Tobishima

Annual Report

2024

PROFILE

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.

Construction of the new Aki City Hall [Kochi]

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.

Project for Strengthening Nzove- Ntora Principal Water Transmission Pipeline in Kigali City [Rwanda]

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.

Consolidated Financial Highlights

Year ended March 31, 2024

		Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars 2024
For the Year:	Net sales	**¥ 132,049**	¥ 125,942	**$ 872,131**
	Income before income taxes	**4,964**	3,671	**32,787**
	Net income attributable to owners of parent	**3,404**	3,038	**22,480**
At Year-end:	Total assets	**¥ 150,869**	¥ 128,056	**$ 996,430**
	Total net assets	**48,803**	45,730	**322,325**
Per Share of Common Stock:	(in yen and dollars):			
	Basic net income	**¥ 177.86**	¥ 158.81	**$ 1.175**
	Net assets	**2,549.14**	2,389.71	**16.836**

Note 1: U.S. dollar amounts here and elsewhere in this annual report are translated from yen at the rate of ¥151.41=US$1.00, the rate on March 31, 2024 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 you for your continued support.

The speed of social change is accelerating further, and corporate management is required to take a proactive approach with a broad focus on society, such as responding to SDGs, ESG, and carbon neutrality.

Driven by the “innovation mind” that is Tobishima’s DNA, we will “realize corporate sustainability” centered on DX, and “contribute to the sustainability of society” through the practice of our founding spirit of “Rita-Riko (Compassion brings its own benefit)”.
And we will promote SX (Sustainability Transformation) management that aims to achieve both.

We appreciate your continued support for the ever-evolving Tobishima Group.

June 2024

Masahiro Norikyo

Masahiro Norikyo

President and Representative Director

Consolidated Balance Sheet

TOBISHIMA CORPORATION

As of March 31, 2024

ASSETS		Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars 2024
Current assets	Cash and cash equivalents	¥ 23,673	¥ 20,088	$ 156,351
	Real estate for sale	616	2,322	4,068
	Notes receivable, accounts receivable from completed construction contracts, and other (*1)	76,325	60,240	504,094
	Allowance for doubtful accounts	-	-	-
	Costs on uncompleted construction contracts and other (*2)	1,589	2,298	10,495
	Costs on development business and other (*3)	8,806	9,453	58,160
	Other (*4)	10,229	6,215	67,558
	Total current assets	121,238	100,616	800,726
Property, plant and equipment	Buildings and structures (*5)	19,294	18,437	127,427
	Machinery, equipment, furniture and fixtures	3,844	3,864	25,385
	Land	7,622	7,835	50,338
	Lease assets	139	137	917
	Construction in progress	181	104	1,202
	Accumulated depreciation	(12,786)	(12,238)	(84,443)
	Total property, plant, and equipment, net	18,294	18,139	120,826
Investments and other assets	Investment securities (*6)	4,763	4,442	31,456
	Retirement benefit assets	3,383	2,180	22,342
	Intangible assets, net	1,465	949	9,677
	Other (*7)	1,927	1,931	12,729
	Allowance for doubtful accounts	(201)	(201)	(1,326)
	Total investments and other assets	11,337	9,301	74,878
Total		¥ 150,869	¥ 128,056	$ 996,430

See notes to consolidated financial statements

LIABILITIES AND EQUITY		Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars 2024
Current liabilities	Notes payable, accounts payable for construction contracts and other (*8)	¥ 28,593	¥ 27,177	$ 188,843
	Short-term borrowings (*9)	18,359	11,271	121,256
	Advances received on uncompleted construction contracts	8,477	8,797	55,985
	Deposits received	25,098	21,427	165,761
	Provision for warranties for completed construction	209	518	1,377
	Provision for loss on construction contracts (*10)	191	598	1,262
	Other	2,911	4,408	19,231
	Total current liabilities	83,838	74,196	553,715
Long-term liabilities	Liability for retirement benefits	58	50	381
	Long-term borrowings (*11)	16,487	7,373	108,890
	Provision for share-based remuneration for directors (and other officers)	68	60	447
	Provision for retirement benefits for directors (and other officers)	195	8	1,287
	Other	1,420	639	9,385
	Total long-term liabilities	18,228	8,130	120,390
	Total liabilities	¥ 102,066	¥ 82,326	$ 674,105
Equity	Common stock—authorized, 40,000 thousand shares; Issued, 19,310 thousand shares	¥ 5,520	¥ 5,520	$ 36,457
	Capital surplus	6,235	6,236	41,180
	Retained earnings	35,948	33,698	237,423
	Treasury stock—at cost: 83,920 shares	(567)	(576)	(3,747)
	Accumulated other comprehensive income			
	Unrealized gain on available-for-sale securities	976	644	6,450
	Foreign currency translation adjustments	29	21	190
	Defined retirement benefit plans	647	177	4,270
	Total	1,652	842	10,910
	Noncontrolling interest	15	10	102
	Total equity	48,803	45,730	322,325
Total		¥ 150,869	¥ 128,056	$ 996,430

See notes to consolidated financial statements

Consolidated Statement of Income

TOBISHIMA CORPORATION

Year ended March 31, 2024

		Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars 2024
Net sales	Net sales of completed construction contracts	¥ 121,218	¥ 117,436	$ 800,597
	Net sales of development business and other	10,831	8,506	71,534
	Total net sales (*1)	132,049	125,942	872,131
Cost of sales	Cost of sales of completed construction contracts (*2)	108,003	105,358	713,319
	Cost of sales on development business and other	9,007	6,979	59,485
	Total cost of sales	117,010	112,337	772,804
Gross profit	Gross profit on completed construction contracts	13,215	12,078	87,278
	Gross profit on development business and other	1,824	1,526	12,049
	Gross profit	15,039	13,604	99,327
Selling, general, and administrative expenses (*3)		9,787	9,458	64,638
Operating income		5,252	4,146	34,689
Other income (expenses)	Interest and dividends	41	29	271
	Foreign exchange gains	122	116	807
	Gain on sales of property, plant and equipment (*4)	216	129	1,424
	Interest expense	(289)	(229)	(1,907)
	Share of loss of entities accounted for using equity method	(120)	(96)	(795)
	Commission for syndicate loan	(156)	(163)	(1,031)
	Loss on sales of property, plant and equipment (*5)	-	(54)	-
	Loss on retirement of property, plant and equipment (*6)	(21)	(76)	(136)
	Loss on valuation of investment securities	(16)	-	(106)
	Other net	(65)	(131)	(429)
	Other expenses—net	(288)	(475)	(1,902)
Income before income taxes		4,964	3,671	32,787
Income taxes	Current	1,128	608	7,455
	Deferred	431	24	2,847
	Total income taxes	1,559	632	10,302
Net income		3,405	3,039	22,485
Net income (loss) attributable to noncontrolling interests		1	1	5
Net income attributable to owners of parent		¥ 3,404	¥ 3,038	$ 22,480

	Yen 2024	Yen 2023	U.S. Dollars 2024
Per share of common stock			
Basic net income	177.86	158.81	1.175
Cash dividends applicable to the year	70.00	60.00	0.462

See notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

TOBISHIMA CORPORATION

Year ended March 31, 2024

	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars 2024
Net income	¥ 3,405	¥ 3,039	$ 22,485
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	332	13	2,194
Foreign currency translation adjustments	9	14	60
Adjustment for retirement benefits	470	(251)	3,104
Total other comprehensive (loss) income (*1)	811	(224)	5,358
Comprehensive income	4,216	2,815	27,843
Total comprehensive income			
Attributable to:			
Owners of the parent	¥ 4,214	¥ 2,813	$ 27,832
Non controlling interest	2	2	11

