Tobishima

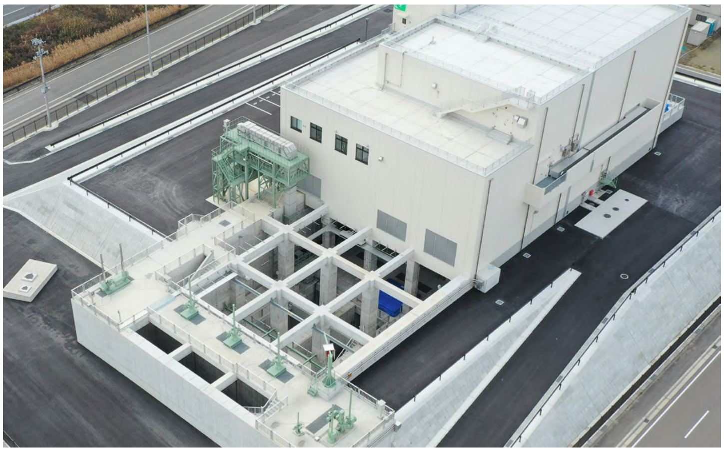
Annual Report

2023

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.



Ishinomaki port drainage pump station and 2 other facilities reconstruction work No.2

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.

Brunei Darussalam Central Bank Building Project

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, 2023

		Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S.Dollars 2023
For the Year:	Net sales	**¥ 125,942**	¥ 117,665	**$ 943,173**
	Income before income taxes	**3,671**	3,896	**27,494**
	Net income attributable to owners of parent	**3,038**	3,220	**22,754**
At Year-end:	Total assets	**¥ 128,056**	¥ 114,633	**$ 959,004**
	Total net assets	**45,730**	43,873	**342,472**
Per Share of Common Stock:	(in yen and dollars):			
	Basic net income	**¥ 158.81**	¥ 168.30	**$ 1.189**
	Net assets	**2,389.71**	2,293.14	**17.896**

Note 1: U.S. dollar amounts here and elsewhere in this annual report are translated from yen at the rate of ¥ 133.53=US$ 1.00, the rate on March 31, 2023 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 2023

Masahiro Norikyo

Masahiro Norikyo

President and Representative Director

Consolidated Balance Sheet

TOBISHIMA CORPORATION

As of March 31, 2023

ASSETS		Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Current assets	Cash and cash equivalents	**¥ 20,088**	¥ 12,749	**$ 150,441**
	Real estate for sale	**2,322**	615	**17,387**
	Notes receivable, accounts receivable from completed construction contracts, contract assets, and other (*1)	**60,240**	57,015	**451,136**
	Allowance for doubtful accounts	**-**	(6)	**-**
	Costs on uncompleted construction contracts and other (*2)	**2,298**	2,178	**17,206**
	Costs on development business and other (*3)	**9,453**	6,707	**70,789**
	Other (*4)	**6,215**	7,496	**46,547**
	Total current assets	**100,616**	86,754	**753,506**
Property, plant and equipment	Buildings and structures	**18,437**	19,033	**138,071**
	Machinery, equipment, furniture and fixtures	**3,864**	4,421	**28,936**
	Land	**7,835**	8,193	**58,673**
	Lease assets	**137**	148	**1,026**
	Construction in progress	**104**	16	**779**
	Accumulated depreciation	**(12,238)**	(12,797)	**(91,646)**
	Total property, plant, and equipment,net	**18,139**	19,014	**135,839**
Investments and other assets	Investment securities (*5)	**4,442**	4,095	**33,266**
	Retirement benefit assets	**2,180**	1,943	**16,326**
	Intangible assets, net	**949**	997	**7,108**
	Other (*6)	**1,931**	2,032	**14,463**
	Allowance for doubtful accounts	**(201)**	(202)	**(1,504)**
	Total investments and other assets	**9,301**	8,865	**69,659**
Total		**¥ 128,056**	¥ 114,633	**$ 959,004**

