Tobishima

Annual Report

2021

PROFILE

Tokyo Fire Department Honmachi living quarters [Tokyo]

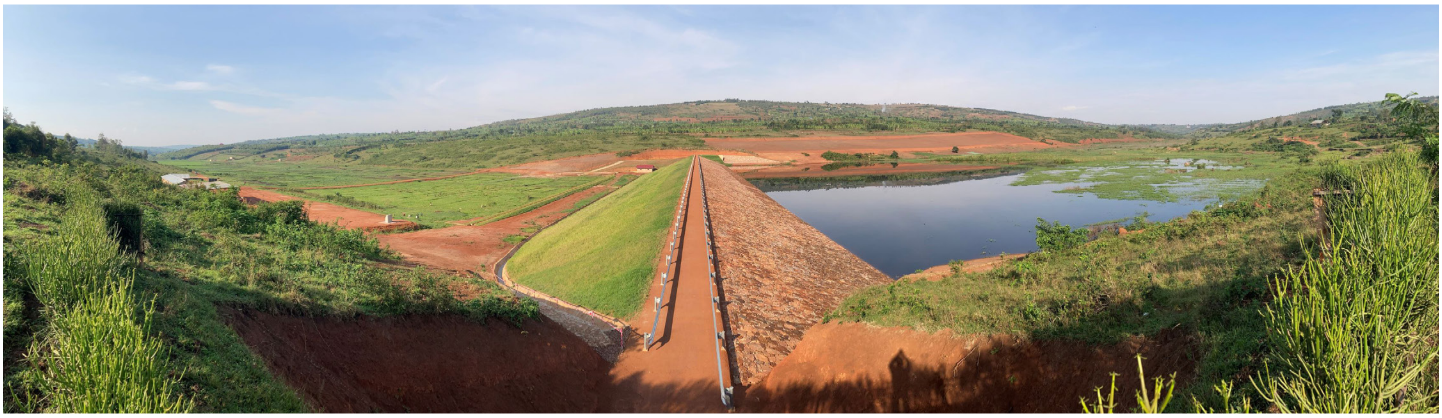
Since its founding in 1883, Tobishima has steadfastly contributed to society through major construction projects, from the undersea expressway tunnel, Tokyo Aqua-Line, to the Surikamigawa Dam, one of Japan's largest core rock-filled dams. Our portfolio not only exemplifies the high quality of our projects; it also demonstrates Tobishima's advanced technologies, the fruit of our many years of experience.

Renowned for our products and services, as well as the knowledge of our employees, we are constantly developing and investing in new technologies and systems to support continuous improvement.

Moreover, we have expanded our business domains by responding to the demands of the times. We are now engaged in solutions businesses that meet the varied needs of our customers in addition to construction work. We will strengthen our explorations into new areas where Tobishima can fully apply its expertise in engineering and disaster prevention.

Outside of Japan, Tobishima has long been involved in improving infrastructure through construction of roads, ports, subways, hospitals, factories and government buildings, particularly in Southeast and West Asia.

We are working just as hard today to establish a corporate culture commensurate with the challenges of building the structures that people around the world need in order to enjoy better lives.



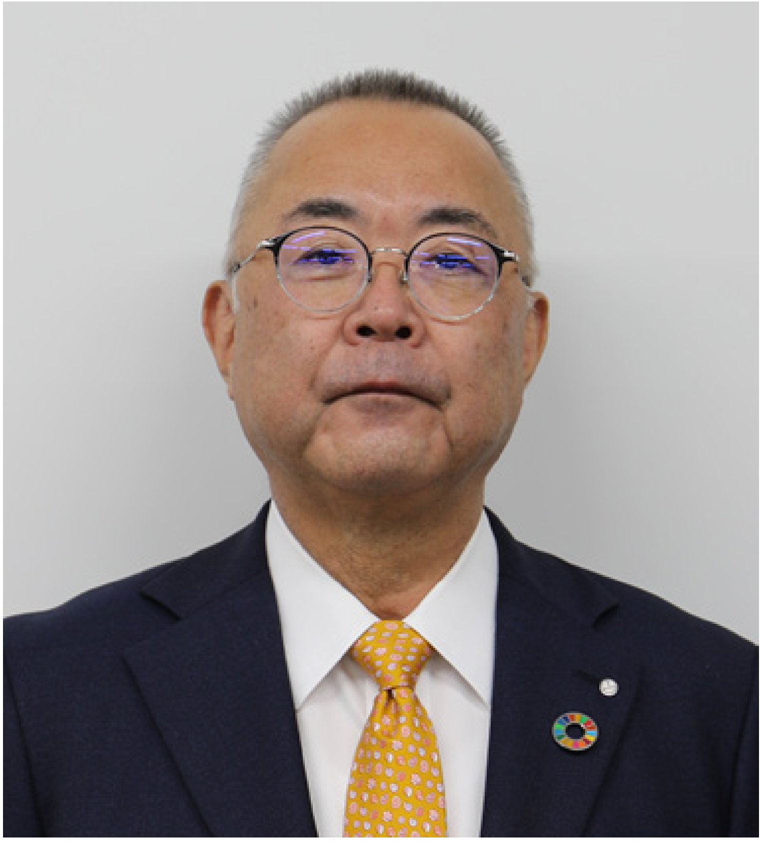
Rehabilitation of Irrigation Facilities in Rwamagana District [Rwanda]

Consolidated Financial Highlights

Year ended March 31, 2021

		Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
For the Year:	Net sales	**¥117,295**	¥134,860	**$1,059,481**
	Income before income taxes	**3,666**	7,413	**33,111**
	Net income attributable to owners of parent	**2,452**	5,110	**22,147**
At Year-end:	Total assets	**¥121,599**	¥121,804	**$1,098,353**
	Total net assets	**41,586**	39,473	**375,632**
Per Share of Common Stock:	(in yen and dollars):			
	Basic net income	**¥128.15**	¥266.39	**$1.158**
	Net assets	**2,173.26**	2,062.77	**19.630**

Note 1: U.S. dollar amounts here and elsewhere in this annual report are translated from yen at the rate of ¥110.71=US$1.00, the rate on March 31, 2021 for the reader's convenience only.
Note 2: The years included in the text are fiscal years, which run from April 1 through March 31 of the following year.



To Our Stakeholders

We would like to express our sincere gratitude to all of our stakeholders for continued support.

First, we would like to offer our sincere condolences to those who passed due to the ongoing outbreak of COVID-19 since last year, and to their bereaved. We'd also like to express our heartfelt sympathies to all those who are suffering the symptoms.

The spread of COVID-19 has brought with it an increase of the speed of society changing. At our group, we're accelerating the promotion of management innovation aiming at sustainable increase of our corporate value, as well as the promotion of Sustainability Transformation (SX) management that is aimed at a fusion of societal and corporate sustainability. Additionally, through the promotion of Tobishima's DX, we're continuing to engage in further improvement in productivity and work style reform.

We would like to ask our stakeholders for continued support for the "Evolving Tobishima Group".

June 2021

Masahiro Norikyo

Masahiro Norikyo

President and Representative Director

Consolidated Balance Sheet
TOBISHIMA CORPORATION

As of March 31, 2021

ASSETS		Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Current assets	Cash and cash equivalents	**¥25,236**	¥23,050	**$227,946**
	Real estate for sale (*1)	**1,043**	1,537	**9,425**
	Notes receivable, accounts receivable from completed construction contracts, and other	**52,295**	56,007	**472,356**
	Allowance for doubtful accounts	**(8)**	(5)	**(70)**
	Costs on uncompleted construction contracts and other (*2)	**1,903**	1,601	**17,191**
	Costs on development business and other (*3)	**6,197**	4,538	**55,974**
	Accounts receivable-other	**6,729**	6,622	**60,781**
	Other (*4)	**647**	4,030	**5,840**
	Total current assets	**94,042**	97,380	**849,443**
Property, plant and equipment	Buildings and structures	**17,158**	16,873	**154,985**
	Machinery, equipment, furniture and fixtures	**4,784**	4,531	**43,212**
	Land	**8,500**	8,259	**76,781**
	Lease assets	**135**	146	**1,217**
	Construction in progress	**1,556**	269	**14,054**
	Accumulated depreciation	**(12,897)**	(12,232)	**(116,496)**
	Total property, plant, and equipment, net	**19,236**	17,846	**173,753**
Investments and other assets	Investment securities (*5)	**4,229**	4,013	**38,200**
	Retirement benefit assets	**1,280**	-	**11,563**
	Intangible assets, net	**1,097**	879	**9,906**
	Other (*6)	**1,916**	1,887	**17,301**
	Allowance for doubtful accounts	**(201)**	(201)	**(1,813)**
	Total investments and other assets	**8,321**	6,578	**75,157**
Total		**¥121,599**	¥121,804	**$1,098,353**

See notes to consolidated financial statements

LIABILITIES AND EQUITY		Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Current liabilities	Notes payable, accounts payable for construction contracts and other	**¥26,247**	¥31,805	**$237,078**
	Short-term borrowings (*7)	**5,249**	16,656	**47,414**
	Advances received on uncompleted construction contracts	**6,459**	5,342	**58,345**
	Deposits received	**22,237**	19,447	**200,854**
	Provision for warranties for completed construction	**365**	249	**3,293**
	Provision for loss on construction contracts (*8)	**273**	339	**2,464**
	Other	**3,268**	4,508	**29,518**
	Total current liabilities	**64,098**	78,346	**578,966**
Long-term liabilities	Liability for retirement benefits	**73**	130	**661**
	Long-term borrowings (*9)	**14,944**	3,242	**134,982**
	Provision for share-based remuneration for directors (and other officers)	**28**	15	**251**
	Provision for retirement benefits for directors (and other officers)	**59**	55	**534**
	Other	**811**	543	**7,327**
	Total long-term liabilities	**15,915**	3,985	**143,755**
	Total liabilities	**¥80,013**	¥82,331	**$722,721**
Equity	Common stock—authorized, 40,000 thousand shares; Issued, 19,310 thousand shares	**¥5,520**	¥5,520	**$49,860**
	Capital surplus	**6,238**	6,240	**56,343**
	Retained earnings	**29,354**	27,864	**265,145**
	Treasury stock—at cost: 75,623 Shares	**(578)**	(580)	**(5,219)**
	Accumulated other comprehensive income			
	Unrealized gain on available-for-sale securities	**714**	736	**6,450**
	Foreign currency translation adjustments	**1**	4	**9**
	Defined retirement benefit plans	**329**	(319)	**2,975**
	Total	**1,044**	421	**9,434**
	Noncontrolling interest	**8**	8	**69**
	Total equity	**41,586**	39,473	**375,632**
Total		**¥121,599**	¥121,804	**$1,098,353**