See notes to consolidated financial statements

Consolidated Statement of Change in Equity

TOBISHIMA CORPORATION

Year ended March 31, 2024

	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, 2022	**19,310**		**¥ 5,520**	**¥ 6,237**	**¥ 31,621**	**(¥ 581)**	**¥ 631**	**¥ 8**	**¥ 428**	**¥ 43,864**	**¥ 8**	**43,873**
Cash dividends, ¥ 50 per share					**(961)**					**(961)**		**(961)**
Net income attributable to owners of the parent					**3,038**					**3,038**		**3,038**
Disposal of treasury stock				**(1)**		**8**				**7**		**7**
Purchase of treasury stock						**(3)**				**(3)**		**(3)**
Change in scope of consolidation										**-**		**-**
Net changes in the year							**13**	**13**	**(251)**	**(225)**	**2**	**(223)**
Balance, April 1, 2023 (March 31, 2023)	**19,310**		**5,520**	**6,236**	**33,698**	**(576)**	**644**	**21**	**177**	**45,720**	**10**	**45,730**
Cash dividends, ¥ 60 per share					**(1,154)**					**(1,154)**		**(1,154)**
Net income attributable to owners of the parent					**3,404**					**3,404**		**3,404**
Disposal of treasury stock				**(1)**		**12**				**11**		**11**
Purchase of treasury stock						**(3)**				**(3)**		**(3)**
Change in scope of consolidation										**-**		**-**
Net changes in the year							**332**	**8**	**470**	**810**	**5**	**815**
Balance, March 31, 2024	**19,310**		**¥ 5,520**	**¥ 6,235**	**¥ 35,948**	**(¥ 567)**	**¥ 976**	**¥ 29**	**¥ 647**	**¥ 48,788**	**¥ 15**	**¥ 48,803**

	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, April 1, 2023 (March 31, 2023)	**$ 36,457**	**$ 41,188**	**$ 222,563**	**($ 3,804)**	**$ 4,256**	**$ 135**	**$ 1,166**	**$ 301,961**	**$ 68**	**$ 302,029**
Cash dividends, $ 0.396 per share			**(7,620)**					**(7,620)**		**(7,620)**
Net income attributable to owners of the parent			**22,480**					**22,480**		**22,480**
Disposal of treasury stock		**(8)**		**78**				**70**		**70**
Purchase of treasury stock				**(21)**				**(21)**		**(21)**
Change in scope of consolidation								**-**		**-**
Net changes in the year					**2,194**	**55**	**3,104**	**5,353**	**34**	**5,387**
Balance, March 31, 2024	**$ 36,457**	**$ 41,180**	**$ 237,423**	**($ 3,747)**	**$ 6,450**	**$ 190**	**$ 4,270**	**$ 322,223**	**$ 102**	**$ 322,325**

See notes to consolidated financial statements

Consolidated Statement of Cash Flows

TOBISHIMA CORPORATION

Year ended March 31, 2024

Operating activities	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars 2024
Income before income taxes	¥ 4,964	¥ 3,671	$ 32,787
Adjustment for:			
Income taxes paid	(738)	(544)	(4,877)
Depreciation and amortization	993	941	6,558
Amortization of goodwill	95	127	628
(Decrease) in allowance for doubtful accounts	-	(6)	-
(Decrease) increase in provision for warranties for completed construction	(310)	102	(2,046)
(Decrease) increase in provision for loss on construction contracts	(407)	432	(2,690)
Increase in retirement benefit liability	7	7	47
(Increase) in retirement benefit asset	(526)	(600)	(3,471)
Interest and dividend income	(41)	(29)	(271)
Interest expenses	289	229	1,907
Foreign exchange gain	(98)	(54)	(645)
Compensation for pneumoconiosis damages	2	-	14
(Gain) on sales of investment securities	(0)	(0)	(0)
Loss on valuation of investment securities	16	-	106
Loss (gain) on investments in investment partnerships	0	(17)	1
Share of loss of entities accounted for using equity method	120	96	795
(Gain) on sales of property, plant and equipment	(215)	(35)	(1,419)
(Increase) in notes and accounts receivable—trade	(15,915)	(3,106)	(105,110)
Decrease (increase) in real estate for sale	1,706	(1,707)	11,266
Decrease (increase) in costs on uncompleted construction contracts and other	767	(119)	5,067
Decrease (increase) in costs on development business and other	647	(2,746)	4,270
(Increase) decrease in consumption taxes refund receivable	(3,525)	938	(23,283)
(Increase) decrease in accounts receivable-other	(257)	352	(1,699)
Decrease in other assets	76	33	504
Increase in notes and accounts payable—trade	1,262	884	8,332
(Decrease) increase in advances received on uncompleted construction contracts	(321)	3,371	(2,117)
(Decrease) increase in advances received on development business and other	(282)	13	(1,860)
Increase in deposits received	3,669	2,351	24,234
(Decrease) increase in accrued consumption taxes	(1,857)	1,955	(12,266)
Increase (decrease) in other liabilities	139	(64)	919
Interest and dividends receivable	34	30	224
Interest expenses paid	(284)	(237)	(1,874)
Compensation for pneumoconiosis damages paid	(35)	-	(235)
Other, net	32	65	207
Total Adjustments	(14,957)	2,662	(98,784)
Net cash provided by (used in) operating activities	(9,993)	6,333	(65,997)
Investing activities			
Proceeds from sales of short-term investment securities	-	34	-
Purchase of property, plant and equipment	(1,174)	(538)	(7,751)
Proceeds from sales of property, plant and equipment	476	636	3,147
Purchase of intangible assets	(713)	(158)	(4,714)
Purchase of investment securities	(5)	(538)	(34)
Proceeds from sales of investment securities	29	9	191
Proceeds from distribution from investment partnerships	15	117	99
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(79)	-	(522)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	6	-	43
Payments of loans receivable	(11)	(2)	(76)
Collection of loans receivable	9	7	59
Other, net	6	(76)	38
Net cash used in investing activities	(1,441)	(509)	(9,520)
Financing activities			
Net (decrease) in short-term borrowings	15,850	-	104,683
Proceed from long-term borrowings	12,721	6,445	84,017
Repayments of long-term borrowings	(12,484)	(3,996)	(82,449)
Cash dividends paid	(1,154)	(961)	(7,620)
Other, net	(21)	(41)	(143)
Net cash (used in) provided by financing activities	14,912	1,447	98,488
Foreign currency translation adjustments on cash and cash equivalents	107	68	704
Net increase (decrease) in cash and cash equivalents	3,585	7,339	23,675
Cash and cash equivalents at beginning of year	20,088	12,749	132,676
Cash and cash equivalents, end of year	¥ 23,673	¥ 20,088	$ 156,351

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 2023 consolidated financial statements to conform to the classifications used in 2024.

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 ¥ 151.41 to $ 1, the approximate rate of exchange at March 31, 2024. 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, 2024, include the accounts of the Company and its nine (eight in 2023) significant subsidiaries (together, the "Group").

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, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (1 in 2023) associated company is accounted for by the equity method.

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:

Available-for-sale 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.

As for investments in investment limited partnerships and other similar partnerships, which are deemed to be securities in accordance with Article 2, paragraph (2) of the Japanese Financial Instruments and Exchange Act, the Group's share of each partnership's equity and net income or loss are recognized on a net basis based on the partnership's most recent financial statements that are available depending on the reporting date prescribed in the relevant partnership agreement.

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 depreciated 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.

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. **Basis for recognition of significant revenues and expenses**

The Company and its consolidated subsidiaries are principally engaged in the construction business (civil engineering and building construction) based on construction contracts with customers. Furthermore, their main performance obligations are for new construction and repair of civil engineering structures and buildings.

The main performance obligation of the development business is to sell real estate.

In the construction business, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of performance obligations in the construction contracts, if the progress can be estimated reasonably. The percentage-of-completion estimate and revenue recognition is based on the estimated final construction profit multiplied by the ratio of the cost of construction already incurred to the estimated final construction cost (cost proportion method), which is added to the cost of construction already incurred and recognized as construction completed. When the stage of completion cannot be reasonably estimated, but the costs incurred are expected to be recovered, revenue is recognized on a cost recovery basis. When the time required to satisfy a performance obligation is very short, the Company recognizes revenue when the performance obligation is satisfied.

The Company recognizes revenue from real estate sales when the properties are delivered.