See notes to consolidated financial statements

LIABILITIES AND EQUITY		Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Current liabilities	Notes payable, accounts payable for construction contracts and other	**¥ 27,177**	¥ 26,174	**$ 203,524**
	Short-term borrowings (*7, *10)	**11,271**	3,158	**84,406**
	Advances received on uncompleted construction contracts	**8,797**	5,426	**65,883**
	Deposits received	**21,427**	19,077	**160,469**
	Provision for warranties for completed construction	**518**	417	**3,882**
	Provision for loss on construction contracts (*8)	**598**	166	**4,480**
	Other	**4,408**	2,394	**33,005**
	Total current liabilities	**74,196**	56,812	**555,649**
Long-term liabilities	Liability for retirement benefits	**50**	43	**378**
	Long-term borrowings (*9, *10)	**7,373**	13,038	**55,220**
	Provision for share-based remuneration for directors (and other officers)	**60**	47	**451**
	Provision for retirement benefits for directors (and other officers)	**8**	33	**57**
	Other	**639**	787	**4,777**
	Total long-term liabilities	**8,130**	13,948	**60,883**
	Total liabilities	**¥ 82,326**	¥ 70,760	**$ 616,532**
Equity	Common stock—authorized, 40,000 thousand shares; Issued, 19,310 thousand shares	**¥ 5,520**	¥ 5,520	**$ 41,339**
	Capital surplus	**6,236**	6,237	**46,703**
	Retained earnings	**33,698**	31,622	**252,364**
	Treasury stock—at cost: 81,770 shares	**(576)**	(581)	**(4,313)**
	Accumulated other comprehensive income			
	Unrealized gain on available-for-sale securities	**644**	631	**4,826**
	Foreign currency translation adjustments	**21**	8	**154**
	Defined retirement benefit plans	**177**	428	**1,322**
	Total	**842**	1,067	**6,302**
	Noncontrolling interest	**10**	8	**77**
	Total equity	**45,730**	43,873	**342,472**
Total		**¥ 128,056**	¥ 114,633	**$ 959,004**

See notes to consolidated financial statements

Consolidated Statement of Income

TOBISHIMA CORPORATION

Year ended March 31, 2023

		Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Net sales	Net sales of completed construction contracts	¥ 117,436	¥ 110,514	$ 879,474
	Net sales of development business and other	8,506	7,151	63,699
	Total net sales (*1)	125,942	117,665	943,173
Cost of sales	Cost of sales of completed construction contracts (*2)	105,358	98,654	789,024
	Cost of sales on development business and other	6,979	5,798	52,269
	Total cost of sales	112,337	104,452	841,293
Gross profit	Gross profit on completed construction contracts	12,078	11,860	90,450
	Gross profit on development business and other	1,526	1,353	11,430
	Gross profit	13,604	13,213	101,880
Selling, general, and administrative expenses (*3)		9,458	8,638	70,828
Operating income		4,146	4,575	31,052
Other income (expenses)	Interest and dividends	29	28	214
	Foreign exchange gains	116	38	867
	Gain on sales of property, plant and equipment (*4)	129	4	963
	Interest expense	(229)	(215)	(1,713)
	Share of loss of entities accounted for using equity method	(96)	-	(720)
	Commission for syndicate loan	(163)	(51)	(1,224)
	Commission expenses	(106)	-	(792)
	Loss on sales of property, plant and equipment (*5)	(54)	(1)	(401)
	Loss on retirement of property, plant and equipment (*6)	(76)	(9)	(567)
	Impairment losses (*7)	-	(371)	-
	Other net	(25)	(102)	(185)
	Other expenses—net	(475)	(679)	(3,558)
Income before income taxes		3,671	3,896	27,494
Income taxes	Current	608	612	4,553
	Deferred	24	64	183
	Total income taxes	632	676	4,736
Net income		3,039	3,220	22,758
Net income (loss) attributable to noncontrolling interest		1	(0)	4
Net income attributable to owners of parent		¥ 3,038	¥ 3,220	$ 22,754
		Yen 2023	Yen 2022	U.S. Dollars 2023
Per share of common stock				
Basic net income		158.81	168.30	1.189
Cash dividends applicable to the year		60.00	50.00	0.449

See notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

TOBISHIMA CORPORATION

Year ended March 31, 2023

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Net income	¥ 3,039	¥ 3,220	$ 22,758
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	13	(83)	100
Foreign currency translation adjustments	14	7	106
Adjustment for retirement benefits	(251)	99	(1,883)
Total other comprehensive (loss) income (*1)	(224)	23	(1,677)
Comprehensive income	2,815	3,243	21,081
Total comprehensive income			
Attributable to:			
Owners of the parent	¥ 2,813	¥ 3,242	$ 21,067
Non controlling interest	2	1	14