See notes to consolidated financial statements

Consolidated Statement of Income

TOBISHIMA CORPORATION

Year ended March 31, 2021

		Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Net sales	Net sales of completed construction contracts	**¥111,413**	¥127,713	**$1,006,351**
	Net sales of development business and other	**5,882**	7,147	**53,130**
	Total net sales	**117,295**	134,860	**1,059,481**
Cost of sales	Cost of sales of completed construction contracts (*1)	**99,965**	112,472	**902,944**
	Cost of sales on development business and other	**5,216**	5,959	**47,118**
	Total cost of sales	**105,181**	118,431	**950,062**
Gross profit	Gross profit on completed construction contracts	**11,448**	15,241	**103,407**
	Gross profit on development business and other	**666**	1,187	**6,012**
	Gross profit	**12,114**	16,428	**109,419**
Selling, general, and administrative expenses (*2)		**8,119**	8,580	**73,330**
Operating income		**3,995**	7,848	**36,089**
Other income (expenses)	Interest and dividends	**33**	42	**301**
	Subsidies for employment adjustment	**103**	-	**929**
	Gain on sales of property, plant and equipment (*3)	**0**	7	**3**
	Gain on sales of investment securities	**1**	-	**8**
	Gain on termination of retirement benefit plan	**-**	48	**-**
	Compensation for damage	**0**	0	**0**
	Interest expense	**(268)**	(254)	**(2,419)**
	Commission for syndicate loan	**(187)**	(78)	**(1,690)**
	Loss on sales of property, plant and equipment (*4)	**(5)**	(0)	**(49)**
	Loss on retirement of property, plant and equipment (*5)	**(1)**	(23)	**(12)**
	Loss on tax purpose reduction entry of non-current assets	**(1)**	-	**(9)**
	Loss on valuation of golf club membership	**(1)**	-	**(13)**
	Other net	**(3)**	(177)	**(27)**
	Other expenses—net	**(329)**	(435)	**(2,978)**
Income before income taxes		**3,666**	7,413	**33,111**
Income taxes	Current	**1,154**	1,582	**10,418**
	Deferred	**60**	715	**546**
	Total income taxes	**1,214**	2,297	**10,964**
Net income		**2,452**	5,116	**22,147**
Net income (loss) attributable to noncontrolling interest		**0**	6	**0**
Net income attributable to owners of parent		**¥2,452**	¥5,110	**$22,147**
		Yen 2021	Yen 2020	**U.S.Dollars 2021**
Per share of common stock				
Basic net income		**128.15**	266.39	**1.158**
Cash dividends applicable to the year		**50.00**	50.00	**0.452**

See notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

TOBISHIMA CORPORATION

Year ended March 31, 2021

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Net income	**¥2,452**	¥5,116	**$22,147**
Other comprehensive income			
Unrealized loss on available-for-sale securities	**(22)**	(634)	**(194)**
Foreign currency translation adjustments	**(3)**	0	**(28)**
Adjustment for retirement benefits	**648**	(330)	**5,852**
Total other comprehensive income (loss) (*1)	**623**	(964)	**5,630**
Comprehensive income	**3,075**	4,152	**27,777**
Total comprehensive income			
Attributable to:			
Owners of the parent	**¥3,075**	¥4,145	**$27,780**
Non controlling interest	**(0)**	7	**(3)**

See notes to consolidated financial statements

Consolidated Statement of Change in Equity

TOBISHIMA CORPORATION

Year ended March 31, 2021

	Thousands		Millions of Yen									
	Outstanding number of Shares						Accumulated Other Comprehensive Income					
	Common Stock	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance, April 1, 2019	**19,310**		**¥5,520**	**¥6,242**	**¥23,717**	**(¥455)**	**¥1,369**	**¥4**	**¥12**	**¥36,409**	**¥1**	**36,410**
Cash dividends, ¥50 per share					**(963)**					**(963)**		**(963)**
Net income attributable to owners of the parent					**5,110**					**5,110**		**5,110**
Disposal of treasury stock				**(2)**		**2**				**0**		**0**
Purchase of treasury stock						**(127)**				**(127)**		**(127)**
Net changes in the year							**(633)**	**(0)**	**(331)**	**(964)**	**7**	**(957)**
Balance, March 31, 2020 (April 1, 2020, as previously reported)	**19,310**		**5,520**	**6,240**	**27,864**	**(580)**	**736**	**4**	**(319)**	**39,465**	**8**	**39,473**
Cash dividends, ¥50 per share					**(962)**					**(962)**		**(962)**
Net income attributable to owners of the parent					**2,452**					**2,452**		**2,452**
Disposal of treasury stock				**(2)**		**7**				**5**		**5**
Purchase of treasury stock						**(5)**				**(5)**		**(5)**
Net changes in the year							**(22)**	**(3)**	**648**	**623**	**(0)**	**623**
Balance, March 31, 2021	**19,310**		**¥5,520**	**¥6,238**	**¥29,354**	**(¥578)**	**¥714**	**¥1**	**¥329**	**¥41,578**	**¥8**	**¥41,586**

	Thousands of U.S. Dollars									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance, March 31, 2020 (April 1, 2020, as previously reported)	**$49,860**	**$56,365**	**$251,686**	**($5,238)**	**$6,644**	**$35**	**($2,877)**	**$356,475**	**$72**	**$356,547**
Cash dividends, $0.452 per share			**(8,688)**					**(8,688)**		**(8,688)**
Net income attributable to owners of the parent			**22,147**					**22,147**		**22,147**
Disposal of treasury stock		**(22)**		**68**				**46**		**46**
Purchase of treasury stock				**(49)**				**(49)**		**(49)**
Net changes in the year					**(194)**	**(26)**	**5,852**	**5,632**	**(3)**	**5,629**
Balance, March 31, 2021	**$49,860**	**$56,343**	**$265,145**	**($5,219)**	**$6,450**	**$9**	**$2,975**	**$375,563**	**$69**	**$375,632**

See notes to consolidated financial statements

Consolidated Statement of Cash Flow

TOBISHIMA CORPORATION

Year ended March 31, 2021

Operating activities	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Income before income taxes	¥3,666	¥7,413	$33,111
Adjustment for:			
Income taxes paid	(2,001)	(1,030)	(18,075)
Depreciation and amortization	872	830	7,876
Disposal of goodwill	79	69	711
Increase (decrease) in allowance for doubtful accounts	2	(6)	18
Increase (decrease) provision for warranties for completed construction	116	(58)	1,044
(Decrease) in provision for loss on construction contracts	(66)	(106)	(600)
(Decrease) in liability for retirement benefits	(429)	(822)	(3,877)
Interest and dividend income	(33)	(42)	(301)
Interest expenses	268	254	2,419
Foreign exchange (losses) gain	(38)	44	(340)
Subsidies for employment adjustment	(103)	-	(929)
Compensation for pneumoconiosis damages	(4)	(1)	(35)
(Gain) on sales of investment securities	(1)	-	(8)
Loss (gain) on sales of property, plant and equipment	5	(7)	46
Decrease (increase) in notes and accounts receivable—trade	3,781	(3,905)	34,151
Decrease (increase) in real estate for sale	494	(354)	4,462
(Increase) in costs on development business and other	(1,657)	(1,946)	(14,964)
(Increase) decrease in costs on uncompleted construction contracts and other	(330)	719	(2,980)
Decrease (increase) in consumption taxes refund receivable	1,905	(1,884)	17,209
(Increase) decrease in accounts receivable-other	(65)	29	(586)
(Increase) in other assets	(29)	(112)	(260)
(Decrease) in notes and accounts payable—trade	(5,557)	(4,086)	(50,191)
Increase (decrease) in advances received on uncompleted construction contracts	1,117	(3,005)	10,093
(Decrease) increase in advances revceived on development business and other	(1,055)	406	(9,528)
Increase in deposits received	2,767	5,689	24,992
Increase (decrease) in accrued consumption taxes	718	(412)	6,484
Interest expenses paid	(261)	(259)	(2,360)
(Decrease) in other liabilities	(79)	(192)	(711)
Compensation for pneumoconiosis damages paid	(46)	(16)	(415)
Other, net	18	71	167
Interest and dividends receivable	33	40	299
Subsidies for employment adjustment receivable	86	-	773
Total Adjustments	507	(10,092)	4,584
Net cash provided by (used in) operating activities	4,173	(2,679)	37,695

Investing activities			
Purchase of short-term investment securities	(11,600)	(21,000)	(104,778)
Proceeds from sales of short-term investment securities	13,113	21,113	118,443
Purchase of property, plant and equipment	(2,091)	(1,055)	(18,890)
Proceeds from sales of property, plant and equipment	15	16	138
Purchase of intangible assets	(125)	(67)	(1,124)
Purchase of investment securities	(281)	(4)	(2,540)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(236)	(1,373)	(2,134)
Payments of loans receivable	(7)	(6)	(64)
Collection of loans receivable	44	588	397
Other, net	(8)	185	(66)
Net cash used in investing activities	(1,176)	(1,603)	(10,618)

Financing activities			
Net (decrease) increase in short-term borrowings	(2,251)	5,038	(20,333)
Proceed from long-term borrowings	13,660	3,329	123,385
Repayments of long-term borrowings	(11,213)	(2,864)	(101,286)
Cash dividends paid	(962)	(962)	(8,689)
Other, net	(80)	(178)	(722)
Net cash (used in) provided by financing activities	(846)	4,363	(7,644)
Foreign currency translation adjustments on cash and cash equivalents	34	(44)	311
Net increase in cash and cash equivalents	2,186	37	19,743
Cash and cash equivalents at beginning of year	23,050	23,013	208,203
Cash and cash equivalents, end of year	¥25,236	¥23,050	$227,946

See notes to consolidated financial statements

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements, are stated in Japanese yen, the currency of the country in which Tobishima Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation —** The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its ten (nine in 2020) significant subsidiaries (together, the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the one unconsolidated subsidiary (one unconsolidated subsidiary in 2020) are stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The fiscal years of the subsidiaries are not necessarily the same as the Company's. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions at March 31 of each year and the results of operations for the years then ended.

b. **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements —** Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D) and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. **Cash Equivalents —** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

d. **Inventories**
Real estate for sale is stated at cost based on the specific identification method (or net selling value).

Costs on uncompleted construction contracts and others (costs on uncompleted construction contracts) are stated at cost based on the specific identification method.

Costs on uncompleted construction contracts and others, and costs on development business and other (materials and supplies) are stated at cost based on the moving-average method (or net selling value).

Costs on development business and other (costs on development business) are stated at cost based on the specific identification method (or net selling value).

e. **Marketable and Investment Securities —** Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

f. **Property, Plant and Equipment (excluding leased items) —** Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016.

An overseas consolidated subsidiary has also adopted the straight-line method.

Useful lives and residual values of assets held by the Company and its domestic consolidated subsidiary are in accordance with the regulations stipulated in the "Corporation Tax Law."

g. Intangible Assets (excluding leased items) — Intangible assets (excluding leased items) are amortized using the straight-line method.

Useful lives of these assets are in accordance with regulations stipulated in the "Corporation Tax Law."
Software for internal use is amortized by the straight-line method based on an estimated useful life of five years.

h. Lease Assets — Assets resulting from financial lease transactions for which ownership does not transfer at the end of the lease are deprecated by the straight-line method with the leasing period as the useful life and residual value as zero.

i. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Allowance for Doubtful Accounts — To prepare for losses from defaults on sales receivables, loans receivable, and other accounts receivable, the Company reports the estimated uncollectible amounts for general claims based on its past default rates and for specific accounts with acknowledged credit risks based on an evaluation of the possibility of collection on an individual basis.

k. Provision for Warranties for Completed Construction — The provision is recorded in an amount based on the Company's experience, with an additional amount deemed necessary in the future for execution of warranty obligations regarding construction projects.

l. Provision for Loss on Construction Contracts — The provision is recorded in an amount deemed necessary at term end on the basis of estimated losses on construction contracts in the future.

m. Provision for share-based remuneration for directors (and other officers) — The provision is recorded in an amount deemed necessary at term end based on the regulations for share-based remuneration for directors (and other officers).

n. Provision for retirement benefits for directors (and other officers) — The provision is recorded by some consolidated subsidiaries in an amount necessary at term end based on the regulations for retirement benefits for directors (and other officers).

o. Retirement and Pension Plans — The Company has a cash balance plan as a defined benefit corporate pension program. Under this program, a hypothetical individual employee account equivalent to the funded amount and the pension resources for annuities is set up for each plan participant. Seniority points based on length of service, merit points based on the level of competence, and interest credits based on market interest rates are accumulated in the hypothetical account.