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 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.

t. **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.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Amount of revenue recognized over a period of time as performance obligations are satisfied

(1) Amount recorded in the consolidated financial statements

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Net sales of completed construction contracts	**¥ 110,665 million**	¥ 108,239 million

(2) Information on significant accounting estimates for identified items

1. Calculation method

The amount of Net sales of complete construction contracts recognized over a certain period of time as performance obligations are satisfied is calculated by multiplying the percentage of completion by the total amount of construction revenue. 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 in the consolidated financial statements for the following fiscal year.

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) from the Fiscal Year 2019. 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 ¥ 98 million with the number of shares of 87 thousand for the current consolidated fiscal year and ¥ 108 million with the number of shares of 96 thousand for the prior consolidated fiscal year.

【Notes to the Consolidated Balance Sheet】

1. *1: In this figure, the amounts of receivables and contract assets arising from contracts with customers are as follows:

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Notes receivable	¥ 497 million	¥ 1,097 million
Accounts receivable from completed construction contracts	20,263	18,699
Contract assets	55,511	39,783

2. *6: In this figure, the amounts pertaining to non-consolidated subsidiaries and affiliated companies are as follows:

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Investment securities (stock)	¥ 273 million	¥ 394 million
(of which, the amount of investments in jointly controlled entities)	(273)	(394)

3. Assets pledged as collateral

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

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
*3 Costs on development business and other	¥ 7,847 million	¥ 7,039 million
*5 Buildings and structures	456	—
Total	¥ 8,303 million	¥ 7,039 million

The debts related to the above collateral are as follows:

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
*9 Short-term borrowings	¥ 1,656 million	¥ 471 million
*11 Long-term borrowings	5,330	5,960
Total	¥ 6,986 million	¥ 6,431 million

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

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
*4 Marketable securities	¥ 6 million	¥ 3 million
*6 Investment securities	65	78
*7 Investments and other assets “Other” (Long-term guarantee money)	211	207
Total	¥ 282 million	¥ 288 million

4. *2 *10: 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, 2024)	Prior fiscal year (as of March 31, 2023)
¥ 43 million	¥ 51 million

5. *9 *11: Syndicated term loan agreements

Current fiscal year (as of March 31, 2024)

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 2023, 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 2023, and more than 75% of the amount of net assets in the non-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, 2023):

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 non-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.

6. The Company has entered into commitment line agreements 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, 2024)	Prior fiscal year (as of March 31, 2023)
Contract maximum amount	¥ 10,000 million	¥ 10,000 million
Borrowing execution balance	—	—
unused committed credit facilities	¥ 10,000 million	¥ 10,000 million

7. *9: The Company has entered into a syndicated revolving line of credit agreements with ten banks to make flexible and stable procurement of working capital. The contract maximum amounts and borrowing execution balances at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal years are as follows:

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Contract maximum amount	¥ 15,000 million	¥ 15,000 million
Borrowing execution balance	15,000	—
Unused revolving credit facilities	¥ — million	¥ 15,000 million

8. Accounting for bills maturing at the end of the fiscal year is settled on the date of exchange of bills or the date of settlement. Since the last day of the current consolidated fiscal year was a holiday for financial institutions, bills maturing at the end of the next fiscal year were included in the balance at the end of the fiscal year.

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
*1 Notes receivable	¥ 2 million	¥ — million
*8 Accounts receivable from completed construction contracts	22	—
*8 Notes payable	37	—

【Notes to the Consolidated Statement of Income】

1. *1: Revenue from contracts with customers

Revenues are not separately presented for revenues arising from contracts with customers and other revenues. The amount of revenue arising from contracts with customers is presented in “Notes (Segment Information)” to the consolidated financial statements.

2. *2: Provision for loss on construction contracts included in “Cost of sales of completed construction contracts” is as follows:

Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
¥ 132 million	¥ 481 million

3. *3: Major expense items and amounts are as follows:

	Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Provision for share-based remuneration for directors (and other officers)	¥ 23 million	¥ 22 million
Employee salaries	3,859	3,800
Retirement benefit costs	62	58
Provision for retirement benefits for directors (and other officers)	5	6
Research and development expenses	900	995

4. *3: R&D expenses included in “Selling, general and administrative expenses” are as follows:

Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
¥ 900 million	¥ 994 million

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

	Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Land	¥ 201 million	¥ 73 million
Others	15	56
Total	¥ 216 million	¥ 129 million

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

	Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Buildings	¥ — million	¥ 54 million
Total	¥ — million	¥ 54 million

7. *6: The breakdown of loss on retirement of property, plant and equipment is as follows:

	Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Buildings	**¥ 15 million**	¥ 74 million
Structures	**4**	0
Others	**2**	2
Total	**¥ 21 million**	¥ 76 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, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Unrealized gain on available-for-sale securities		
Amount arising during current fiscal year	**¥ 479 million**	¥ 18 million
Reclassification adjustment	**(0)**	(0)
Adjustment before tax effect	**479**	18
Tax effect	**(147)**	(5)
Unrealized gain on available-for-sale securities	**332**	13
Foreign currency translation adjustment		
Amount arising during current fiscal year	**9**	14
Remeasurements of defined benefit plans		
Amount arising during current fiscal year	**719**	(256)
Reclassification adjustment	**(42)**	(106)
Adjustment before tax effect	**677**	(362)
Tax effect	**(207)**	111
Remeasurements of defined benefit plans	**470**	(251)
Total other comprehensive income (loss)	**¥ 811 million**	¥ (224) million

【Notes to the Consolidated Statement of Changes in Equity】

Current fiscal year (from April 1, 2023 to March 31, 2024)

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**	**2**	**9**	**171**

Note1: In the Common stock at the beginning and end of the current consolidated fiscal year, 96 thousand shares and 88 thousand shares of the Company's stock which are held by the Board Benefit Trust (BBT) are included, respectively.

Note2: The increase in the number of shares of common stock are due to 2 thousand shares increased by the purchase of shares constituting 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 the sale of shares constituting less than one unit of common stock and 9 thousand shares decreased by the distribution from 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 29, 2023	**Common stock**	**¥ 1,154 million**	**Retained earnings**	**¥ 60.00**	**March 31, 2023**	**June 30, 2023**

Note: The total amount of dividends based on the resolution of the Ordinary General Shareholders' Meeting on June 29, 2023 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 27, 2024	**Common stock**	**¥ 1,346 million**	**Retained earnings**	**¥ 70.00**	**March 31, 2024**	**June 28, 2024**

Note: The total amount of dividends based on the resolution of the Ordinary General Shareholders' Meeting on June 27, 2024 includes 6 million yen of dividends for the Company's shares held by the Board Benefit Trust (BBT).

Prior fiscal year (from April 1, 2022 to March 31, 2023)

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	**182**	**3**	**7**	**178**

Note1: In the Common stock at the beginning and end of the current consolidated fiscal year, 96 thousand shares 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 3 thousand shares increased by the purchase of shares constituting 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 the sale of shares constituting less than one unit of common stock and 7 thousand shares decreased by the distribution from 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 29, 2022	**Common stock**	**¥ 961 million**	**Retained earnings**	**¥ 50.00**	**March 31, 2022**	**June 30, 2022**

Note: The total amount of dividends based on the resolution of the Ordinary General Shareholders' Meeting on June 29,2022 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, 2023	**Common stock**	**¥ 1,154 million**	**Retained earnings**	**¥ 60.00**	**March 31, 2023**	**June 30, 2023**

Note: The total amount of dividends based on the resolution of the Ordinary General Shareholders' Meeting on June 29,2023 includes 5 million yen of dividends for the Company's shares held by the Board Benefit Trust (BBT).

【Lease Transactions】

1. Finance lease transactions (as lessee)

Nontransferable ownership finance leases
(1) Content of lease assets
Tangible assets:
Vehicles and furniture and fixtures.
(2) Method of depreciation of lease assets
The method of depreciation of lease assets is presented in "h. Lease Assets" under Summary of Significant Accounting Policies.

2. Operating lease transactions

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

(As lessee)

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Due within one year	**¥ — million**	¥ 31 million
Due after one year	**—**	—
Total	**¥ — million**	¥ 31 million

(As lessor)

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Due within one year	**¥ 78 million**	¥ — million
Due after one year	**1,307**	—
Total	**¥ 1,385 million**	¥ — million

【Financial Instruments and Related Disclosures】

1. Status of financial instruments

(1) Group policy for financial instruments

The Group 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 Group 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 Group 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.

