087	23,122
Total valuation and translation adjustments	76,878	75,981	569,025
Total net assets	293,495	291,281	2,181,391
Total liabilities and net assets	¥ 712,493	¥ 744,689	\$ 5,576,946

Non-consolidated Statements of Income

Toda Corporation - For the years of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2022
Net sales:			
Net sales of construction contracts	¥430,983	¥446,563	\$3,344,289
Net sales of investment development business and other	20,786	18,888	141,454
Total net sales	451,770	465,451	3,485,744
Cost of sales:			
Cost of sales of construction contracts	380,879	405,903	3,039,794
Cost of sales of investment development business and other	14,958	13,267	99,357
Total cost of sales	395,837	419,170	3,139,152
Gross profit:			
Gross profit on construction contracts	50,103	40,659	304,494
Gross profit on investment development business and other	5,828	5,621	42,097
Total gross profit	55,932	46,280	346,592
Selling, general and administrative expenses			
Directors' compensations	480	302	2,265
Provision for share allocation to directors	36	233	1,749
Employees' salaries and allowances	11,440	11,923	89,296
Provision for bonuses	4,141	3,269	24,482
Provision for directors' retirement benefits	108	—	-
Retirement benefit expenses	913	996	7,462
Legal welfare expenses	1,757	1,888	14,141
Welfare expenses	706	706	5,290
Repair and maintenance	191	197	1,477
Stationery expenses	1,577	1,864	13,961
Correspondence and transportation expenses	912	1,111	8,324
Power utilities expenses	88	103	778
Research study expenses	2,278	3,495	26,179
Advertising expenses	297	302	2,264
Provision of allowance for doubtful accounts	(178)	360	2,697
Entertainment expenses	608	954	7,144
Contribution	194	108	816
Rents	2,047	2,071	15,514
Depreciation	1,760	2,178	16,314
Amortization of goodwill	69	69	518
Taxes and dues	1,543	2,459	18,420
Insurance expenses	36	41	307
Miscellaneous expenses	2,380	2,117	15,856
Total selling, general and administrative expenses	33,392	36,755	275,263
Operating income	22,540	9,524	71,328
Non-operating income:			
Interest income	39	62	470
Interest on securities	0	0	0
Dividend income	3,724	4,459	33,396
Dividend income of insurance	276	238	1,786
Exchange gain	—	498	3,730
Miscellaneous income	506	508	3,807
Total non-operating income	4,547	5,767	43,191
Non-operating expenses:			
Interest expenses	583	730	5,473
Interest on bonds	195	229	1,718
Commission fee	210	637	4,773
Miscellaneous expenses	101	104	785
Total non-operating expenses	1,091	1,702	12,751
Ordinary income	25,995	13,589	101,768
Extraordinary income:			
Gain on sales of noncurrent assets (Notes 7.1))	0	0	1
Gain on sales of investment securities	3,008	8,058	60,351
Other	280	438	3,287
Total extraordinary income	3,290	8,497	63,640

Extraordinary loss:

Loss on abandonment of noncurrent assets (Notes 7.2))	1,542	419	3,144
Impairment loss	492	9,868	73,906
Loss on valuation of investment securities	0	284	2,132
Loss on valuation of stocks of subsidiaries and affiliates	1,189	345	2,584
Provision for loss on business of subsidiaries and affiliates	1,181	135	1,014
Other	344	199	1,494
Total extraordinary losses	4,750	11,253	84,274
Profit before income taxes and non-controlling interests	24,535	10,833	81,134
Income taxes-current	7,966	8,089	60,578
Income taxes-deferred	353	(3,878)	(29,048)
Total income taxes (Notes 9)	8,320	4,210	31,530
Profit for the year	¥ 16,215	¥6,623	\$ 49,603