In addition, the Company and one consolidated subsidiary had also participated in an employee welfare fund for construction workers, which was a multi-employer plan. This fund was dissolved in September 2016, and while it is currently in the process of liquidation, the dissolution is not expected to result in additional obligations for the Company. One consolidated subsidiary has joined the National Construction Association Pension Fund, a new multi-employer plan that was set up in October 2016. As reasonable estimates are not available for plan assets corresponding to the Company's contribution for the employee pension fund and corporate pension fund programs, the same accounting method as that used for defined contribution programs is applied.

Retirement benefit obligations are calculated using straight-line attribution to allocate projected retirement benefit payments to the end of the current fiscal year.

Unrecognized actuarial loss is amortized over 10 years, within the remaining average service period of employees when recognized, using the straight-line method beginning with the year following recognition.

Unrecognized prior service cost is amortized over five years, within the remaining average service period of employees when recognized, using the straight-line method.

p. Research and Development Costs — Research and development costs are charged to income as incurred.

q. Construction Contracts — Net sales of completed construction contracts and cost of sales of completed construction contracts are recognized by applying the percentage-of-completion method (percentage-of-completion is estimated by cost-to-cost approach) if the outcome of a construction project as of the end of the fiscal year can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction project is deemed to be estimated reliably. If the outcome of a construction project cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract is immediately recognized by providing for a loss on such construction contracts.

r. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

s. Accounting for Consumption Tax — Consumption tax is excluded from sales, cost of sales, and expenses.

t. Accounting principles and procedures adopted when the provisions of relevant accounting standards are not obvious — Joint ventures related to construction work were incorporated into the Group's accounting without being recognized as separate organizations, and the amount of completed construction work and cost of completed construction work are recorded according to the percentage of investment in the joint ventures.

u. Per Share Information — Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

v. New Accounting Pronouncements —

The ASBJ issued ASBJ Statement No. 29 (revised 2020), "Accounting Standard for Revenue Recognition," on March 31, 2020, and ASBJ Guidance No. 30 (revised 2021), "Implementation Guidance on Accounting Standard for Revenue Recognition" on March 26, 2021. The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021 and because of the application of the "Accounting Standard for Revenue Recognition," the effects on the consolidated financial statements for the following fiscal year will be immaterial.

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," ASBJ Statement No. 9 (revised 2019) "Accounting Standard for Measurement of Inventories," and ASBJ Statement No. 10 (revised 2019) "Accounting Standard for Financial Instruments," and on March 31, 2020 ASBJ Guidance No. 19 (revised 2019) "Implementation Guidance on Disclosures about Fair Value of Financial Instruments".

In order to improve comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement," have been developed, and guidance on methods of measuring fair value has been compiled. These standards and guidance will be applied to the following items:

- Financial instruments defined in "Accounting Standards for Financial Instruments"

- Inventories held for trading purposes defined in "Accounting Standards for Measurement of Inventories"

Also, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, and disclosure requirements for fair value hierarchy of financial instruments have been stipulated.

The Company expects to apply these accounting standards and guidance for annual periods beginning on or after April 1, 2021 and the application of the "Accounting Standards for Fair Value Measurement," has no effect on the consolidated financial statements for the following fiscal year.

The Company has adopted the ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" issued on March 31, 2020, from the end of the current fiscal year, and notes regarding significant accounting estimates are included in the consolidated financial statements. However, in accordance with the transitional treatment prescribed in the proviso of Paragraph 11 of the concerned accounting standard, such notes to the previous fiscal year consolidated financial statements are not included.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Amount of income and expenses based on the percentage-of-completion method

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Net sales of completed construction contracts by the percentage-of-completion method is 102,020 million yen.

(2) Information on significant accounting estimates for identified items

1. Calculation method

Net sales of completed construction contracts by the percentage-of-completion method is calculated on multiplying the percentage-of-completion rate by total construction revenue for which the outcome of the construction project by the end of the fiscal year is deemed certain. The percentage-of-completion rate of construction work is estimated based on the cost-to-cost approach.

2. Key assumptions

Total construction revenue for which the agreement on the price of design changes was not finalized in the contract or other documents was estimated based on the details of the change order. The total construction costs is estimated by considering various factors such as weather conditions, construction conditions, material prices and other estimates.

3. Effect on consolidated financial statements for the following fiscal year

Changes in key assumptions may affect the recording of Net sales of completed construction contracts and Cost of sales of completed construction contracts in the consolidated financial statements for the following fiscal year.

Although the Company does not know what the effect of COVID-19 will be in the future, the Company has made an accounting estimate based on the assumption that the impact on the Group's total construction revenue will be immaterial.

In addition, the deterioration of construction income due to the unexpected decrease in Net sales of completed construction contracts caused by COVID-19 is also a variable factor in future income.

4. ADDITIONAL INFORMATION

a. Summary of performance-linked share-based remuneration plan for directors

The Company introduced a performance-linked share-based remuneration plan, or BBT ("Board Benefit Trust"), for directors (excluding outside directors) during the prior fiscal year. The Plan further clarifies the link between remuneration of directors, the Company's performance and prices of the Company's shares for the purpose of heightening awareness about the improvement in medium to long-term business performance and contribution to increased corporate value from such performance by sharing not only the benefits of rising stock prices between directors and the shareholders but also the risk of falling stock prices.

The Plan is a performance-linked share-based remuneration plan in which the trust will acquire the Company's shares using money contributed by the Company as the source of funds and directors are provided with the Company's shares and cash equivalent to the market value of the Company' shares through the Trust in accordance with the performance-linked share-based remuneration system established by the Company. As a general rule, directors shall be entitled to receive the Company's shares at the time of retirement.

The Company's shares remaining in the trust are included as treasury stock in Net Assets based on the book value of the trust (excluding the amount of incidental expenses). The book value of the concerned treasury stock is ¥ 115 million with the number of shares of 103 thousand for the current consolidated fiscal year and ¥ 119 million with the number of shares of 107 thousand for the prior consolidated fiscal year.

b. Application of the "Accounting Standard for Disclosures about Accounting Policies, Accounting Changes and Error Corrections"

The ASBJ Statement No. 24 "Accounting Standard for Disclosures about Accounting Policies, Accounting Changes and Error Corrections" issued on March 31, 2020, is applied to the consolidated financial statements as of the end of the current fiscal year, and the "applied principles and procedures of accounting when there are no specific provisions involved such as accounting standards" is stated.

【Notes to the Consolidated Balance Sheet】

1. *5: In this figure, the amounts pertaining to non-consolidated subsidiaries are as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Investment securities (stock)	¥ 0 million	¥ 0 million

2. Assets pledged as collateral

(1) The assets pledged as collateral are as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
*1 Real estate for sale	¥ — million	¥ 218 million
*3 Costs on development business and other	5,036	2,620
Total	¥ 5,036 million	¥ 2,838 million

The debts related to the above collateral are as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
*7 Short-term borrowings	¥ 890 million	¥ 669 million
*9 Long-term borrowings	¥ 3,900	¥ 2,160
Total	¥ 4,790 million	¥ 2,829 million

(2) The Company has pledged the following assets as collateral for guarantee money for operations:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
*4 Marketable securities	¥ 14 million	¥ 13 million
*5 Investment securities	85	99
*6 Investments and other assets "Other" (Long-term guarantee money)	189	177
Total	¥ 288 million	¥ 289 million

3. *2 *8: With respect to construction contracts that are expected to result in losses, both the costs on uncompleted construction contracts and the provision for loss on construction contracts have been presented in full without being offset.
Costs on uncompleted construction contracts related to provisions for loss on construction contracts are as follows:

Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
¥ 1 million	¥ 1 million

4. *7 *9: Syndicated term loan agreements

Current fiscal year (as of March 31, 2021):

The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:

(a) The Company must maintain the amount of net assets in the consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ending March 2020, and more than 75% of the amount of net assets in the consolidated balance sheet as of the end of the previous fiscal year;

(b) The Company must maintain the amount of net assets in the non-consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the fiscal year ending March 2020, and more than 75% of the amount of net assets in the mon-consolidated balance sheet as of the end of the previous fiscal year;

(c) The Company must avoid reporting ordinary loss in the consolidated statement of income presented at the end of each fiscal year for two consecutive years;

(d) The Company must avoid reporting ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year for two consecutive years.

Prior fiscal year (as of March 31, 2020):

The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:

(a) The Company must maintain the amount of net assets in the consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the consolidated balance sheet as of the end of the previous fiscal year;

(b) The Company must maintain the amount of net assets in the non-consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the mon-consolidated balance sheet as of the end of the previous fiscal year;

(c) The Company must avoid reporting ordinary loss in the consolidated statement of income presented at the end of each fiscal year for two consecutive years;

(d) The Company must avoid reporting ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year for two consecutive years.

5. The Company has entered into commitment line agreements with five banks to make flexible and stable procurement of working capital.
Contract maximum amounts and borrowing execution balances at the end of consolidated fiscal years are as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Contract maximum amount	¥ 5,000 million	¥ 10,000 million
Borrowing execution balance	—	—
Deducted amount	¥ 5,000 million	¥ 10,000 million

【Notes to the Consolidated Statement of Income】

1. *1: Liabilities for loss on construction contracts included in “Cost of sales of completed construction contracts” are as follows:

Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
¥ 3 million	¥ 25 million

2. *2: Major expense items and amounts are as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Provision for share-based remuneration for directors (and other officers)	¥ 20 million	¥ 15 million
Employee salaries	3,433	3,488
Retirement benefit costs	98	82
Provision for retirement benefits for directors (and other officers)	4	5
Allowance for doubtful accounts	¥ 2	¥ —

3. *2: R&D expenses included in “Selling, general and administrative expenses” are as follows:

Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
¥ 836 million	¥ 676 million

4. *3: The breakdown of gain on sales of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Machinery and equipment	¥ 0 million	¥ 7 million
Others	—	0
Total	¥ 0 million	¥ 7 million

5. *4: The breakdown of loss on sales of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Vehicles	¥ — million	¥ 0 million
Construction in progress	5	—
Total	¥ 5 million	¥ 0 million

6. *5: The breakdown of loss on retirement of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Buildings	¥ 1 million	¥ 22 million
Equipment	0	0
Others	0	1
Total	¥ 1 million	¥ 23 million

【Notes to the Consolidated Statement of Comprehensive Income】

*1: "Reclassification adjustment" and "Tax effect" related to other comprehensive income (loss) are as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Unrealized loss on available-for-sale securities		
Amount arising during current fiscal year	¥ (33) million	¥ (911) million
Reclassification adjustment	—	—
Adjustment before tax effect	(33)	(911)
Tax effect	11	277
Unrealized loss on available-for-sale securities	(22)	(634)
Foreign currency translation adjustment		
Amount arising during current fiscal year	(3)	0
Remeasurements of defined benefit plans		
Amount arising during current fiscal year	843	(420)
Reclassification adjustment	65	(25)
Adjustment before tax effect	908	(445)
Tax effect	(260)	115
Remeasurements of defined benefit plans	648	(330)
Total other comprehensive income (loss)	¥ 623 million	¥ (964) million

【Notes to the Consolidated Statement of Changes in Equity】

Current fiscal year (from April 1, 2020 to March 31, 2021)

1. Type and amount of issued shares

Type of stock	Number of shares at beginning of fiscal year (1,000 shares)	Increase in number of shares during fiscal year (1,000 shares)	Decrease in number of shares during fiscal year (1,000 shares)	Number of shares at fiscal year-end (1,000 shares)
Common stock	19,310	—	—	19,310

2. Type and amount of treasury stock

Type of stock	Number of shares at beginning of fiscal year (1,000 shares)	Increase in number of shares during fiscal year (1,000 shares)	Decrease in number of shares during fiscal year (1,000 shares)	Number of shares at fiscal year-end (1,000 shares)
Common stock	178	5	4	179

Note1: In the Common stock at the beginning and end of the current consolidated fiscal year, 107 thousand shares and 103 thousand shares respectively of the Company's stock which are held by the Board Benefit Trust (BBT) are included.