Marketable and investment securities consist primarily of equity in companies with which the Group 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 Group 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 Group 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, determined under the Management Guidelines for Derivatives. The Group 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.

Current fiscal year (as of March 31, 2024)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Marketable and investment securities			
Available-for-sale securities	**¥ 2,591**	**¥ 2,591**	**¥ —**
Liabilities			
(2) Long-term borrowings (Note2)	**¥ 18,576**	**¥ 18,562**	**¥ (14)**

Prior fiscal year (as of March 31, 2023)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Assets			
(1) Marketable and investment securities			
Available-for-sale securities	**¥ 2,111**	**¥ 2,111**	**¥ —**
Liabilities			
(2) Long-term borrowings (Note2)	**¥ 18,244**	**¥ 18,238**	**¥ (6)**

Note1: “Cash and deposits,” “Notes receivable, accounts receivable from completed construction contracts,” “Notes payable, accounts payable for construction contracts,” and “Short-term borrowings” are omitted because the fair value approximates the book value due to cash and short-term settlements.

Note2: (2) Long-term borrowings includes current portion of long-term debt.

Note3: Descriptions regarding investments in limited partnerships and other similar entities in which the net amount of equity interest is recorded on the consolidated balance sheets are omitted. The amounts of such investments in the consolidated balance sheets were 165 million yen in the current fiscal year and 180 million yen in the previous fiscal year.

Note4: Stocks and other securities without market prices are not included in "(1) Marketable and investment securities Available-for-sale securities." The consolidated balance sheet amounts of such financial instruments are as follows:

Classification	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Unlisted stocks	¥ 2,013 million	¥ 2,154 million

Note5: Maturity analysis for financial assets and securities with contractual maturities:

Current fiscal year (as of March 31, 2024)

	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	¥ 23,673	¥ —	¥ —	¥ —
Time deposits over 3 months	394	—	—	—
Separate deposit for Board Benefit Trust (BBT)	8	—	—	—
Notes receivable, accounts receivable from completed construction contracts, contract assets, and other	20,814	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturity dates				
Government bonds	6	22	43	—
Total	¥ 44,895	¥ 22	¥ 43	¥ —

Prior fiscal year (as of March 31, 2023)

	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	¥ 20,088	¥ —	¥ —	¥ —
Time deposits over 3 months	226	—	—	—
Separate deposit for Board Benefit Trust (BBT)	9	—	—	—
Notes receivable, accounts receivable from completed construction contracts, contract assets, and other	20,457	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturity dates				
Government bonds	3	26	46	—
Total	¥ 40,783	¥ 26	¥ 46	¥ —

Note6: Scheduled repayment amount of long-term debt after the consolidated balance sheet date

Current fiscal year (as of March 31, 2024)

	Due in one year or less (Millions of yen)	Over one year within two years (Millions of yen)	Over two years within three years (Millions of yen)	Over three years within four years (Millions of yen)	Over four years within five years (Millions of yen)	Over five years (Millions of yen)
Long-term borrowings	¥ 2,089	¥ 5,440	¥ 10,577	¥ 88	¥ 57	¥ 325
Total	¥ 2,089	¥ 5,440	¥ 10,577	¥ 88	¥ 57	¥ 325

Prior fiscal year (as of March 31, 2023)

	Due in one year or less (Millions of yen)	Over one year within two years (Millions of yen)	Over two years within three years (Millions of yen)	Over three years within four years (Millions of yen)	Over four years within five years (Millions of yen)	Over five years (Millions of yen)
Long-term borrowings	¥ 10,871	¥ 3,585	¥ 3,094	¥ 532	¥ 50	¥ 112
Total	¥ 10,871	¥ 3,585	¥ 3,094	¥ 532	¥ 50	¥ 112

3. Matters concerning the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on quoted market prices for the assets or liabilities for which the fair value is calculated that are formed in an active market among the inputs used to calculate observable fair value

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs among inputs related to the calculation of observable fair value

Level 3 fair value: Fair value calculated using inputs related to the calculation of fair value that are not observable

When multiple inputs that have a significant effect on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments measured at the fair values in the consolidated balance sheet

Current fiscal year (March 31, 2024)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale securities				
Stocks	**¥ 2,520**	**¥ —**	**¥ —**	**¥ 2,520**
Bonds				
Government bonds	**71**	**—**	**—**	**71**
Total	**¥ 2,591**	**¥ —**	**¥ —**	**¥ 2,591**

Prior fiscal year (March 31, 2023)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale securities				
Stocks	¥ 2,035	¥ —	¥ —	¥ 2,035
Bonds				
Government bonds	76	—	—	76
Total	¥ 2,111	¥ —	¥ —	¥ 2,111

(2) Financial instruments not measured at the fair values in the consolidated balance sheet

Current fiscal year (March 31, 2024)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	**¥ —**	**¥ 18,562**	**¥ —**	**¥ 18,562**
Total	**¥ —**	**¥ 18,562**	**¥ —**	**¥ 18,562**

Prior fiscal year (March 31, 2023)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	¥ —	¥ 18,238	¥ —	¥ 18,238
Total	¥ —	¥ 18,238	¥ —	¥ 18,238

Note: Explanation of valuation techniques used in the calculation of market value and inputs related to the calculation of market value

Marketable and investment securities

Listed stocks and government and municipal bonds are valued using quoted market prices. Since listed stocks and government bonds are traded in active markets, their fair value is classified as Level 1 fair value.

Long-term borrowings

Long-term borrowings with floating interest rates are based on book values, which are classified as Level 2 fair values, as their fair values approximate their book values because they reflect market interest rates in a short period of time. Those with fixed interest rates are based on the present value of the total principal and interest discounted by the interest rate assumed when a new similar borrowing is made, and are classified as Level 2 fair value.

【Securities】

1. Marketable available-for-sale securities

Current fiscal year (as of March 31, 2024)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Marketable and investment securities with carrying amounts that exceed their acquisition costs			
Stocks	**¥ 2,520**	**¥ 1,111**	**¥ 1,409**
Bonds			
Government bonds	**27**	**27**	**0**
Subtotal	**2,547**	**1,138**	**1,409**
(2) Marketable and investment securities having acquisition costs that exceed their carrying amounts			
Stocks	**—**	**—**	**—**
Bonds			
Government bonds	**44**	**46**	**(2)**
Subtotal	**44**	**46**	**(2)**
Total	**¥ 2,591**	**¥ 1,184**	**¥ 1,407**

Prior fiscal year (as of March 31, 2023)

	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
(1) Marketable and investment securities with carrying amounts that exceed their acquisition costs			
Stocks	¥ 2,035	¥ 1,106	¥ 929
Bonds			
Government bonds	73	73	0
Subtotal	2,108	1,179	929
(2) Marketable and investment securities having acquisition costs that exceed their carrying amounts			
Stocks	—	—	—
Bonds			
Government bonds	3	3	(0)
Subtotal	3	3	(0)
Total	¥ 2,111	¥ 1,182	¥ 929

2. Available-for-sale securities sold

Current fiscal year (from April 1, 2023 to March 31, 2024)

	Total value sold (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	**¥ 12**	**¥ 0**	**¥ —**
Bonds			
Government bonds	**—**	**—**	**—**
Others	**17**	**—**	**—**
Total	**¥ 29**	**¥ 0**	**¥ —**

Prior fiscal year (from April 1, 2022 to March 31, 2023)

	Total value sold (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	¥ —	¥ —	¥ —
Bonds			
Government bonds	9	0	0
Others	—	—	—
Total	¥ 9	¥ 0	¥ 0

3. Securities for which impairment was recognized

Current fiscal year (from April 1, 2023 to March 31, 2024)

Impairment loss of 16 million yen was recognized for stock of available-for-sale securities.