See notes to consolidated financial statements

Consolidated Statement of Change in Equity

TOBISHIMA CORPORATION

Year ended March 31, 2023

	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, 2021	**19,310**		**¥ 5,520**	**¥ 6,238**	**¥ 29,354**	**(¥ 578)**	**¥ 714**	**¥ 1**	**¥ 329**	**¥ 41,578**	**¥ 8**	**41,586**
Cash dividends, ¥ 50 per share					**(962)**					**(962)**		**(962)**
Net income attributable to owners of the parent					**3,220**					**3,220**		**3,220**
Disposal of treasury stock				**(0)**		**1**				**1**		**1**
Purchase of treasury stock						**(4)**				**(4)**		**(4)**
Change in scope of consolidation					**9**					**9**		**9**
Net changes in the year							**(83)**	**7**	**98**	**22**	**0**	**23**
Balance, April 1, 2022 (March 31, 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, March 31, 2023	**19,310**		**¥ 5,520**	**¥ 6,236**	**¥ 33,698**	**(¥ 576)**	**¥ 644**	**¥ 21**	**¥ 177**	**¥ 45,720**	**¥ 10**	**¥ 45,730**

	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, 2022 (March 31, 2022)	**$ 41,339**	**$ 46,710**	**$ 236,811**	**($ 4,350)**	**$ 4,726**	**$ 58**	**$ 3,205**	**$ 328,499**	**$ 63**	**$ 328,562**
Cash dividends, $ 0.409 per share			**(7,201)**					**(7,201)**		**(7,201)**
Net income attributable to owners of the parent			**22,754**					**22,754**		**22,754**
Disposal of treasury stock		**(7)**		**61**				**54**		**54**
Purchase of treasury stock				**(24)**				**(24)**		**(24)**
Change in scope of consolidation								**-**		**-**
Net changes in the year					**100**	**96**	**(1,883)**	**(1,687)**	**14**	**(1,673)**
Balance, March 31, 2023	**$ 41,339**	**$ 46,703**	**$ 252,364**	**($ 4,313)**	**$ 4,826**	**$ 154**	**$ 1,322**	**$ 342,395**	**$ 77**	**$ 342,472**