Note2: The increase in the number of shares of common stock are due to 5 thousand shares increased by purchased less than one unit of common stock.

Note3: The decrease in the number of shares of common stock is due to 0 thousand shares decreased by sold less than one unit and 4 thousand shares decreased by the transfer to the Board Benefit Trust (BBT).

3. Notes on equity warrants, etc.
Not applicable

4. Notes on dividends
(1) Amount of dividends paid

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 26, 2020	Common stock	¥ 962 million	Retained earnings	¥ 50.00	March 31, 2020	June 29, 2020

Note: The total amount of dividends based on the resolution of the Ordinary General Shareholders' Meeting on June 26,2020 includes 5 million yen of dividends for the Company's shares held by the Board Benefit Trust (BBT).

(2) Dividends with record dates in the current fiscal year, of which the effective date falls in the next fiscal year

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 29, 2021	Common stock	¥ 962 million	Retained earnings	¥ 50.00	March 31, 2021	June 30, 2021

Note: The total amount of dividends based on the resolution of the Ordinary General Shareholders' Meeting on June 29,2021 includes 5 million yen of dividends for the Company's shares held by the Board Benefit Trust (BBT).

Prior fiscal year (from April 1, 2019 to March 31, 2020)

1. Type and amount of issued shares

Type of stock	Number of shares at beginning of fiscal year (1,000 shares)	Increase in number of shares during fiscal year (1,000 shares)	Decrease in number of shares during fiscal year (1,000 shares)	Number of shares at fiscal year-end (1,000 shares)
Common stock	19,310	—	—	19,310

Note: The decrease in common stock was due to the ten-for-one reverse stock split.

2. Type and amount of treasury stock

Type of stock	Number of shares at beginning of fiscal year (1,000 shares)	Increase in number of shares during fiscal year (1,000 shares)	Decrease in number of shares during fiscal year (1,000 shares)	Number of shares at fiscal year-end (1,000 shares)
Common stock	66	112	0	178

Note1: In the Common stocks at the end of the current consolidated fiscal year, 107 thousand shares of the Company's stock held by the Board Benefit Trust (BBT) are included.

Note2: The increase in the number of shares of common stock are due to 5 thousand shares increased by purchased less than one unit of common stock and 107 thousand shares increased by the acquisition of the Company's shares by the Board Benefit Trust (BBT).

Note3: The decrease in the number of shares of common stock is due to 0 thousand shares decreased by sold less than one unit.

3. Notes on equity warrants, etc.
Not applicable

4. Notes on dividends
(1) Amount of dividends paid

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 27, 2019	Common stock	¥ 962 million	Retained earnings	¥ 50.00	March 31, 2019	June 28, 2019

(2) Dividends with record dates in the current fiscal year, of which the effective date falls in the next fiscal year

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 26, 2020	Common stock	¥ 962 million	Retained earnings	¥ 50.00	March 31, 2020	June 29, 2020

【Lease Transactions】

1. Finance lease transactions (as lessee)

Nontransferable ownership finance leases
(1) Content of lease assets
Tangible assets:
Vehicles, machinery and equipment
(2) Method of depreciation of lease assets
Please see "h. Lease Assets" under Summary of Significant Accounting Policies

2. Operating lease transactions (as lessee)

Payments related to unexpired portions of non-cancellable operating lease transactions

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Due within one year	¥ 347 million	¥ 503 million
Due after one year	64	411
Total	¥ 411 million	¥ 914 million

【Financial Instruments and Related Disclosures】

1. Status of financial instruments

(1) Group policy for financial instruments

The Company upholds its policy of limiting its fund management to the use of short-term deposits, etc., based on its funding plan, and undertakes fund procurement primarily through bank loans. The use of derivatives is limited to forward exchange contracts for hedging the risk of fluctuations in the foreign exchange market in foreign currency-denominated transactions and interest rate swaps, etc., for hedging the risk of fluctuations in interest rates on loans. The Company does not engage in derivatives for speculative purposes.

(2) Nature and extent of risk arising from financial instruments and risk management for financial instruments

While trade receivables such as notes receivable and accounts receivable from completed construction contracts are subject to the credit risk of customers, the Company operates under a system that alleviates such credit risk as much as possible through stringent credit management, from credit control of business associates at the order receiving stage to collection of accounts receivable from construction contracts.

Securities and investment securities consist primarily of equity in companies with which the Company maintains business relationships and government bonds pledged as collateral for guarantee money for operations, etc. While these securities are subject to the risk of fluctuations in market price the Company regularly monitors the fair value of the security and the financial condition of the issuer, and continuously reviews the state of its holdings.

Trade payables such as notes payable and accounts payable for construction contracts are mostly due within one year.

Short-term borrowings are primarily funds procured in relation to operational transactions.

While trade payable and loans payable are subject to liquidity risk related to fund procurement, the Company manages such risks through measures that include estimating the balance of funding requirements and formulating funding plans for effective and appropriate fund procurement.

With respect to the management and implementation of derivative transactions, risks inherent in the object of the hedge and hedging methods are clearly identified and trading authority, etc., determined under the Management Guidelines for Derivatives. The Company did not engage in any derivative transactions as of the end of the current fiscal year.

2. Fair value of financial instruments

The carrying amounts, fair values, and the unrealized gain (loss) between them are in the following table. Financial instruments for which fair value cannot be reliably determined are excluded from the list below (see Note 3).

Current fiscal year (as of March 31, 2021)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Cash and cash equivalents	**¥ 25,236**	**¥ 25,236**	**¥ —**
(2) Notes receivable, accounts receivable from completed construction contracts, and other	**52,295**		
Allowance for doubtful accounts (Note 1)	**(8)**		
Difference	**52,287**	**52,287**	**—**
(3) Account receivable-other	**6,729**	**6,729**	
(4) Securities and investment securities			
Available-for-sale securities	**2,228**	**2,228**	**—**
Liabilities			
(5) Notes payable, accounts payable for construction contracts, and other	**26,247**	**26,247**	**—**
(6) Short-term borrowings	**3,400**	**3,400**	**—**
(7) Long-term borrowings (Note2)	**¥ 16,793**	**¥ 16,793**	**¥ —**

Prior fiscal year (as of March 31, 2020)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Cash and cash equivalents	¥ 23,050	¥ 23,050	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts, and other	56,007		
Allowance for doubtful accounts (Note 1)	(5)		
Difference	56,002	56,002	—
(3) Account receivable-other	6,621	6,621	
(4) Securities and investment securities			
Available-for-sale securities	3,769	3,769	—
Liabilities			
(5) Notes payable, accounts payable for construction contracts, and other	31,804	31,804	—
(6) Short-term borrowings	5,651	5,651	—
(7) Long-term borrowings (Note2)	¥ 14,246	¥ 14,246	¥ —

Note 1: General allowances for doubtful accounts relevant to (2) Notes receivable, accounts receivable from completed construction contracts, and other, and (3) Account receivable have been deducted.

Note 2: (7) Long-term borrowings includes current portion of long-term debt.

Note 3: Method for calculating the fair value of financial instruments and matters related to securities

(1) Cash and cash equivalents (2) Notes receivable, accounts receivable from completed construction contracts, and other, and (3) Account receivable:

The carrying amounts of these assets approximate fair value since they are settled within a short period of time.

(4) Securities and investment securities:

The fair value of a stock is determined by the price at which it is traded on an exchange, and the fair value of a bond is determined by the price at which it is traded on an exchange or the price quoted by financial institutions.

Since the joint operation designated money trusts etc. are settled within a short period of time, the fair value is approximately equal to the carrying amount, so it is based on the book value.

Securities are held as available-for-sale securities, and related notes have been presented under "Securities."

(5) Notes payable, accounts payable for construction contracts and other, and (6) Short-term borrowings:

The carrying amounts approximate fair value since they are settled within a short period of time.

(7) Long-term borrowings:

Since long-term borrowings are based on variable interest rates that reflect short-term market rates, the relevant carrying amounts are considered to approximate fair value.

Note 4: Carrying amounts of financial instruments for which fair values cannot be reliably determined:

Classification	**Current fiscal year (as of March 31, 2021)**	Prior fiscal year (as of March 31, 2020)
Unlisted stocks	**¥ 1,780 million**	¥ 1,757 million
Investment in Investment Limited Partnership	**¥ 235 million**	—

The above-listed securities, for which fair value is extremely difficult to determine since they do not have a market price, have been excluded from "(4) Securities and investment securities – Available-for-sale securities."

Note 5: Maturity analysis for financial assets and securities with contractual maturities:

Current fiscal year (as of March 31, 2021)

	Due in one year or less (Millions of yen)	Over one year within five years (Millions of yen)	Over five years within ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and cash equivalents	**¥ 25,236**	**¥ —**	**¥ —**	**¥ —**
Notes receivable, accounts receivable from completed construction contracts, and other	**52,295**	**—**	**—**	**—**
Account receivable-other	**6,729**	**—**	**—**	**—**
Securities and investment securities				
Available-for-sale securities with maturity dates				
Government bonds	**14**	**75**	**3**	**—**
Joint operations monetary trusts	**—**	**—**	**—**	**—**
Total	**¥ 84,274**	**¥ 75**	**¥ 3**	**¥ —**

Prior fiscal year (as of March 31, 2020)

	Due in one year or less (Millions of yen)	Over one year within five years (Millions of yen)	Over five years within ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and cash equivalents	¥ 23,050	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts, and other	56,007	—	—	—
Account receivable-other	6,622	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity dates				
Government bonds	13	69	23	—
Joint operations monetary trusts	1,500	—	—	—
Total	¥ 87,192	¥ 69	¥ 23	¥ —

Note 6: Long-term borrowings

Long-term borrowings at March 31, 2021 and 2020, consisted of loans from banks. The annual interest rates applicable to the long-term borrowings ranged from 0.21 % to 2.00 % and from 0.65 % to 2.40 % at March 31, 2021 and 2020, respectively.