Prior fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

【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, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Balance of projected benefit obligation as of the beginning of the current fiscal year	¥ 6,821 million	¥ 6,961 million
Service cost	269	281
Interest cost	68	69
Recognized actuarial (loss)	(67)	(50)
Retirement benefit payment	(527)	(440)
Balance of projected benefit obligation as of the end of the current fiscal year	¥ 6,564 million	¥ 6,821 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, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Balance of assets as of the beginning of the current fiscal year	¥ 8,951 million	¥ 8,861 million
Expected return on plan assets	224	222
Recognized actuarial gain (loss)	652	(307)
Contribution by company	589	615
Retirement benefit payment	(527)	(440)
Balance of assets as of the end of the current fiscal year	¥ 9,889 million	¥ 8,951 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, 2024)	Prior fiscal year (as of March 31, 2023)
Retirement benefit liability of funded plan	¥ 6,506 million	¥ 6,771 million
Plan assets	(9,889)	(8,951)
Subtotal	(3,383)	(2,180)
Retirement benefit liability of unfunded plan	58	50
Net liability/asset recorded in consolidated statement of operations	(3,325)	(2,130)
Retirement benefit liability	58	50
Retirement benefit asset	(3,383)	(2,180)
Net liability/asset recorded in consolidated statement of operations	¥ (3,325) million	¥ (2,130) million

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

	Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Service cost	¥ 269 million	¥ 281 million
Interest cost	68	69
Expected return on plan assets	(224)	(222)
Recognized actuarial loss	(42)	(106)
Net periodic benefit costs for defined benefit program	¥ 71 million	¥ 22 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, 2023 and 2024

	Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Actuarial gain (loss)	¥ 677 million	¥ (362) million
Total	¥ 677 million	¥ (362) million

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2024

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Unrecognized actuarial loss	¥ (932) million	¥ (254) million
Total	¥ (932) million	¥ (254) 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, 2024)	Prior fiscal year (as of March 31, 2023)
Bonds	**63 %**	65 %
Stock	**25 %**	22 %
Other	**12 %**	13 %
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, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
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 ¥ 87 million for the current fiscal year and ¥ 91 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 rate of approximately 30.6% for the years ended March 31, 2024 and 2023. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2024 and 2023, are as follows:

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Deferred tax assets		
Loss on valuation of real estate for sale	¥ 484 million	¥ 718 million
Impairment losses	282	368
Tax loss carryforwards (Note)	124	149
Other	1,035	1,216
Deferred tax assets subtotal	1,925	2,451
Less valuation allowance for tax loss carryforwards	(123)	(147)
Less valuation allowance for deductible temporary difference	(1,345)	(1,574)
Valuation allowance	(1,468)	(1,721)
Deferred tax assets total	457	730
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	(430)	(284)
Others	(1,038)	(670)
Deferred tax liabilities total	(1,468)	(954)
Net deferred tax (liabilities) assets	¥ (1,011) million	¥ (224) million

Note: The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2024 is as follows:

Current fiscal year
(Millions of Yen)

March 31, 2024	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	—	—	—	—	—	124	¥ 124
Less valuation allowances for tax loss carryforwards	—	—	—	—	—	(123)	(123)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	1	1

Prior fiscal year
(Millions of Yen)

March 31, 2023	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	1	1	—	—	145	¥ 149
Less valuation allowances for tax loss carryforwards	(2)	(1)	(1)	—	—	(143)	(147)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	2	2

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, 2024 and 2023, is as follows:

	Current fiscal year (as of March 31, 2024)	Prior fiscal year (as of March 31, 2023)
Statutory tax rate	— %	30.6 %
(Reconciliation)		
Permanently non-deductible income	— %	2.9 %
Permanently non-deductible expenses	— %	(0.1) %
Per capita inhabitant tax	— %	2.9 %
Valuation allowance	— %	(19.1) %
Effective tax rate after application of tax effect accounting	— %	17.2 %

Note: For the current fiscal year, notes have been omitted because the difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting is not more than five percent of the statutory effective tax rate.

【Business Combinations and Business Divestitures】

Omitted as it is immaterial.

【Asset Retirement Obligation】

Current fiscal year (as of March 31, 2024) and prior fiscal year (as of March 31, 2023)

Omitted as it is immaterial.

【Investment Property】

The Company holds office buildings and land for rent in Kanagawa Prefecture and other areas. A portion of the land and buildings in Japan where its offices 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 purposes, and real estate including portions for rent and other purposes are as follows:

			Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Real estate for rent and other purposes	Carrying amount	Balance as of the beginning of the fiscal year (Millions of yen)	¥ 13,070	¥ 13,925
		Increase(decrease) during the fiscal year (Millions of yen)	282	(855)
		Balance as of the end of the fiscal year (Millions of yen)	13,352	13,070
	Fair value as of the end of the fiscal year (Millions of yen)		13,309	13,139
Real estate including portions for rent and other purposes	Carrying amount	Balance as of the beginning of the fiscal year (Millions of yen)	324	332
		Increase(decrease) during the fiscal year (Millions of yen)	(6)	(8)
		Balance as of the end of the fiscal year (Millions of yen)	318	324
	Fair value as of the end of the fiscal year (Millions of yen)		¥ 570	¥ 559

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 ¥ 917 million due to the acquisition of buildings for rental through renovation, and decreases of ¥ 254 million due to the sale of idle land and decreases of ¥ 383 million due to depreciation.

Primary factors for the increase/decrease during the prior fiscal year include: increases of ¥ 148 million due to the acquisition of buildings for rental through construction and renovation, and decreases of ¥ 629 million due to the sale of buildings for lease and decreases of ¥ 382 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, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Real estate for rent and other purposes	Rent revenue (Millions of yen)	¥ 972	¥ 997
	Rent expenses (Millions of yen)	854	860
	Rent income/loss (Millions of yen)	118	137
	Other income/loss (Millions of yen)	199	(11)
Real estate including portions for rent and other purposes	Rent revenue (Millions of yen)	15	16
	Rent expenses (Millions of yen)	5	6
	Rent income/loss (Millions of yen)	10	10
	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."

【Revenue Recognition】

1. Information on disaggregated revenues from contracts with customers
   Information on disaggregates revenue from contracts with customers is presented in the “Notes (Segment Information)” section.
2. Information that forms the basis for understanding revenue from contracts with customers
   Information that forms the basis for understanding revenue from contracts with customers is presented in “Note2 (q. Basis for recognition of significant revenues and expenses)

   The consideration for transactions related to construction contracts is generally received in stages according to the progress of construction in accordance with the contract terms.
3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from those contracts, and the amount of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year in the following fiscal year and the timing thereof.

   (1) Outstanding contract assets and contract liabilities

	Current fiscal year	Prior fiscal year
Receivables arising from contracts with customers (beginning balance)	**¥ 19,796 million**	¥ 14,853 million
Receivables arising from contracts with customers (ending balance)	**20,759**	19,796
Contract assets (beginning balance)	**39,783**	41,535
Contract assets (ending balance)	**55,511**	39,783
Contract liabilities (beginning balance)	**8,797**	5,426
Contract liabilities (ending balance)	**8,477**	8,797

Contract assets mainly relate to the rights of the Company and its consolidated subsidiaries to consideration for construction projects for which performance obligations have been satisfied but not yet billed under construction contracts.

Contract assets are reclassified to receivables arising from contracts with customers when the Company and its subsidiaries’ rights to the consideration become unconditional.

Contract liabilities mainly relate to the unfulfilled portion of performance obligations received under the terms of a construction contract, such as advances received under the terms of a construction contract. The contract liabilities are reversed upon recognition of revenue.

The amount of revenue recognized in the current fiscal year that was included in the balance of contract liabilities at the beginning of the fiscal year was 7,922 million yen. The amount of revenue recognized from performance obligations satisfied in past periods in the current fiscal year was 2,096 million yen.

The amount of revenue recognized in the prior fiscal year that was included in the balance of contract liabilities at the beginning of the fiscal year was 4,307 million yen. The amount of revenue recognized from performance obligations satisfied in past periods in the prior fiscal year was 2,346 million yen.

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to unfulfilled (or partially fulfilled) performance obligations at the end of the current fiscal year was 202,762 million yen. Such performance obligations are mainly related to construction projects based on construction contracts and are expected to be recognized as revenue between one and seven years after the balance sheet date.