See notes to consolidated financial statements

Consolidated Statement of Cash Flows

TOBISHIMA CORPORATION

Year ended March 31, 2023

Operating activities	**Millions of Yen 2023**	Millions of Yen 2022	**Thousands of U.S. Dollars 2023**
Income before income taxes	**¥ 3,671**	¥ 3,896	**$ 27,494**
Adjustment for:			
Income taxes paid	**(544)**	(721)	**(4,075)**
Depreciation and amortization	**941**	912	**7,047**
Impairment losses	**-**	371	**-**
Amortization of goodwill	**127**	128	**952**
(Decrease) in allowance for doubtful accounts	**(6)**	(0)	**(47)**
Increase provision for warranties for completed construction	**102**	52	**761**
Increase (decrease) in provision for loss on construction contracts	**432**	(107)	**3,235**
Increase (decrease) in retirement benefit liability	**7**	(15)	**54**
(Increase) in retirement benefit asset	**(600)**	(520)	**(4,491)**
Interest and dividend income	**(29)**	(28)	**(214)**
Interest expenses	**229**	215	**1,713**
Foreign exchange gain	**(54)**	(28)	**(406)**
Compensation for pneumoconiosis damages	**-**	37	**-**
(Gain) on sales of investment securities	**(0)**	(1)	**(0)**
Loss on valuation of investment securities	**-**	24	**-**
(Gain) on investments in investment partnerships	**(17)**	(20)	**(124)**
(Gain) on sale of shares of subsidiaries and associates	**-**	(91)	**-**
Share of loss of entities accounted for using equity method	**96**	-	**720**
(Gain) on sales of property, plant and equipment	**(35)**	(3)	**(260)**
(Increase) in notes and accounts receivable—trade	**(3,106)**	(4,695)	**(23,264)**
(Increase) decrease in real estate for sale	**(1,707)**	429	**(12,782)**
(Increase) in costs on uncompleted construction contracts and other	**(119)**	(275)	**(894)**
(Increase) in costs on development business and other	**(2,746)**	(516)	**(20,561)**
Decrease (increase) in consumption taxes refund receivable	**938**	(1,032)	**7,027**
Decrease in accounts receivable-other	**352**	965	**2,634**
Decrease (increase) in other assets	**33**	(270)	**244**
Increase (decrease) in notes and accounts payable—trade	**884**	(99)	**6,622**
Increase (decrease) in advances received on uncompleted construction contracts	**3,371**	(1,033)	**25,245**
Increase in advances revceived on development business and other	**13**	118	**94**
Increase (decrease) in deposits received	**2,351**	(3,157)	**17,604**
Increase (decrease)in accrued consumption taxes	**1,955**	(762)	**14,644**
(Decrease) increase in other liabilities	**(64)**	16	**(478)**
Interest and dividends receivable	**30**	27	**221**
Interest expenses paid	**(237)**	(214)	**(1,773)**
Compensation for pneumoconiosis damages paid	**-**	(3)	**-**
Other, net	**65**	212	**484**
Total Adjustments	**2,662**	(10,083)	**19,932**
Net cash provided by (used in) operating activities	**6,333**	(6,187)	**47,426**
Investing activities			
Proceeds from sales of short-term investment securities	**34**	14	**251**
Purchase of property, plant and equipment	**(538)**	(1,459)	**(4,029)**
Proceeds from sales of property, plant and equipment	**636**	6	**4,761**
Purchase of intangible assets	**(158)**	(160)	**(1,186)**
Purchase of investment securities	**(538)**	(256)	**(4,030)**
Proceeds from distribution from investment partnerships	**117**	224	**880**
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	**-**	(146)	**-**
Payments of loans receivable	**(2)**	(6)	**(12)**
Collection of loans receivable	**7**	28	**50**
Other, net	**(67)**	(18)	**(494)**
Net cash used in investing activities	**(509)**	(1,773)	**(3,809)**
Financing activities			
Net (decrease) in short-term borrowings	**-**	(3,000)	**-**
Proceed from long-term borrowings	**6,445**	3,890	**48,265**
Repayments of long-term borrowings	**(3,996)**	(4,413)	**(29,928)**
Cash dividends paid	**(961)**	(962)	**(7,201)**
Other, net	**(41)**	(77)	**(302)**
Net cash (used in) provided by financing activities	**1,447**	(4,562)	**10,834**
Foreign currency translation adjustments on cash and cash equivalents	**68**	36	**511**
Net Increase (decrease) in cash and cash equivalents	**7,339**	(12,487)	**54,961**
Cash and cash equivalents at beginning of year	**12,749**	25,236	**95,480**
Cash and cash equivalents, end of year	**¥ 20,088**	¥ 12,749	**$ 150,441**

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 2022 consolidated financial statements to conform to the classifications used in 2023.

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 ¥133.53 to $1, the approximate rate of exchange at March 31, 2023. 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, 2023, include the accounts of the Company and its eight (nine in 2022) 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 (0 in 2022) 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 deprecated by the straight-line method with the leasing period as the useful life and residual value as zero.

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

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

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

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

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

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

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

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, 2023)	Prior fiscal year (as of March 31, 2022)
Net sales of completed construction contracts	**¥ 108,239 million**	¥ 101,525 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.

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

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

4. ADDITIONAL INFORMATION

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

The Company introduced a performance-linked share-based remuneration plan, or BBT ("Board Benefit Trust"), for directors (excluding outside directors) 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 ¥ 108 million with the number of shares of 96 thousand for the current consolidated fiscal year and ¥ 115 million with the number of shares of 103 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, 2023)	Prior fiscal year (as of March 31, 2022)
Notes receivable	¥ 1,097 million	¥ 728 million
Accounts receivable from completed construction contracts	18,699	14,125
Contract assets	39,783	41,535

2. *5: In this figure, the amounts pertaining to non-consolidated subsidiaries are as follows:

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
Investment securities (stock)	¥ 394 million	¥ 0 million
(of which, the amount of investments in jointly controlled entities)	(394)	—

3. Assets pledged as collateral

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

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
*3 Costs on development business and other	¥ 7,039 million	¥ 4,769 million

The debts related to the above collateral are as follows:

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
*7 Short-term borrowings	¥ 471 million	¥ 2,450 million
*9 Long-term borrowings	5,960	1,690
Total	¥ 6,431 million	¥ 4,140 million

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

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
*4 Marketable securities	¥ 3 million	¥ 38 million
*5 Investment securities	78	47
*6 Investments and other assets “Other” (Long-term guarantee money)	207	203
Total	¥ 288 million	¥ 288 million

4. *2 *8: With respect to construction contracts that are expected to result in losses, both the costs on uncompleted construction contracts and the provision for loss on construction contracts have been presented in full without being offset.