Amounts to be repaid for long-term borrowings payable (excluding the current portion) for five years subsequent to March 31, 2021, are as follows:

	Due after one year but in two years or less (Millions of yen)	Due after two years but in three years or less (Millions of yen)	Due after three years but in four years or less (Millions of yen)	Due after four years but in five years or less (Millions of yen)
Long-term borrowings payable	**¥ 4,086**	**¥ 10,192**	**¥ 172**	**¥ 120**

【Securities】

1. Marketable available-for-sale securities

Current fiscal year (as of March 31, 2021)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Securities and investment securities with carrying amounts that exceed their acquisition costs			
Stock	**¥ 2,109**	**¥ 1,071**	**¥ 1,038**
Bonds			
Government bonds, etc.	**94**	**92**	**2**
Subtotal	**2,203**	**1,163**	**1,040**
(2) Securities and investment securities having acquisition costs that exceed their carrying amounts			
Stock	**25**	**35**	**(10)**
Others			
Joint operations monetary trusts	**—**	**—**	**—**
Subtotal	**25**	**35**	**(10)**
Total	**¥ 2,228**	**¥ 1,198**	**¥ 1,030**

Prior fiscal year (as of March 31, 2020)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Securities and investment securities with carrying amounts that exceed their acquisition costs			
Stock	¥ 2,142	¥ 1,067	¥ 1,074
Bonds			
Government bonds, etc.	107	104	2
Subtotal	2,249	1,171	1,076
(2) Securities and investment securities having acquisition costs that exceed their carrying amounts			
Stock	20	35	(14)
Others			
Joint operations monetary trusts	1,500	1,500	—
Subtotal	1,520	1,535	(14)
Total	¥ 3,769	¥ 2,706	¥ 1,062

2. Available-for-sale securities sold

Current fiscal year (from April 1, 2020 to March 31, 2021)

	Total value sold	Total gain on sales	Total loss on sales
Stocks	**¥ 5 million**	**¥ 1 million**	**¥ —million**

Prior fiscal year (from April 1, 2019 to March 31, 2020)

	Total value sold	Total gain on sales	Total loss on sales
Stocks	¥ 123 million	¥ —million	¥ —million

3. Securities for which impairment was recognized

Current fiscal year (from April 1, 2020 to March 31, 2021)

Not applicable

Prior fiscal year (from April 1, 2019 to March 31, 2020)

Omitted due to immateriality.

【Derivative Transactions】

There are no applicable items since the Company does not engage in derivative transactions.

【Retirement Benefits】

1. Description of retirement benefit plan

The Company has a cash balance plan as a defined benefit corporate pension program and a defined contribution plan as a defined contribution corporate pension program. Under the defined benefit program, a hypothetical individual employee account equivalent to the funded amount and the pension resources for annuities is set up for each plan participant. Seniority points based on length of service, merit points based on level of competence, and interest credits based on market interest rates are accumulated in the hypothetical account.

Some of the consolidated subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid program, and one consolidated subsidiary has joined the comprehensive foundation corporate pension fund. These apply the same accounting method as that used for defined contribution programs.

In addition, in the lump-sum retirement benefit plan subsidized by some consolidated subsidiaries, liabilities related to retirement benefits and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit program

(1) Adjustments to balance of projected benefit obligation at beginning and end of fiscal year:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Balance of projected benefit obligation as of the beginning of the current fiscal year	¥ 7,193 million	¥ 7,264 million
Service cost	296	299
Interest cost	71	72
Recognized actuarial gain/loss	(13)	7
Retirement benefit payment	(561)	(445)
Decrease due to termination of retirement benefit plan	—	(48)
Increase due to new consolidation	—	44
Balance of projected benefit obligation as of the end of the current fiscal year	¥ 6,986 million	¥ 7,193 million

Note: For consolidated subsidiaries, the simplified method is adopted in calculating retirement benefit obligations.

(2) Adjustments to balance of plan assets at beginning and end of fiscal year:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Balance of assets as of the beginning of the current fiscal year	¥ 7,062 million	¥ 6,803 million
Expected return on plan assets	176	170
Recognized actuarial gain	830	(414)
Contribution by company	679	943
Retirement benefit payment	(554)	(440)
Balance of assets as of the end of the current fiscal year	¥ 8,193 million	¥ 7,062 million

(3) Adjustments between retirement benefit obligation and plan assets and liabilities and assets related to retirement benefits recorded in the consolidated statement of operations:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Retirement benefit liability of funded plan	¥ 6,913 million	¥ 7,120 million
Plan assets	(8,193)	(7,063)
Subtotal	(1,280)	57
Retirement benefit liability of unfunded plan	73	73
Net liability/asset recorded in consolidated statement of operations	(1,207)	130
Retirement benefit liability	73	130
Retirement benefit asset	(1,280)	—
Net liability/asset recorded in consolidated statement of operations	¥ (1,207) million	¥ 130 million

(4) Breakdown of net periodic benefit costs by item:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2018 to March 31, 2020)
Service cost	¥ 296 million	¥ 299 million
Interest cost	72	72
Expected return on plan assets	(177)	(170)
Recognized actuarial loss	65	(26)
Net periodic benefit costs for defined benefit program	¥ 256 million	¥ 175 million

Note: Retirement benefit expenses of consolidated subsidiaries that adopt the simplified method are included in "service cost."

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2021

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Actuarial gain/loss	¥ 908 million	¥ (445) million
Total	¥ 908 million	¥ (445) million

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2021

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Unrecognized actuarial gain/loss	**¥ (474) million**	¥ 434 million
Total	**¥ (474) million**	¥ 434 million

(7) Plan assets

Principal components of plan assets

The ratio of major asset categories to total plan assets are as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Bonds	**59 %**	59 %
Stock	**37 %**	33 %
Other	**4 %**	8 %
Total	**100 %**	100 %

Method of setting expected long-term rate of return

The Company sets the expected long-term rate of return on plan assets based on the current and expected allocation of plan assets and the current and expected long-term rate of return of the various assets that comprise the plan assets.

(8) Actuarial assumptions

Significant actuarial assumptions as of the end of the current fiscal year are as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Discount rate	**1.0 %**	1.0 %
Expected long-term rate of return	**2.5 %**	2.5 %
Assumed salary increase rate	**4.4 %**	4.4 %

Note: The assumed salary increase rate was calculated based on a pension point system.

3. Defined contribution programs, and others

The Company and its consolidated subsidiaries' contributions to the defined contribution and other programs amounted to ¥90 million for the current fiscal year and ¥89 million for the prior fiscal year.

【Equity】

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

(b) Increases/Decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account that was charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

【Stock Options】

Not applicable:

【Income Taxes】

1. The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% for the years ended March 31, 2021 and 2020. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, are as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Deferred tax assets		
Tax loss carryforwards (Note)	¥ 59 million	¥ 32 million
Loss on valuation of real estate for sale	1,497	1,477
Impairment loss	1,070	1,072
Other	1,065	1,080
Deferred tax assets subtotal	3,691	3,661
Less valuation allowance for tax loss carryforwards	(59)	(32)
Less valuation allowance for deductible temporary difference	(3,154)	(3,223)
Valuation allowance	(3,213)	(3,255)
Deferred tax assets total	478	406
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	(316)	(327)
Others	(392)	—
Deferred tax liabilities total	(708)	(327)
Net deferred tax (liabilities) assets	¥ (230) million	¥ 79 million

Note: The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 is as follows:

				Millions of Yen			
March 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	2	2	2	1	1	51	¥ 59
Less valuation allowances for tax loss carryforwards	(2)	(2)	(2)	(1)	(1)	(51)	(59)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	—	—

				Millions of Yen			
March 31, 2020	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	0	3	2	2	1	24	¥ 32
Less valuation allowances for tax loss carryforwards	(0)	(3)	(2)	(2)	(1)	(24)	(32)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	—	—

2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2021 and 2020, is as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Statutory tax rate	30.6 %	— %
(Reconciliation)		
Permanently non-deductible income	1.9 %	— %
Permanently non-deductible expenses	(0.0) %	— %
Per capita inhabitant tax	3.0 %	— %
Valuation allowance	(2.4) %	— %
Effective tax rate after application of tax effect accounting	33.1 %	— %

Note: Omitted for the prior consolidated fiscal year since the difference between the statutory tax rate and effective tax rate after application of tax effect accounting is less than 5 percent of the statutory tax rate.

【Business Combinations and Business Divestitures】

Omitted due to immateriality.

【Asset Retirement Obligation】

Current fiscal year (as of March 31, 2021) and prior fiscal year (as of March 31, 2020)
Omitted due to immateriality.

【Investment Property】

The Company holds office buildings and land, etc., for rent in Kanagawa Prefecture and other areas. A portion of the land and buildings in Japan where its offices, etc., are located are rented, and these are recognized as “Real estate including portions for rent and other purposes.”
The consolidated balance sheet amount, increase/decrease during the current fiscal year, fair value as of the end of the current term for real estate for rent and other, and real estate including portions for rent and other purposes are as follows:

			Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Real estate for rent and other	Carrying amount	Balance as of the beginning of the fiscal year (Millions of yen)	¥ 10,937	¥ 10,943
		Increase(decrease) during the fiscal year (Millions of yen)	(133)	(5)
		Balance as of the end of the fiscal year (Millions of yen)	10,804	10,938
	Fair value as of the end of the fiscal year (Millions of yen)		11,441	11,402
Real estate including portions for rent and other purposes	Carrying amount	Balance as of the beginning of the fiscal year (Millions of yen)	351	349
		Increase(decrease) during the fiscal year (Millions of yen)	(9)	2
		Balance as of the end of the fiscal year (Millions of yen)	342	351
	Fair value as of the end of the fiscal year (Millions of yen)		¥ 529	¥ 531

Note 1: The carrying amounts were calculated by subtracting the accumulated depreciation from the purchasing price.
Note 2: Primary factors for the increase/decrease during the current fiscal year include: increases of ¥154 million due to the acquisition of office building for rent through renovation and ¥296 million due to depreciation. Primary factors for the increase/decrease during the prior fiscal year include: increases of ¥301 million due to the acquisition of office building for rent through renovation and decreases of ¥19 million due to a partial disposal of facilities associated with renovation of office building for rent and ¥283 million due to depreciation.
Note 3: Fair values as of the end of the fiscal years are based on real estate appraisal reports submitted by external real estate appraisers. Some of the figures were adjusted based on appraisal values and indices in cases where no substantial changes have occurred in indices that are considered to accurate reflections of appraisal value and market price since the most recent appraisal.

The following are the income/loss on real estate for rent and other purposes and real estate including portions for rent and other purposes for the current fiscal year.

		Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Real estate for rent and other purposes	Rent revenue (Millions of yen)	¥ 906	¥ 921
	Rent expenses (Millions of yen)	686	667
	Rent income/loss (Millions of yen)	219	254
	Other income/loss (Millions of yen)	(1)	(22)
Real estate including portions for rent and other purposes	Rent revenue (Millions of yen)	15	9
	Rent expenses (Millions of yen)	5	1
	Rent income/loss (Millions of yen)	10	8
	Other income/loss (Millions of yen)	¥ —	¥ —

Note: Rent revenue is accounted for under “Net sales of development business and other” and rent expenses are accounted for under “Cost of sales on development business and other.”

【Segment Information】

Segment Information

1. Overview of reportable segments

The reportable segments of the Company are constituent units of the Company for which separate financial information can be obtained and regularly examined by the Board of Directors to determine the allocation of management resources and evaluate business performance.

The Company is engaged in operations consisting primarily of businesses related to construction work in general centered on civil engineering and architecture, and additional general businesses related to real estate owned by the Company.

The Company is therefore composed of segments related to these businesses, and reports on the following segments: Civil Engineering business, Architecture business and Development business.

The Civil Engineering business involves performing civil engineering work and other contingent businesses and the Architecture business involves performing construction work and other contingent businesses. The Development business involves real estate development, housing sales, real estate leasing, and other businesses that do not belong to either the Civil Engineering business or the Architecture business.

2. Methods of measurement for the amounts of sales, income/loss, assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in "Significant Issues Fundamental to the Preparation of Consolidated Financial Statements."

Income reported for the segments are figures based on operating income/loss.

Figures for intersegment sales and transactions are based on current market values.