The total transaction price allocated to unfulfilled (or partially fulfilled) performance obligations at the end of the prior fiscal year was 204,650 million yen. Such performance obligations are mainly related to construction projects based on construction contracts and are expected to be recognized as revenue between one and eight years after the balance sheet date.

【Segment Information】

(Segment Information)

1. Overview of reportable segments

   The reportable segments of the Group are constituent units of the Group 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 Group 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 Group.

   The Group 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, 2023 to March 31, 2024) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Government	**¥ 48,177**	**¥ 11,428**	**¥ 35**	**¥ 59,640**	**¥ —**	**¥ 59,640**
Private	**19,885**	**41,728**	**9,788**	**71,401**	**—**	**71,401**
Revenue from contracts with customers	**68,062**	**53,156**	**9,823**	**131,041**	**—**	**131,041**
Other revenue	**—**	**—**	**1,008**	**1,008**	**—**	**1,008**
Sales to third parties	**68,062**	**53,156**	**10,831**	**132,049**	**—**	**132,049**
Intersegment sales and transactions	**8**	**—**	**243**	**251**	**(251)**	**—**
Total	**68,070**	**53,156**	**11,074**	**132,300**	**(251)**	**132,049**
Segment income	**5,466**	**2,681**	**662**	**8,809**	**(3,557)**	**5,252**
Segment assets	**87,017**	**36,354**	**27,090**	**150,461**	**408**	**150,869**
Other items						
Depreciation	**289**	**175**	**529**	**993**	**—**	**993**
Investment in affiliates accounted for by the equity method	**—**	**—**	**273**	**273**	**—**	**273**
Increase in property, plant and equipment and intangible assets	**¥ 540**	**¥ 440**	**¥ 944**	**¥ 1,924**	**¥ —**	**¥ 1,924**

Note 1: Amounts have been adjusted as follows:

(1) Adjusted amount of (¥ 3,557) million under "Segment income/loss" includes ¥ 8 million in elimination of intersegment transactions and (¥ 3,565) million in total corporate operating expenses that are not allocated to the reportable segments, as well as elimination of unrealized income among segments. Total corporate operating expenses are selling, general and administrative expenses not attributable to the reportable segments.

(2) Adjusted amount of ¥ 408 million under "Segment assets" includes ¥ 499 million in total corporate assets that are not allocated to the reportable segments and (¥ 91) million yen in inter-segment eliminations. Total corporate assets primarily comprise assets related to surplus operational funds (deposits) and assets related to the administrative departments of the Group.

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

Prior fiscal year (from April 1, 2022 to March 31, 2023) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Government	¥ 46,175	¥ 12,168	¥ 39	¥ 58,382	¥ —	¥ 58,382
Private	19,450	39,643	7,428	66,521	—	66,521
Revenue from contracts with customers	65,625	51,811	7,467	124,903	—	124,903
Other revenue	—	—	1,039	1,039	—	1,039
Sales to third parties	65,625	51,811	8,506	125,942	—	125,942
Intersegment sales and transactions	34	242	234	510	(510)	—
Total	66,659	52,053	8,740	126,452	(510)	125,942
Segment income	4,946	1,429	503	6,878	(2,732)	4,146
Segment assets	70,109	29,210	28,324	127,643	413	128,056
Other items						
Depreciation	260	157	524	941	—	941
Increase in property, plant and equipment and intangible assets	¥ 342	¥ 282	¥ 170	¥ 794	¥ —	¥ 794

Note 1: Amounts have been adjusted as follows:

(1) Adjusted amount of (¥ 2,732) million under "Segment income/loss" includes (¥ 24) million in elimination of intersegment transactions and (¥ 2,708) million in total corporate operating expenses that are not allocated to the reportable segments, as well as elimination of unrealized income among segments. Total corporate operating expenses are selling, general and administrative expenses not attributable to the reportable segments.

(2) Adjusted amount of ¥ 413 million under "Segment assets" includes ¥ 982 million in total corporate assets that are not allocated to the reportable segments and (¥ 569) million yen in inter-segment eliminations. Total corporate assets primarily comprise assets related to surplus operational funds (deposits) and assets related to the administrative departments of the Group.

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, 2023 to March 31, 2024)

1. Information about products and services

Omitted since similar information is presented in Segment Information.

2. Information about geographical areas

(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 about major customers

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, 2022 to March 31, 2023)

1. Information about products and services

Omitted since similar information is presented in Segment Information.

2. Information about geographical areas

(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 about major customers

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 Losses on Fixed Assets by Reportable Segment)

Current fiscal year (from April 1, 2023 to March 31, 2024) and Prior fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

(Information on Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment)

Current fiscal year (from April 1, 2023 to March 31, 2024) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Amortization	**¥ 13**	**¥ —**	**¥ 82**	**¥ 95**	**¥ —**	**¥ 95**
Balance	**¥ 19**	**¥ —**	**¥ 108**	**¥ 127**	**¥ —**	**¥ 127**

Prior fiscal year (from April 1, 2022 to March 31, 2023) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Amortization	**¥ 45**	**¥ 0**	**¥ 82**	**¥ 127**	**¥ —**	**¥ 127**
Balance	**¥ —**	**¥ —**	**¥ 190**	**¥ 190**	**¥ —**	**¥ 190**

(Information on Gain on Negative Goodwill by Reportable Segment)

Current fiscal year (from April 1, 2023 to March 31, 2024) and Prior fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

【Transactions with Related Parties】

Current fiscal year (from April 1, 2023 to March 31, 2024) and prior fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

【Per Share Information】

	Current fiscal year (from April 1, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Net assets per share	¥ 2,549.14	¥ 2,389.71
Net income per share	¥ 177.86	¥ 158.81

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, 2023 to March 31, 2024)	Prior fiscal year (from April 1, 2022 to March 31, 2023)
Net income attributable to owners of the parent (millions of yen)	¥ 3,404	¥ 3,038
Amounts not applicable to common stockholders (millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (millions of yen)	¥ 3,404	¥ 3,038
Average number of common stock outstanding during term (1,000 shares)	19,137	19,131

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 174 thousand during the current consolidated fiscal year and 178 thousand during the previous fiscal year. In these, the average number held by BBT was 90 thousand during the current consolidated fiscal year and 98 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, 2024)	Prior fiscal year (as of March 31, 2023)
Total net assets (millions of yen)	¥ 48,803	¥ 45,730
Deduction from net assets (millions of yen)	15	10
Minority interests (millions of yen)	(15)	(10)
Term-end amount allocated to common stock (millions of yen)	¥ 48,788	¥ 45,720
Number of common stock used to calculate net assets per share (1,000 shares)	19,139	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 171 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 88 thousand for the current consolidated fiscal year and 96 thousand for the previous consolidated fiscal year.

【Subsequent Event】

Establishment of a Holding Company through Sole Share Transfer

At the Board of Directors meeting held on May 15, 2024, the Company resolved to establish TOBISHIMA HOLDINGS Inc., which becomes a holding company (wholly-owning parent company) (hereinafter referred to as the "Holding Company") through the Company's sole share transfer (hereinafter referred to as the "Share Transfer") effective October 1, 2024 (scheduled). The resolution was approved and passed at the 81st Annual General Meeting of Shareholders of the Company held on June 27, 2024.

1. Background and Purpose of the Transition to a Holding Company Structure through a Sole Share Transfer

(1) Background of the Holding Company Structure

The Company has been aiming to be an "indispensable company" to society by engaging in the construction business with the collective wisdom of all of its employees, while taking responsibility and pride in its role in social capital development.

In line with recent changes in social conditions, social needs and issues are becoming increasingly diverse and complex. Under these conditions, in the formulation of medium- to long-term management vision and commencement of consideration of the transition to a holding company structure through sole share transfer as announced by the Company, the Company stated it would further advance the technologies and expertise it has accumulated in the construction business to establish new businesses that address social issues and to transform itself into a "New Business Contractor" that supports the creation of new businesses.

In order to realize the medium- to long-term management vision described above, the Company has determined that it is optimal to shift to a holding company structure in order to accelerate its transformation into a "conglomerate" that operates in a wide range of business domains that can flexibly respond to the recent diversification and complexity of social needs and issues, and to pursue the enhancement of corporate value by further strengthening group governance.