Non-consolidated Statements of Changes in Net Assets

Toda Corporation - For the years ended March 31, 2022 and 2023

	Millions of yen															
	Shareholders' equity										Valuation and translation adjustments				Total net assets	
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total share-holders' 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										
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
Changes during period																
Provision of general reserve	—	—	—	—	—	—	8,000	(8,000)	—	—	—	—	—	—	—	—
Dividends from surplus	—	—	—	—	—	—	—	(9,139)	(9,139)	—	(9,139)	—	—	—	—	(9,139)
Profit for the year	—	—	—	—	—	—	—	6,623	6,623	—	6,623	—	—	—	—	6,623
Disposal of treasury stock	—	—	172	172	—	—	—	—	—	1,128	1,301	—	—	—	—	1,301
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(1,293)	(1,293)	—	—	—	—	(1,293)
Increase by share exchanges	—	—	203	203	—	—	—	—	—	1,001	1,204	—	—	—	—	1,204
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	(14)	(14)	—	(14)	—	—	—	—	(14)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—	—	(636)	(273)	14	(896)	(896)
Total changes of items during the period	—	—	375	375	—	—	8,000	(10,530)	(2,530)	837	(1,317)	(636)	(273)	14	(896)	(2,214)
Balance at March 31, 2023	¥23,001	¥25,573	¥574	¥26,147	¥5,750	¥50,000	¥109,774	¥8,250	¥173,775	¥(7,625)	¥215,299	¥72,782	¥111	¥3,087	¥75,981	¥291,281

Thousands of U.S. dollars																
Shareholders' equity											Valuation and translation adjustments			Total net assets		
Capital stock	Capital surplus			Retained earnings				Treasury stock	Total share-holders' 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, 2022	\$172,257	\$191,516	\$1,487	\$193,003	\$43,064	\$374,447	\$762,186	\$140,648	\$1,320,346	\$(63,373)	\$1,622,234	\$549,832	\$2,889	\$23,015	\$575,737	\$2,197,972
Changes during period																
Provision of general reserve	—	—	—	—	—	—	59,911	(59,911)	—	—	—	—	—	—	—	—
Dividends from surplus	—	—	—	—	—	—	—	(68,447)	(68,447)	—	(68,447)	—	—	—	—	(68,447)
Profit for the year	—	—	—	—	—	—	—	49,603	49,603	—	49,603	—	—	—	—	49,603
Disposal of treasury stock	—	—	1,290	1,290	—	—	—	—	8,454	9,745	—	—	—	—	—	9,745
Purchase of treasury stock	—	—	—	—	—	—	—	—	(9,684)	(9,684)	—	—	—	—	—	(9,684)
Increase by share exchanges	—	—	1,522	1,522	—	—	—	—	7,498	9,020	—	—	—	—	—	9,020
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	(107)	(107)	—	(107)	—	—	—	—	(107)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—	(4,768)	(2,051)	107	(6,712)	(6,712)	
Total changes of items during the period	—	—	2,812	2,812	—	—	59,911	(78,862)	(18,950)	6,268	(9,869)	(4,768)	(2,051)	107	(6,712)	(16,581)
Balance at March 31, 2023	\$172,257	\$191,516	\$4,300	\$195,816	\$43,064	\$374,447	\$822,097	\$61,786	\$1,301,396	\$(57,105)	\$1,612,365	\$545,064	\$838	\$23,122	\$569,025	\$2,181,391

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 ¥133.53 = US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2023, 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 writedown 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
	2022	2023	2023
Net sales of construction contracts	¥ 410,386	¥ 424,510	\$ 3,179,137

- (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
	2022	2023	2023
Impairment loss	¥ 492	¥ 9,868	\$ 73,906

- (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

(Guidance on Accounting Standard for Measurement of Fair Value)
 "The Guidance on Accounting Standard for Measurement of Fair Value"(ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Guidance") is applied from the beginning of the current fiscal year. The Company shall apply the new accounting policy stipulated in Paragraph 27-2 of the Guidance in the future. The impact of this change on the consolidated financial statements for the current fiscal year is minor.

5. 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.