Current fiscal year (from April 1, 2020 to March 31, 2021) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Sales to third parties	¥ 65,784	¥ 45,629	¥ 5,882	¥ 117,295	¥ —	¥ 117,295
Intersegment sales and transactions	—	—	121	121	(121)	—
Total	65,784	45,629	6,003	117,416	(121)	117,295
Segment income	5,811	477	(6)	6,282	(2,287)	3,995
Segment assets	69,875	26,863	23,891	120,629	970	121,599
Other items						
Depreciation	244	139	489	872	—	872
Increase in property, plant and equipment and intangible assets	¥ 522	¥ 152	¥ 1,631	¥ 2,305	¥ —	¥ 2,305

Note 1: Amounts have been adjusted as follows:

(1) Adjusted amount of (¥2,286) million under "Segment income/loss" includes (¥120) million in elimination of intersegment transactions and (¥2,166) million in total corporate operating expenses that are not allocated to the reportable segments. Total corporate operating expenses are selling, general and administrative expenses not attributable to the reportable segments.

(2) Adjusted amount of ¥969 million under "Segment assets" includes ¥974 million in total corporate assets that are not allocated to the reportable segments. Total corporate assets primarily comprise assets related to surplus operational funds (deposits) and assets related to the administrative departments of the Company.

Note 2: Adjustments have been made between "Segment income" and "Operating income" in the consolidated statement of income.

Prior fiscal year (from April 1, 2019 to March 31, 2020) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Sales to third parties	¥ 77,624	¥ 50,088	¥ 7,147	¥ 134,859	¥ —	¥ 134,859
Intersegment sales and transactions	—	—	139	139	(139)	—
Total	77,624	50,088	7,286	134,998	(139)	134,859
Segment income	8,149	1,746	243	10,138	(2,290)	7,848
Segment assets	70,219	30,238	21,143	121,600	204	121,804
Other items						
Depreciation	236	132	462	830	—	830
Increase in property, plant and equipment and intangible assets	¥ 467	¥ 313	¥ 2,586	¥ 3,366	¥ —	¥ 3,366

Note 1: Amounts have been adjusted as follows:

(1) Adjusted amount of (¥2,289) million under "Segment income/loss" includes (¥139) million in elimination of intersegment transactions and (¥2,150) million in total corporate operating expenses that are not allocated to the reportable segments. Total corporate operating expenses are selling, general and administrative expenses not attributable to the reportable segments.

(2) Adjusted amount of ¥203 million under "Segment assets" includes ¥204 million in total corporate assets that are not allocated to the reportable segments. Total corporate assets primarily comprise assets related to surplus operational funds (deposits) and assets related to the administrative departments of the Company.

Note 2: Adjustments have been made between "Segment income" and "Operating income" in the consolidated statement of income.

【Related Information】

Current fiscal year (from April 1, 2020 to March 31, 2021)

1. Information by product and service
Omitted since similar information is presented in Segment Information.

2. Information by geographical representation
(1) Net sales
Omitted since net sales in Japan account for more than 90% of net sales presented in the consolidated statement of income.
(2) Property, plant and equipment
Omitted since the monetary value of property, plant and equipment located in Japan accounts for more than 90% of the monetary value of property, plant and equipment presented in the consolidated balance sheet.

3. Information by major client
Omitted since there are no external clients that account for 10% or more of net sales in the consolidated statements of income.

Prior fiscal year (from April 1, 2019 to March 31, 2020)

1. Information by product and service
Omitted since similar information is presented in Segment Information.

2. Information by geographical representation
(1) Net sales
Omitted since net sales in Japan account for more than 90% of net sales presented in the consolidated statement of income.
(2) Property, plant and equipment
Omitted since the monetary value of property, plant and equipment located in Japan accounts for more than 90% of the monetary value of property, plant and equipment presented in the consolidated balance sheet.

3. Information by major client
Omitted since there are no external clients that account for 10% or more of net sales in the consolidated statements of income.

【Information on Impairment Loss on Fixed Assets by Reportable Segment】

Current fiscal year (from April 1, 2020 to March 31, 2021)
Not applicable

Prior fiscal year (from April 1, 2019 to March 31, 2020)
Not applicable

【Information on Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment】

Current fiscal year (from April 1, 2020 to March 31, 2021) **(Millions of yen)**

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Amortization	**¥ 46**	**¥ 0**	**¥ 33**	**¥ 79**	**¥ —**	**¥ 79**
Balance	**¥ 90**	**¥ 0**	**¥ 355**	**¥ 445**	**¥ —**	**¥ 445**

Prior fiscal year (from April 1, 2019 to March 31, 2020) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Amortization	¥ 46	¥ 0	¥ 23	¥ 69	¥ —	¥ 69
Balance	¥ 136	¥ 1	¥ 92	¥ 229	¥ —	¥ 229

【Information on Gain on Negative Goodwill by Reportable Segment】

Current fiscal year (from April 1, 2020 to March 31, 2021) and Prior fiscal year (from April 1, 2019 to March 31, 2020)

Not applicable

【Transactions with Related Parties】

Current fiscal year (from April 1, 2020 to March 31, 2021) and prior fiscal year (from April 1, 2019 to March 31, 2020)

Not applicable

【Per Share Information】

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Net assets per share	¥ 2,173.26	¥ 2,062.77
Net income per share	¥ 128.15	¥ 266.39

Note 1: Diluted net income/loss per share for the current fiscal year is not shown because there were no potentially dilutive shares outstanding.

Note 2: The basis for calculating net income/loss per share is as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Net income attributable to owners of the parent (millions of yen)	¥ 2,452	¥ 5,110
Amounts not applicable to common stockholders (millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (millions of yen)	¥ 2,452	¥ 5,110
Average number of common stock outstanding during term (1,000 shares)	19,133	19,181

In order to calculate net income per share for the term, the number of shares held by Board Benefit Trust (BBT) are included in treasury shares, which are subtracted in calculating the average number of common stocks outstanding during term.
The average number of treasury stock was 177 thousand during the current consolidated fiscal year and 129 thousand during the previous fiscal year. In these, the average number held by BBT was 104 thousand during the current consolidated fiscal year and 60 thousand during the previous fiscal year.

Note 3: The basis of calculation for net assets per share is as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Total net assets (millions of yen)	¥ 41,586	¥ 39,473
Deduction from net assets (millions of yen)	8	8
Minority interests (millions of yen)	(8)	(8)
Term-end amount allocated to common stock (millions of yen)	¥ 41,579	¥ 39,465
Number of common stock used to calculate net assets per share (1,000 shares)	19,132	19,132

In order to calculate net assets per share at the term end, the number of shares held by Board Benefit Trust (BBT) are included in treasury shares, which are subtracted from the number of outstanding common stocks at term end.
The number of treasury stock at term end was 179 thousand for the current consolidated fiscal year and 178 thousand for the previous fiscal year. In these, the number held by BBT at term end was 103 thousand for the current consolidated fiscal year and 107 thousand for the previous consolidated fiscal year.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tobishima Corporation:

Opinion

We have audited the consolidated financial statements of Tobishima Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Revenue recognition through application of the percentage-of-completion method	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As stated in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, q. Construction Contracts," the Group's net sales of completed construction contracts and cost of sales of completed construction contracts are recognized by applying the percentage-of-completion method (percentage-of-completion is estimated by cost-to-cost approach if the outcome of a construction project as of the end of the fiscal year can be estimated reliably. If the outcome of a construction project cannot be reliably estimated, the completed-contract method is applied. As stated in Note 3, "SIGNIFICANT ACCOUNTING ESTIMATES, (1) Amount recorded in the consolidated financial statements for the current fiscal year," the Group has recognized revenue of 102,020 million yen through the application of the percentage-of-completion method out of the total 111,413 million yen net sales of completed construction contracts for the year ended March 31, 2021. When applying the percentage-of-completion method to construction projects in progress, the net sales of completed construction contracts is calculated by multiplying the total construction revenue to the percentage-of-completion rate that corresponds to the actual costs incurred up to the end of the fiscal year over the total construction costs. The determination of total construction revenue, total construction costs and the percentage-of-completion rate involves significant assumptions and judgments made by management, which are impacted by the business environment. In recent years, construction contracts have become larger in scale and longer in term, and there is a possibility that the impact on the financial statement increases when applying the percentage-of-completion method to specific construction contracts under the following conditions: • There may be cases where the percentage-of-completion method is applied based on estimates of the total construction revenue when amendments to the construction contract have not been finalized due to changes in construction method, or changes in scope of construction projects. In such cases, there is a possibility that the net sales of completed construction contracts will not be appropriately recorded when the percentage-of-completion method is applied based on unreasonably estimated total construction revenue.	Our audit procedures related to testing the accounting estimates pertaining to the total construction revenue and total construction costs in the application of the percentage-of-completion method included the following, among others: • We tested the design and operating effectiveness of the controls over the approval of the execution budget at the time of commencement for each construction project. • We tested the design and operating effectiveness of the controls over the approval of the estimated costs and workloads for each type of work ensuring appropriate accumulation, and the timely update to the total construction revenue and total construction costs in response to changes in circumstances. • In order to test that the most recent circumstances were appropriately reflected in the total construction revenue and the total construction costs for the year ended March 31, 2021, we performed a profit and loss ratio trend analysis for each construction project. In cases where the estimated total construction revenue and the total construction costs had significantly fluctuated compared to the previous year, we inquired of the responsible parties regarding the reasons for such fluctuation, and inspected relevant documents supporting the estimation, such as quotations obtained from subcontractors. • We evaluated the reasonableness of the accounting estimates included in the previous year total construction revenue and the total construction costs by comparing the previous year estimation with the current year actual amount or re-estimated amount and analyzing the differences. • We traced the total construction revenue for selected construction projects to evidences such as the contract. For construction projects involving accounting estimates in total construction revenue, we evaluated the accuracy and feasibility of the estimated total construction revenue by inspecting relevant documentation supporting the estimate, such as task instructions from customers.

• There is a possibility that the total construction costs will increase significantly due to factors such as the occurrence of events that could not be predicted at the time of construction project commencement, fluctuations in market conditions related to materials and subcontracting costs, etc., and the additional expected orders related to subcontracting costs due to time pressure and delays of the project. If the percentage-of-completion method is applied in such situations where estimation uncertainty is increasing, there is a possibility that the net sales of completed construction contracts will not be recorded appropriately. Based on the above, we determined the accounting estimates related to the total construction revenue and the total construction costs in the application of the percentage-of-completion method to be significant in the consolidated financial statements for the year ended March 31, 2021, and therefore, we identified it as a key audit matter.	• We selected a sample of construction projects in progress and evaluated whether the budget was reviewed timely and prepared appropriately and comprehensively in line with the progress of the construction by inspecting the reports on budget approved by management as of the fiscal year-end and the most recent budget management documents obtained from the construction site. We also evaluated whether the construction costs used in the accounting were consistent with the construction costs in the management's report and management documents obtained from the construction site. • For multiple significant construction projects, we observed the construction sites and inquired of the construction site managers, and assessed the consistency of the progress of the construction projects with the progress of construction expenses status used by management, as well as the accounting estimates related to the total construction costs.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of 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 judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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.