(2) Purpose of the Holding Company Structure

(i) Strengthen Group Management and Governance

The Company will strengthen group management and governance by separating management and business execution through the transition to a holding company structure. The Holding Company will specialize in group management functions to optimize management resources and strengthen management functions while the operating companies will aim to realize further growth of the group by developing businesses that provide solutions to social issuers suited to the functions of each company.

(ii) Enhance earnings base and realize sustainable growth

The Company will pursue the creation of new businesses through growth investment and the expansion of corporate partnerships through mergers and acquisitions to expand its earnings base. In addition, through the measures described in the above “(i) Strengthen Group Management and Governance,” the Company will accelerate cooperation between the Holding Company and each operating company, and further improve capital efficiency by constantly reviewing its business portfolio to realize sustainable growth.

(iii) Stable shareholder returns

The Company has a policy of determining dividends from retained earnings and share buybacks based on the stable return of profits to shareholders and the enhancement of retained earnings to increase corporate value, taking into consideration the business performance and environment.

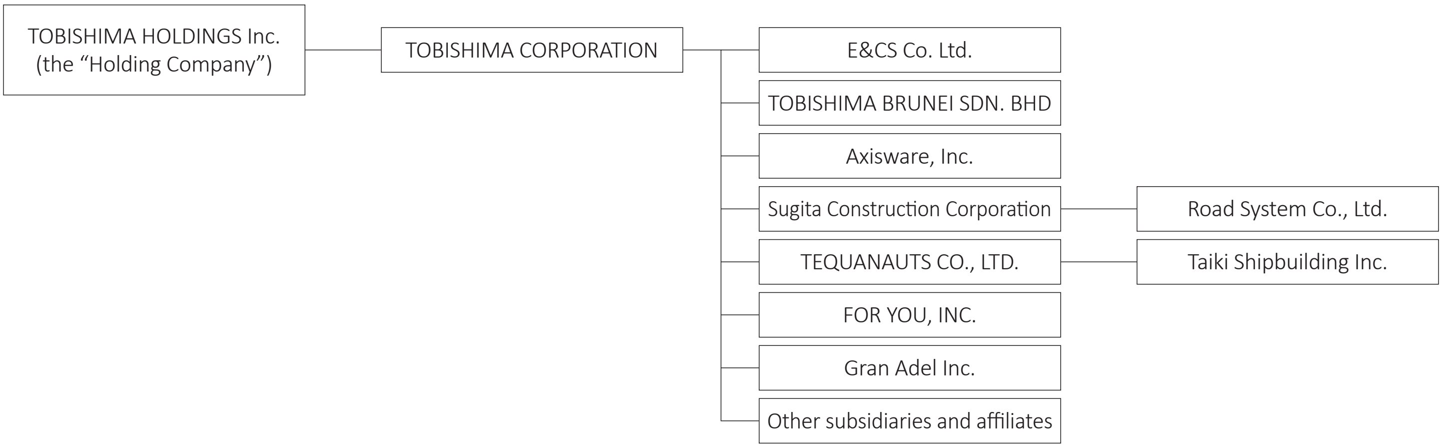
After the transition to the holding company structure, the Company will continue to pursue the basic policy of the stable return of profits to shareholders and the enhancement of retained earnings to increase corporate value. Under this basic policy, the Company will aim to improve the total return ratio by strengthening profitability through the measures described in the above “(ii) Enhance earnings base and realize sustainable growth,” and by continuing share buybacks and strictly maintaining the dividend payout ratio.

(3) Procedure for transition to the holding company structure

The Company plans to transition to a holding company structure by the following method.

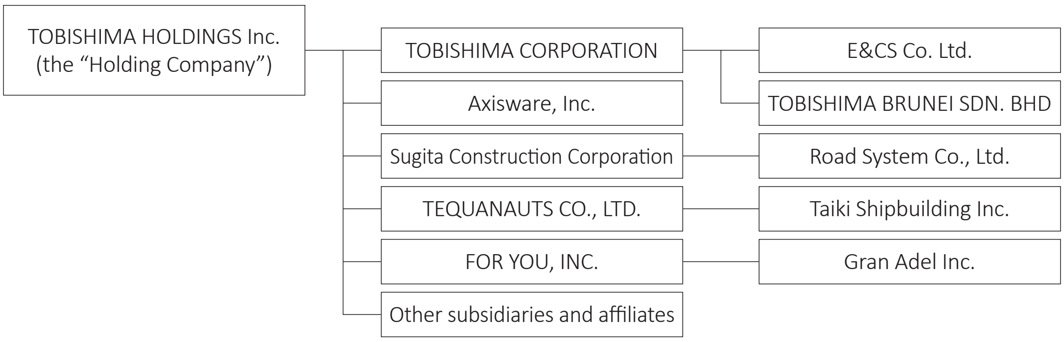
(i) Step 1: Establish the Holding Company through a sole share transfer

The Company will become a wholly owned subsidiary of the Holding Company by establishing the Holding Company through the Share Transfer with an effective date of October 1, 2024.



(ii) Step 2: Reorganization of group companies after the establishment of the Holding Company

After the Share Transfer becomes effective, in order to complete the transition to the holding company structure, some of the Company’s current subsidiaries will be reorganized as direct subsidiaries of the Holding Company. Furthermore, the specific details and timing of this reorganization have not yet been decided.



2. Summary of the Share Transfer

(1) Schedule of the Share Transfer

Base date for the Ordinary General Meeting of Shareholders: March 31, 2024
Board of Directors approves Share Transfer plan: May 15, 2024
Ordinary General Meeting of Shareholders approving Share Transfer plan: June 27, 2024
Delisting date of the Company: September 27, 2024 (planned)
Date of registration of establishment of holding company (effective date): October 1, 2024 (planned)
Holding Company Listing Date: October 1, 2024 (planned)
However, the schedule may be changed due to necessity in the course of the progress of the Share Transfer procedure or other reasons.

(2) Method of Share Transfer

It is a sole share transfer in which the Company is a wholly-owned subsidiary of the share transfer and the holding company is the wholly-owning parent company established by the share transfer.

(3) Details of allotment related to the Share Transfer (Share Transfer Ratio)

Company Name	TOBISHIMA HOLDINGS Inc. (wholly-owning parent company established by share transfer)	TOBISHIMA CORPORATION (wholly-owned subsidiary of share transfer)
Share Transfer Ratio	**1**	**1**

(i) Share Transfer Ratio

One share of the common stock of the holding company to be established shall be allotted to all of the shareholders of the Company per one share of the common stock of the Company held by the shareholders immediately prior to the time when the holding company acquires all of the issued shares of the Company through the Share Transfer.

(ii) Number of shares per unit

The holding company shall adopt a unit share system, and the number of shares per unit shall be 100 shares.

(iii) Basis for Calculating the Share Transfer Ratio

Since the Share Transfer establishes one wholly-owning parent company through a share transfer by the Company alone, and there is no change in the shareholder composition of the Company and the shareholder composition of the Holding Company at the time of the Share Transfer, one share of the common stock of the holding company shall be allocated to each share of the Company's common stock held by the shareholders in order not to cause disadvantage or confusion to shareholders.

(iv) Calculation results, calculation method, and basis for calculation by a third-party accounting organization

As described in (iii) above, the Share Transfer is a share transfer by the Company alone, and no calculation is made by a third-party accounting organization.

(v) Number of new shares to be delivered as a result of the Share Transfer (planned)

19,226,516 shares of common stock (planned)

However, if the total number of shares issued by the Company changes prior to the effective date of the Share Transfer, the number of new shares to be delivered by the holding company will change. In addition, as the Company plans to retire the amount of treasury stock held at the present time or newly acquired in the future to the extent practically feasible by the effective date of the Share Transfer, 83,920 shares of common stock, which are treasury shares held by the Company as of March 31, 2024, are excluded from the issuance of new shares in the above calculation.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights in Conjunction with the Share Transfer

The Company does not issue stock acquisition rights or bonds with stock acquisition rights.