6. Notes to Non-consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
1) Advanced depreciation:			
Buildings	¥ 130	¥ 130	\$ 977
Structures	2	2	19
Tools, furniture and fixtures	7	7	52
Land	—	24	183
Construction in progress	—	22	168
Software	8	8	63
Total	¥ 148	¥ 195	\$ 1,464
2) Pledged assets:			
Stocks of subsidiaries and affiliates	¥ 435	¥ 415	\$ 3,110
Long-term loans receivable from subsidiaries and affiliates	610	597	4,474
Total	¥ 1,046	¥ 1,012	\$ 7,585
3) Contingent liabilities (guarantee liabilities)	¥ 6,818	¥ 10,058	\$ 75,328
4) Loan commitment agreement:			
Maximum limit under the agreement	¥ 30,000	¥ 30,000	\$ 224,668
Loan balance outstanding	—	—	—
Difference (unused portion)	¥ 30,000	¥ 30,000	\$ 224,668

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
	2022	2023	2023
Buildings	¥ —	¥ 819	\$ 6,140
Structures	—	2	21
Land	—	5,066	37,939

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
	2022	2023	2023
Land	510	—	—

7. Notes to Non-consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
1) Gain on sales of noncurrent assets:			
Machinery and equipment	¥ 0	¥ —	\$ —
Vehicles	—	0	1
Tools, furniture	0	—	—
Total	¥ 0	¥ 0	\$ 1
2) Loss on abandonment of noncurrent assets:			
Buildings and structures	¥ 160	¥ 0	\$ 5
Other	20	16	122
Dismantlement cost	1,362	402	3,016
Total	¥ 1,542	¥ 419	\$ 3,144

8. Securities

For the year ended March 31, 2022	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:	2022
Stocks of subsidiaries	¥24,695
Stocks of affiliated companies	3,947
Investments in Limited Liability Company	325
Investments in silent partnerships	1,240
Total	¥ 30,209

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, 2023	Millions of yen	Thousands of U.S. dollars
The book value of the stocks of subsidiaries and affiliates is as follows:	2023	2023
Stocks of subsidiaries	¥ 39,282	\$ 294,188
Stocks of affiliated companies	300	2,251
Investments in Limited Liability Company	305	2,287
Investments in silent partnerships	923	6,915
Total	¥40,812	\$ 305,642

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.

9. Deferred Tax Accounting

The tax effects of temporary differences which gave rise to deferred tax assets and liabilities at March 31, 2022 and 2023 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Real estate for sale	¥ 183	¥ 171	\$ 1,285
Buildings, structures and land	838	4,057	30,384
Investment securities	2,253	2,376	17,795
Allowance for doubtful receivables	490	632	4,733
Provision for bonuses	1,727	1,407	10,541
Provision for loss on construction contracts	789	2,813	21,071
Provision for retirement benefits	6,228	6,323	47,358
Other	3,566	3,267	24,467
Subtotal	16,078	21,049	157,636
Less: valuation allowance	(4,883)	(5,961)	(44,642)
Deferred tax assets	¥ 11,195	¥ 15,088	\$ 112,994
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(32,192)	(31,985)	(239,534)
Prepaid pension cost	(615)	(654)	(4,899)
Other	(665)	(575)	(4,311)
Deferred tax liabilities	(33,474)	(33,215)	(248,746)
Net deferred tax assets (liabilities)	¥ (22,279)	¥ (18,126)	\$ (135,751)

In addition to the above, the Company recognized deferred tax liabilities of ¥6,124 million and ¥6,069 million (US\$45,455 thousand) related to revaluation reserve for land at March 31, 2022 and 2023, respectively.

Reconciliation between the statutory tax rate and the effective tax rate	2022	2023
Statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.1%	4.1%
Non-taxable income	(1.2)%	(3.6)%
Inhabitant taxes (per capita levy)	0.7%	1.7%
Valuation allowance	3.3%	9.9%
Tax exemption	(0.6)%	(2.3)%
Other	(0.0)%	(1.5)%
Effective tax rate	33.9%	38.9%

10. 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)".