Deloitte Touche Tohmatsu LLC

June 29, 2021

Nonconsolidated Balance Sheet
TOBISHIMA CORPORATION

As of March 31, 2021

ASSETS		Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Current assets	Cash and cash equivalents	**¥23,137**	¥21,067	**$208,986**
	Notes receivable	**74**	7	**670**
	Electronically recorded monetary claims- operating	**55**	10	**494**
	Accounts receivable from completed construction contracts	**50,474**	54,441	**455,911**
	Marketable securities (*1)	**13**	1,513	**122**
	Real estate for sale	**327**	391	**2,950**
	Costs on uncompleted construction contracts	**1,333**	1,339	**12,038**
	Accounts receivable-other	**6,711**	6,491	**60,622**
	Other	**312**	2,287	**2,815**
	Allowance for doubtful accounts	**(5)**	(4)	**(43)**
	Total current assets	**82,431**	87,542	**744,565**
Property, plant and equipment	Buildings	**14,021**	13,858	**126,643**
	Accumulated depreciation	**(7,622)**	(7,279)	**(68,846)**
	Buildings, net	**6,399**	6,579	**57,797**
	Structures	**446**	391	**4,033**
	Accumulated depreciation	**(332)**	(326)	**(3,002)**
	Structures, net	**114**	65	**1,031**
	Machinery and equipment	**2,187**	2,117	**19,760**
	Accumulated depreciation	**(1,573)**	(1,468)	**(14,211)**
	Machinery and equipment, net	**614**	649	**5,549**
	Vehicles	**109**	105	**985**
	Accumulated depreciation	**(96)**	(89)	**(866)**
	Vehicles, net	**13**	16	**119**
	Tools, furniture and fixtures	**1,259**	1,242	**11,368**
	Accumulated depreciation	**(1,131)**	(1,099)	**(10,216)**
	Tools, furniture and fixtures, net	**128**	143	**1,152**
	Land	**7,000**	7,000	**63,231**
	Lease assets	**58**	51	**530**
	Accumulated depreciation	**(22)**	(19)	**(201)**
	Lease assets, net	**36**	32	**329**
	Construction in progress	**1,547**	234	**13,969**
	Total property, plant and equipment, net	**15,851**	14,718	**143,177**
Investments and other assets	Intangible assets, net	**343**	338	**3,099**
	Investment securities (*2)	**4,205**	3,998	**37,979**
	Stocks of subsidiaries	**3,941**	3,585	**35,602**
	Investments in capital	**216**	221	**1,956**
	Long-term loans receivable	**171**	201	**1,542**
	Long-term loans receivable for employees	**16**	22	**142**
	Long-term loans receivable from subsidiaries and associates	**700**	300	**6,323**
	Long-term prepaid expenses	**76**	60	**688**
	Prepaid pension cost	**806**	376	**7,277**
	Other (*3)	**1,220**	1,217	**11,016**
	Allowance for doubtful accounts	**(201)**	(201)	**(1,813)**
	Total investments and other assets	**11,493**	10,117	**103,811**
Total		**¥109,775**	¥112,377	**¥991,553**

See notes to nonconsolidated financial statements

Nonconsolidated Balance Sheet
TOBISHIMA CORPORATION

As of March 31, 2021

LIABILITIES AND EQUITY		Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Current liabilities	Notes payable-trade	**¥394**	¥700	**$3,558**
	Electronically recorded obligations- operating	**6,383**	7,742	**57,653**
	Accounts payable for construction contracts	**18,015**	22,082	**162,721**
	Short-term borrowings (*4)	**3,020**	15,000	**27,279**
	Lease obligations	**12**	10	**115**
	Income taxes payable	**345**	1,210	**3,115**
	Advances received on uncompleted construction contracts	**6,124**	4,905	**55,315**
	Deposits received	**22,196**	19,299	**200,487**
	Provision for warranties for completed construction	**365**	251	**3,297**
	Provision for loss on construction contracts	**273**	339	**2,463**
	Other	**2,161**	1,679	**19,517**
	Total current liabilities	**59,288**	73,217	**535,520**
Long-term liabilities	Long-term borrowings (*5)	**10,000**	-	**90,326**
	Lease obligations	**27**	25	**248**
	Deferred tax liabilities	**132**	75	**1,190**
	Provision for share-based remuneration for directors (and other officers)	**28**	15	**251**
	Asset Retirement Obligations	**63**	62	**566**
	Other	**272**	240	**2,462**
	Total long-term liabilities	**10,522**	417	**95,043**
	Total liabilities	**69,810**	73,634	**630,563**
Equity	Common stock-authorized, 40,000 thousand shares;	**5,520**	5,520	**49,860**
	Issued, 19,310 thousand shares			
	Capital surplus			
	Legal capital surplus	**2,980**	2,980	**26,918**
	Other capital surplus	**3,258**	3,260	**29,425**
	Total capital surplus	**6,238**	6,240	**56,343**
	Retained earnings			
	Other retained earnings	**28,069**	26,821	**253,536**
	Retained earnings brought forward	**28,069**	26,821	**253,536**
	Total retained earnings	**28,069**	26,821	**253,536**
	Treasury stock-at cost:	**(578)**	(580)	**(5,218)**
	75,623 Shares			
	Total shareholders' equity	**39,249**	38,001	**354,521**
	Accumulated other comprehensive income			
	Unrealized gain on available-for-sale securities	**716**	742	**6,469**
	Foreign currency translation adjustment	**716**	742	**6,469**
	Total equity	**39,965**	38,743	**360,990**
Total		**¥109,775**	¥112,377	**$991,553**

See notes to nonconsolidated financial statements

Nonconsolidated Statement of Income
TOBISHIMA CORPORATION

Year ended March 31, 2021

		Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S.Dollars 2021
Net sales	Net sales of completed construction contracts	¥106,720	¥122,464	$963,962
	Net sales of development business and other	956	984	8,632
	Total net sales	107,676	123,448	972,594
Cost of sales	Cost of sales of completed construction contracts	96,696	108,916	873,419
	Cost of sales on development business and other	846	773	7,642
	Total cost of sales	97,542	109,689	881,061
Gross profit	Gross profit on completed construction contracts	10,024	13,548	90,543
	Gross profit on development business and other	110	211	990
	Gross profit	10,134	13,759	91,533
Selling, general and administrative expenses		6,506	6,491	58,762
Operating income		3,628	7,268	32,771
Other income (expenses)	Interest and dividends	10	5	87
	Interest on securities	2	3	16
	Dividend income	29	34	258
	Outsourcing service income	12	-	113
	Gain on compensation for damage received	11	-	103
	Interest on refund of consumption taxes	11	-	101
	Reversal of allowance for doubtful accounts	-	91	-
	Gain on sales of property, plant and equipment (*1)	0	0	1
	Gain on sales of investment securities	1	-	8
	Interest expense	(184)	(193)	(1,664)
	Commission for syndicate loan	(187)	(78)	(1,690)
	Loss on sales of property, plant and equipment (*2)	-	(0)	-
	Loss on retirement of property, plant and equipment (*3)	(1)	(23)	(10)
	Loss on valuation of golf club membership	(2)	-	(13)
	Other net	(71)	(158)	(640)
	Other expenses-net	(369)	(319)	(3,330)
Income before income taxes		3,259	6,949	29,441
Income taxes-current		981	1,482	8,861
Income taxes - deferred		68	648	614
Total income taxes		1,049	2,130	9,475
Net income		¥2,210	¥4,819	$19,966

See notes to nonconsolidated financial statements

Nonconsolidated Cost of Sales
TOBISHIMA CORPORATION

Year ended March 31,2021

Cost of sales of completed construction contracts	2021		2020		U.S.Dollars 2021	
Segment	amount (Millions of Yen)	distribution ratio(%)	amount (Millions of Yen)	distribution ratio(%)	Thousands of U.S.Dollars	distribution ratio(%)
Cost of materials	¥16,355	16.9%	¥18,325	16.8%	$147,726	16.9%
Cost of labor	2,082	2.2%	2,837	2.6%	18,804	2.2%
Outside order expenses for labor	1,991	2.1%	2,783	2.6%	17,982	2.1%
Cost of work contracted out	57,480	59.4%	65,704	60.3%	519,196	59.4%
Cost	20,779	21.5%	22,050	20.3%	187,693	21.5%
Employment cost	8,785	9.1%	8,866	8.1%	79,348	9.1%
Total	¥96,696	100.0%	¥108,916	100.0%	$873,419	100.0%

* Using job order costing

Cost of sales on development business and other	2021		2020		U.S.Dollars 2021	
Segment	amount (Millions of Yen)	distribution ratio(%)	amount (Millions of Yen)	distribution ratio(%)	Thousands of U.S.Dollars	distribution ratio(%)
Purchase of real property	¥64	7.6%	¥11	1.4%	$577	7.6%
Purchase of development of building lots	2	0.3%	2	0.3%	22	0.3%
Purchase of construction work	1	0.1%	1	0.2%	10	0.1%
Cost	779	92.0%	758	98.1%	7,033	92.0%
Employment cost	2	0.2%	-	-	20	0.2%
Total	¥846	100.0%	¥772	100.0%	$7,642	100.0%

* Using job order costing

Nonconsolidated Statement of Change in Equity

TOBISHIMA CORPORATION

Year ended March 31,2021

	Thousands		Millions of Yen						
	Outstanding number of Shares			Capital Surplus				Accumulated Other Comprehensive Income	
	Common Stock	Preferred Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Total Equity
Balance, April 1, 2019	**19,310**		**¥5,520**	**¥2,980**	**¥3,262**	**¥22,963**	**(¥455)**	**¥1,372**	**¥35,642**
Dividend of surplus						**(962)**			**(962)**
Net income						**4,819**			**4,819**
Disposal of treasury stock					**(2)**		**2**		**0**
Purchase of treasury stock							**(127)**		**(127)**
Net changes in the year								**(629)**	**(629)**
Balance, March 31, 2020 (April 1, 2020, as previously reported)	**19,310**		**5,520**	**2,980**	**3,260**	**26,820**	**(580)**	**743**	**38,743**
Dividend of surplus						**(962)**			**(962)**
Net income						**2,210**			**2,210**
Disposal of treasury stock					**(2)**		**7**		**5**
Purchase of treasury stock							**(5)**		**(5)**
Net changes in the year								**(27)**	**(27)**
Balance, March 31, 2021	**19,310**		**¥5,520**	**¥2,980**	**¥3,258**	**¥28,069**	**(¥578)**	**¥716**	**¥39,965**

	Thousands of U.S. Dollars						
		Capital Surplus				Accumulated Other Comprehensive Income	
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Total Equity
Balance, April 1, 2020	**$49,860**	**$26,918**	**$29,447**	**$242,260**	**($5,238)**	**$6,705**	**$349,952**
Dividend of surplus				**(8,690)**			**(8,690)**
Net income				**19,966**			**19,966**
Disposal of treasury stock			**(22)**		**68**		**46**
Purchase of treasury stock					**(48)**		**(48)**
Net changes in the year						**(236)**	**(236)**
Balance, March 31, 2021	**$49,860**	**$26,918**	**$29,425**	**$253,536**	**($5,218)**	**$6,469**	**$360,990**

See notes to nonconsolidated financial statements

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the nonconsolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 nonconsolidated financial statements to conform to the classifications used in 2021.

The nonconsolidated financial statements are stated in Japanese yen, the currency of the country in which Tobishima Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Cash Equivalents —** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds.

b. **Inventories —** Real estate for sale is stated at cost based on the specific identification method (or net selling value).

Costs on uncompleted construction contracts are stated at cost based on the specific identification method.

Costs on development business and other are stated at cost based on the specific identification method (or net selling value).

Materials and supplies are stated at cost based on the moving-average method (or net selling value).

c. **Marketable and Investment Securities —** Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity, are reported at amortized cost; and

(2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

d. **Property, Plant and Equipment (excluding leased items) —** Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Useful lives and residual values of assets held by the Company are in accordance with the regulations stipulated in the "Corporation Tax Law."

e. **Intangible Assets (excluding leased items)** — Intangible assets (excluding leased items) are amortized using the straight-line method.