3. Outline of the company to be newly established as a result of the Share Transfer (wholly-owning parent company and holding company established by the Share Transfer) (planned)

(1) Company name	TOBISHIMA HOLDINGS Inc.
(2) Location of head office	1-8-15 Konan, Minato-ku, Tokyo
(3) Title and name of representative and officers	President and Representative Director: Mitsuhiko Takahashi Director: Seiichi Okuyama Outside Director: Akitaka Saiki Outside Director: Takako Masai Director (Audit & Supervisory Committee Member): Takuji Arao Outside Director (Audit & Supervisory Committee Member): Takashi Aihara Outside Director (Audit & Supervisory Committee Member): Toshiya Natori Outside Director (Audit & Supervisory Committee Member): Aki Nakanishi
(4) Description of business	Business management of group companies and operations incidental thereto
(5) Amount of capital	5,500 million yen
(6) Date of establishment	October 1, 2024
(7) Fiscal year-end	March 31
(8) Amount of net assets	Undecided
(9) Amount of total assets	Undecided

4. Overview of Accounting Procedures

The Share Transfer does not affect profits or losses because it falls under the category of "transactions under common control" for corporate accounting purposes. It is not expected that any goodwill will be generated from the Share Transfer.

【Consolidated Supplementary Schedule】

【Schedule for Corporate Bond】

Current fiscal year (as of March 31, 2024) and prior fiscal year (as of March 31, 2023)

Not applicable

【Schedule for Loans, etc.】

Items	Balance as of the beginning of the fiscal year (Millions of yen)	Balance as of the end of the fiscal year (Millions of yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	**¥ 400**	**¥ 16,270**	**0.6**	—
Long-term borrowings repaid within one year	**10,871**	**2,089**	**1.4**	—
Lease liabilities repaid within one year	**25**	**23**	**1.2**	—
Long-term borrowings (excluding those due to be repaid within one year)	**7,373**	**16,487**	**1.1**	**From 2025 to 2044**
Lease liabilities (excluding those due to be repaid within one year)	**32**	**41**	**1.2**	**From 2025 to 2030**
Other interest-bearing debt	—	—	—	—
Total	**¥ 18,701**	**¥ 34,910**	—	—

Note1: Average interest rate refers to the weighted average interest rate on the balance of borrowings and other assets at the end of the period.

Note2: Lease liabilities that are scheduled to be repaid within one year are included in the "Other" section of current liabilities in the consolidated balance sheet.

Note3: Lease liabilities (excluding those scheduled to be repaid within one year) are included in the "Other" category of non-current liabilities in the consolidated balance sheet.

Note4: Scheduled repayment of lease liabilities (excluding those scheduled to be repaid within one year) within five years after the consolidated closing date is as follows.

	Over one year within two years (Millions of yen)	Over two years within three years (Millions of yen)	Over three years within four years (Millions of yen)	Over four years within five years (Millions of yen)
Lease liabilities	**¥ 16**	**¥ 11**	**¥ 7**	**¥ 3**

Scheduled repayment of long-term borrowings (excluding those scheduled to be repaid within one year) within five years after the consolidated closing date is presented in the Note【Financial Instruments and Related Disclosures】.

【Schedule for Asset Retirement Obligation】

Omitted since the amounts of asset retirement obligation at the beginning and end of the current fiscal year are not more than one percent of the total liabilities and net assets at the beginning and end of the current fiscal year.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tobishima Corporation:

<Audit of Consolidated Financial Statements>

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, 2024, 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, 2024, 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 of construction contracts satisfies performance obligations over time	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As stated in Note 2. "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, q. Basis for recognition of significant revenues and expenses," the Group applies the method of recognizing revenue over time by measuring the progress towards complete satisfaction of performance obligations in the construction contracts, if the progress can be reasonably estimated. As stated in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATES," the Group recognized ¥121,218 million of net sales of completed construction contracts on the consolidated statement of income for the year ended March 31, 2024, which included ¥110,665 million of construction contracts recognized using the method. When applying the method of recognizing revenue on the basis of the progress of construction, 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. Significant assumptions and judgment by management based on the situation of the business environment involve in determining the total construction revenue, total construction costs and the percentage-of-completion rate. 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 statements increases when applying the method of recognizing revenue on the basis of the progress of construction to specific construction contracts under the following conditions: • In cases where construction contract amendments have not been finalized for changes during the construction project, such as changes in construction method or scope of the construction project, there is a possibility that the net sales of completed construction contracts will not be appropriately recorded when the method of recognizing revenue on the basis of the progress of construction is applied based on unreasonably estimated total construction revenue, such as those the feasibility in estimates regarding pending or changed portion is not high.	Our audit procedures related to testing the accounting estimates pertaining to the total construction revenue and total construction costs in the application of the method of recognizing revenue on the basis of the progress of construction included the following, among others: • We tested the design and operating effectiveness of the controls over management's review and 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 management's review 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. • 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. • In order to test that the most recent circumstances are appropriately reflected in the total construction revenue and the total construction costs for the year ended March 31, 2024, we performed the profit and loss ratio trend analysis for each construction contracts. In cases where the profit and loss ratio have significantly fluctuated compared to the previous year, we inquired of the responsible parties regarding the factors of such fluctuation, and inspected relevant documents supporting the estimation, such as contracts and quotations obtained from subcontractors. • When amendments of construction contracts have not been finalized for changes during the construction project, we traced the total construction revenue to evidence such as contracts, and for construction contracts 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 expected at the time of construction project commencement, fluctuations in market conditions related to materials and subcontracting costs, and unexpected additional subcontracting costs due to project deadline pressure and delays. In cases where estimation uncertainty is increasing, there is a possibility that the net sales of completed construction contracts will not be recorded appropriately.	• We evaluated whether the budget of the in-progress construction contract was reviewed timely and prepared appropriately and comprehensively in line with the progress of the construction by inspecting the budget reports approved by management as of the fiscal year-end and the most recent budget management documents obtained from the construction site on a random sampling basis. We also evaluated whether the budgeted amount was consistent with the total construction costs recorded by the Group.
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 method of recognizing revenue on the basis of the progress of construction to be significant in the consolidated financial statements for the year ended March 31, 2024. Therefore, we identified it as the Key Audit Matter.	• For several selected significant construction contracts, 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 expense status used by management, as well as the accounting estimates related to the total construction revenue and the total construction costs.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in the "Annual Report," but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Tobishima Corporation and its subsidiaries were ¥75 million and ¥176 million, respectively.

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

September 30, 2024

Board of Directors

(As of June 30, 2024)

President and Representative Director
Masahiro Norikyo

Directors
Seiichi Okuyama
Mitsuhiko Takahashi
Shiro Takeki
Takashi Aihara
Akitaka Saiki
Takako Masai

Corporate Auditors
・Standing Auditors
Hiroshi Ito
Kiyoshi Usui
・Auditors
Toshiya Natori
Aki Nakanishi

Executive Officers

Chief Executive Officer
Masahiro Norikyo

Executive Vice-President
Seiichi Okuyama

Senior Managing Executive Officer
Mitsuhiko Takahashi

Managing Executive Officers
Shiro Takeki
Junichi Fukada
Kazuya Taniguchi

Executive Officers
Hajime Ikebuchi
Kunji Nakagawa
Masahiro Yamagami
Isao Tsukiji
Akira Sakaguchi
Kazuyuki Nishiura
Yutaka Yanagimori

International Operations Division
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Overseas Offices

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Pakistan Office
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Phone 92-51-2310510
Fax 92-51-2310512

Overseas Subsidiary

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, 2024)

Administrative Officers	215
Civil Engineers	454
Building Engineers	392
Mechanical Engineers	12
Electrical Engineers	7
Other Equipment Engineers	42
Employees of the subsidiaries	303
Total	1,425

Year of Establishment

March 1947
(Predecessor founded in 1883)

Stock Information

(As of March 31, 2024)

Paid-In Capital: ¥ 5,519,942,968

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

Number of Shares Issued:
Common Stock 19,310,436 shares

The total number of shares issued includes 83,920 treasury stocks.

Number of Shareholders: 28,836

TOBISHIMA CORPORATION
Head Office
1-8-15, Konan, Minato-ku, Tokyo, Japan