Costs on uncompleted construction contracts related to provisions for loss on construction contracts are as follows:

Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
¥ 51 million	¥ 1 million

5. *10: Syndicated term loan agreements

Current fiscal year (as of March 31, 2023, Short-term borrowings) and Prior fiscal year (as of March 31, 2022, Long-term borrowings):

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 with five banks to make flexible and stable procurement of working capital. Contract maximum amounts and borrowing execution balances at the end of consolidated fiscal years are as follows:

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
Contract maximum amount	¥ 10,000 million	¥ 5,000 million
Borrowing execution balance	—	—
Unused committed credit facilities	¥ 10,000 million	¥ 5,000 million

7. 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, 2023)	Prior fiscal year (as of March 31, 2022)
Contract maximum amount	¥ 15,000 million	¥ 15,000 million
Borrowing execution balance	—	—
Unused revolving credit facilities	¥ 15,000 million	¥ 15,000 million

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

Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
¥ 481 million	¥ 56 million

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

	Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Provision for share-based remuneration for directors (and other officers)	¥ 22 million	¥ 20 million
Employee salaries	3,800	3,402
Retirement benefit costs	58	81
Provision for retirement benefits for directors (and other officers)	6	4
Research and development expenses	995	1,104

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

Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
¥ 994 million	¥ 1,104 million

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

	Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Land	¥ 73 million	¥ — million
Intangible assets	40	—
Others	16	4
Total	¥ 129 million	¥ 4 million

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

	Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Buildings	¥ 54 million	¥ 1 million
Fixtures	—	0
Total	¥ 54 million	¥ 1 million

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

	Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Buildings	¥ 74 million	¥ 8 million
Others	2	1
Total	¥ 76 million	¥ 9 million

8. *7: Impairment losses

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

Previous fiscal year (April 1, 2021 to March 31, 2022)

The Group recorded impairment losses on the following asset groups.

Location	Purpose of use	Type	Amount
Ibaraki prefecture	Idle assets	Land, buildings, machinery and equipment.	**¥ 360 million**
Tokyo and others	Idle assets	Intangible assets (Telephone subscription right)	**¥ 11 million**

The Group grouped idle assets for which impairment losses were recognized by each individual property. In the current consolidated fiscal year, the Group discontinued the operation of its equipment center in Ibaraki Prefecture, and the said asset became an idle asset. As a result, the book value was reduced to the recoverable amount, and the reduction was recorded as an impairment loss (land 347 million yen, buildings 10 million yen, machinery and equipment 1 million yen, other 0 million yen) in other expenses.

The Group's policy is to sell or transfer telephone subscription rights that are no longer in use, and since new inactive lines arose during the current consolidated fiscal year, the book value of these lines was reduced to the recoverable amount, and the amount of the reduction (11 million yen) was recorded as other expenses.

The recoverable amount of the asset group that recognized impairment losses was based on the net realizable value. The recoverable amount of land was calculated based on the real estate appraisal value by a real estate appraiser, and the recoverable amount of other assets was reduced to the memorandum value because the expected sales amount was small or the assets were expected to be disposed.

【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, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Unrealized gain (loss) on available-for-sale securities		
Amount arising during current fiscal year	**¥ 18 million**	¥ (120) million
Reclassification adjustment	**(0)**	—
Adjustment before tax effect	**18**	(120)
Tax effect	**(5)**	37
Unrealized gain (loss) on available-for-sale securities	**13**	(83)
Foreign currency translation adjustment		
Amount arising during current fiscal year	**14**	7
Remeasurements of defined benefit plans		
Amount arising during current fiscal year	**(256)**	170
Reclassification adjustment	**(106)**	(28)
Adjustment before tax effect	**(362)**	142
Tax effect	**111**	(44)
Remeasurements of defined benefit plans	**(251)**	99
Total other comprehensive (loss) income	**¥ (224) million**	¥ 23 million

【Notes to the Consolidated Statement of Changes in Equity】

Current 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 purchased less than one unit of common stock.