Useful lives of these assets are in accordance with regulations stipulated in the "Corporation Tax Law."

Software for internal use is amortized by the straight-line method based on an estimated useful life of five years.

f. **Lease Assets —** Assets resulting from financial lease transactions for which ownership does not transfer at the end of the lease are deprecated by the straight-line method with the leasing period as the useful life and residual value as zero.

g. **Allowance for Doubtful Accounts —** To prepare for losses from defaults on sales receivables, loans receivable, and other accounts receivable, the Company reports the estimated uncollectible amounts for general claims based on its past default rates and for specific accounts with acknowledged credit risks based on an evaluation of the possibility of collection on an individual basis.

h. **Provision for Warranties for Completed Construction —** The provision is recorded in an amount based on the Company's experience, with an additional amount deemed necessary in the future for execution of warranty obligations regarding construction projects.

i. **Provision for Loss on Construction Contracts —** The provision is recorded in an amount deemed necessary at term end on the basis of estimated losses on construction contracts in the future.

j. **Retirement and Pension Plans —** The Company has a cash balance plan as a defined benefit corporate pension program. Under this program, a hypothetical individual employee account equivalent to the funded amount and the pension resources for annuities is set up for each plan participant. Seniority points based on length of service, merit points based on the level of competence, and interest credits based on market interest rates are accumulated in the hypothetical account.

In addition, the Company had also participated in an employee welfare fund for construction workers, which was a multi-employer plan. This fund was dissolved in September 2016, and while it is currently in the process of liquidation, the dissolution is not expected to result in additional obligations for the Company. As reasonable estimates are not available for plan assets corresponding to the Company's contribution for the employee pension fund and corporate pension fund programs, the same accounting method as that used for defined contribution programs is applied.

Retirement benefit obligations are calculated using straight-line attribution to allocate projected retirement benefit payments to the end of the current fiscal year.

Unrecognized actuarial loss is amortized over 10 years, within the remaining average service period of employees when recognized, using the straight-line method beginning with the year following recognition.

Unrecognized prior service cost is amortized over five years, within the remaining average service period of employees when recognized, using the straight-line method.

k. **Provision for share-based remuneration for directors (and other officers) —** The provision is recorded in an amount deemed necessary at term end based on the regulations for share-based remuneration for directors (and other officers).

l. **Research and Development Costs —** Research and development costs are charged to income as incurred.

m. **Construction Contracts —** Net sales of completed construction contracts and cost of sales of completed construction contracts are recognized by applying the percentage-of-completion method (percentage-of-completion is estimated by cost-to-cost approach) if the outcome of a construction project as of the end of the fiscal year can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction project is deemed to be estimated reliably. If the outcome of a construction project cannot be reliably estimated, the completed-contract method is applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

n. **Income Taxes —** The provision for income taxes is computed based on the pretax income included in the nonconsolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

o. **Accounting for Consumption Tax —** Consumption tax is excluded from sales, cost of sales, and expenses.

p. **Accounting principles and procedures adopted when the provisions of relevant accounting standards are not obvious —** Joint ventures related to construction work were incorporated into the Group's accounting without being recognized as separate organizations, and the amount of completed construction work and cost of completed construction work are recorded according to the percentage of investment in the joint ventures.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Amount of income and expenses based on the percentage-of-completion method

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Net sales of completed construction contracts by the percentage-of-completion method is 100,767 million yen.

(2) Information on significant accounting estimates for identified items

Omitted since the same information is presented in the SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES of Notes to Consolidated Financial Statements

4. ADDITIONAL INFORMATION

a. **Summary of performance-linked share-based remuneration plan for directors**

Omitted since the same information is presented in the SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of Notes to Consolidated Financial Statements.

b. **Application of the "Accounting Standard for Disclosures about Accounting Policies, Accounting Changes and Error Corrections"**

Omitted since the same information is presented in the ADDITIONAL INFORMATION of Notes to Consolidated Financial Statements

【Notes to the Nonconsolidated Balance Sheet】

1. Assets pledged as collateral
The Company has pledged the following assets as collateral for guarantee money for operations:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
*1 Marketable securities	¥ 13 million	¥ 13 million
*2 Investment securities	85	99
*3 Investments and other assets "Other" (Long-term guarantee money)	190	177
Total	¥ 288 million	¥ 289 million

2. Contingent liabilities
(1) The Company provides guarantees for liability for the following companies as shown below:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
E & CS Co., Ltd. (payable trade, Notes receivable-trade)	¥ 0 million	¥ 7 million
Tobishima Brunei Sdn. Bhd. (performance bond)	292	291
Total	¥ 292 million	¥ 298 million

3. *4 *5: Syndicated term loan agreements

Current fiscal year (as of March 31, 2021):

The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:

(a) The Company must maintain the amount of net assets in the consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ending March 2020, and more than 75% of the amount of net assets in the consolidated balance sheet as of the end of the previous fiscal year;

(b) The Company must maintain the amount of net assets in the non-consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the fiscal year ending March 2020, and more than 75% of the amount of net assets in the mon-consolidated balance sheet as of the end of the previous fiscal year;

(c) The Company must avoid reporting ordinary loss in the consolidated statement of income presented at the end of each fiscal year for two consecutive years;

(d) The Company must avoid reporting ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year for two consecutive years.

Prior fiscal year (as of March 31, 2020):

The Company has signed syndicated term loan agreements with financial institutions (total amount: ¥10,000 million), with the following restrictive financial covenants attached:

(a) The Company must maintain the amount of net assets in the consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the consolidated balance sheet as of the end of the previous fiscal year

(b) The Company must maintain the amount of net assets in the non-consolidated balance sheet at the end of each fiscal year's closing date more than 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the fiscal year ending March 2017, and more than 75% of the amount of net assets in the mon-consolidated balance sheet as of the end of the previous fiscal year;

(c) The Company must avoid reporting ordinary loss in the consolidated statement of income presented at the end of each fiscal year for two consecutive years;

(d) The Company must avoid reporting ordinary loss in the nonconsolidated statement of income presented at the end of each fiscal year for two consecutive years.

4. The Company has entered into commitment line agreements with five banks to make flexible and stable procurement of working capital.
Contract maximum amounts and borrowing execution balances at the end of nonconsolidated fiscal years are as follows.

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Contract maximum amount	¥ 5,000 million	¥ 10,000 million
Borrowing execution balance	—	—
Deducted amount	¥ 5,000 million	¥ 10,000 million

【Notes to the Nonconsolidated Statement of Income】

1. *1: The breakdown of gain on sales of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Machinery and equipment	**¥ 0 million**	¥ — million
Vehicles	**—**	0
Total	**¥ 0 million**	¥ 0 million

2. *2: The breakdown of loss on sales of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Vehicles	**¥ — million**	¥ 0 million
Total	**¥ — million**	¥ 0 million

3. *3: The breakdown of loss on retirement of property, plant and equipment is as followss:

	Current fiscal year (from April 1, 2020 to March 31, 2021)	Prior fiscal year (from April 1, 2019 to March 31, 2020)
Buildings	**¥ 1 million**	¥ 23 million
Others	**0**	0
Total	**¥ 1 million**	¥ 23 million

【Income Taxes】

1. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, are as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Deferred tax assets		
Tax loss carryforwards	**¥ — million**	¥ — million
Loss on valuation of real estate for sale	**1,497**	1,477
Impairment loss	**1,022**	1,023
Other	**883**	888
Deferred tax assets subtotal	**3,402**	3,388
Less valuation allowance for tax loss carry forwards	**—**	—
Less valuation allowance for deductible temporary difference	**(2,971)**	(3,021)
Valuation allowance	**(2,971)**	(3,021)
Deferred tax assets total	**431**	367
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	**(316)**	(327)
Other	**(247)**	(115)
Deferred tax liabilities total	**(562)**	(442)
Net deferred tax liabilities	**¥ (132) million**	¥ (75) million

2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying nonconsolidated statement of income for the years ended March 31, 2021 and 2020, is as follows:

	Current fiscal year (as of March 31, 2021)	Prior fiscal year (as of March 31, 2020)
Statutory tax rate	**30.6 %**	— %
(Reconciliation)		
Permanently non-deductible income	**2 %**	— %
Permanently non-deductible expenses	**(0.0) %**	— %
Per capita inhabitant tax	**3.3 %**	— %
Valuation allowance	**(3.7) %**	— %
Effective tax rate after application of tax effect accounting	**32.2 %**	— %

Note: Omitted for the prior fiscal year since the difference between the statutory tax rate and effective tax rate after application of tax effect accounting is less than 5 percent of the statutory tax rate.

【Business Combinations and Business Divestitures】

Not applicable

Board of Directors

President and Representative Director
Masahiro Norikyo

Representative Director
Yasuo Terashima

Directors
Seiichi Okuyama
Takuji Arao
Shinichiro Sato
Mitsuhiko Takahashi
Takashi Aihara
Akitaka Saiki
Takako Masai

Corporate Auditors
・**Standing Auditors**
Takashi Hagisako
Hiroshi Ito
・**Auditors**
Toshiya Natori
Aki Nakanishi

Executive Officers

Chief Executive Officer
Masahiro Norikyo

Executive Vice-Presidents
Yasuo Terashima
Seiichi Okuyama

Senior Managing Executive Officers
Takuji Arao
Shinichiro Sato
Mitsuhiko Takahashi
Jiro Taki

Managing Executive Officers
Kazuya Taniguchi
Masakazu Oya
Toshimori Souma
Shinya Sogabe
Toshiyuki Matsubara
Yasunori Inaba
Kazuhiro Tashiro

Executive Officers
Kazuhiko Inoue
Katsuhiro Togashi
Akiyoshi Ban
Shiro Takeki
Kunji Nakagawa
Katsuo Shimada
Junichi Fukada

International Operations Division
W BLDG. 3F
1-8-15, Konan, Minato-ku,
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Phone 03-6455-8390
Fax 03-6455-8391

Overseas Offices

Brunei Office
Unit 6, 2nd floor, Block J, Abdul Razak Complex, Gadong, BE 2719, Bandar Seri Begawan, Negara Brunei Darussalam
Phone 673-2-425946
Fax 673-2-422041

Pakistan Office
1st Floor, Plot No.55-C, U-Fone Tower, Jinnah Avenue, Islamabad, Pakistan
Phone 92-51-2310510
Fax 92-51-2310512

Myanmar Office
No.1105, Times City Office 3, Hanthawaddy Road, Kamayut Township, Yangon, Myanmar
Phone 95-9-44643-2434

Overseas Subsidiaries

Tobishima (Brunei) Sdn.Bhd.
Unit 6, 2nd floor, Block J, Abdul Razak Complex, Gadong, BE 2719, Bandar Seri Begawan, Negara Brunei Darussalam

Employees by Occupation
(As of March 31, 2021)

Administrative Officers	216
Civil Engineers	507
Building Engineers	386
Mechanical Engineers	17
Electrical Engineers	10
Other Equipment Engineers	46
Employees of the subsidiaries	301
Total	1,483

Year of Establishment
March 1947
(Predecessor founded in 1883)

Stock Information
(As of March 31, 2021)

Paid-In Capital: ¥5,519,942,968

Number of Shares Authorized:
Common Stock 40,000,000 shares

Number of Shares Issued:
Common Stock 19,310,4366 shares

The total number of shares issued includes 75,623 treasury stocks.

Number of Shareholders: 31,206

ENGINEERING & CONSTRUCTION
TOBISHIMA CORPORATION
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