Note3: The decrease in the number of shares of common stock is due to 0 thousand shares decreased by sold less than one unit and 7 thousand shares decreased by the transfer to the Board Benefit Trust (BBT).

3. Notes on equity warrants, etc.
Not applicable

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

Resolution	Type	Total amount of dividend	Source of dividends	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting on June 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).

Prior fiscal year (from April 1, 2021 to March 31, 2022)

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	**179**	**3**	**0**	**182**

Note1: In the Common stock at the beginning and end of the current consolidated fiscal year, 102 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 purchased less than one unit of common stock.
Note3: The decrease in the number of shares of common stock is due to 0 thousand shares decreased by sold less than one unit of common stock.

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, 2021	**Common stock**	**¥ 962 million**	**Retained earnings**	**¥ 50.00**	**March 31, 2021**	**June 30, 2021**

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

(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, 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).

【Lease Transactions】

1. Finance lease transactions (as lessee)

Nontransferable ownership finance leases
(1) Content of lease assets
Tangible assets:
Vehicles only.

(2) Method of depreciation of lease assets
Please see "h. Lease Assets" under Summary of Significant Accounting Policies

2. Operating lease transactions (as lessee)

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

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
Due within one year	¥ 31 million	¥ 33 million
Due after one year	—	31
Total	¥ 31 million	¥ 64 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, 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)

Prior fiscal year (as of March 31, 2022)

	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	¥ 2,090	¥ 2,090	¥ —
Liabilities			
(2) Long-term borrowings (Note2)	¥ 15,796	¥ 15,796	¥ —

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 180 million yen in the current fiscal year and 281 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, 2023)	Prior fiscal year (as of March 31, 2022)
Unlisted stocks	**¥ 2,154 million**	¥ 1,761 million

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

Current 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**	**¥ —**

Prior fiscal year (as of March 31, 2022)

	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	¥ 12,749	¥ —	¥ —	¥ —
Time deposits over 3 months	210	—	—	—
Separate deposit for Board Benefit Trust (BBT)	9			
Notes receivable, accounts receivable from completed construction contracts, contract assets, and other	15,480	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturity dates				
Government bonds	37	38	3	1
Total	¥ 28,485	¥ 38	¥ 3	¥ 1

Note6: Scheduled repayment amount of long-term debt after the consolidated balance sheet date
Stated in "Schedule of Borrowings" in the Consolidated Supplementary Schedule

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) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

Current 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**

Prior fiscal year (March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale securities				
Stocks	¥ 2,010	¥ —	¥ —	¥ 2,010
Bonds				
Government bonds	80	—	—	80
Total	¥ 2,090	¥ —	¥ —	¥ 2,090

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

Current 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**

Prior fiscal year (March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	¥ —	¥ 15,796	¥ —	¥ 15,796
Total	¥ —	¥ 15,796	¥ —	¥ 15,796

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, 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			
Stock	**¥ 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			
Stock	**—**	**—**	**—**
Others			
Government bonds	**3**	**3**	**(0)**
Subtotal	**3**	**3**	**(0)**
Total	**¥ 2,111**	**¥ 1,182**	**¥ 929**

Prior fiscal year (as of March 31, 2022)

	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			
Stock	¥ 1,996	¥ 1,086	¥ 910
Bonds			
Government bonds	79	79	0
Subtotal	2,075	1,165	910
(2) Marketable and investment securities having acquisition costs that exceed their carrying amounts			
Stock	14	15	(1)
Others			
Government bonds	1	1	(0)
Subtotal	15	16	(1)
Total	¥ 2,090	¥ 1,181	¥ 909

2. Available-for-sale securities sold

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

	Total value sold	Total gain on sales	Total loss on sales
Bonds			
Government bonds	**¥ 9 million**	**¥ — million**	**¥ — million**
Total	**¥ 9 million**	**¥ — million**	**¥ — million**

Prior fiscal year (from April 1, 2021 to March 31, 2022)

Omitted due to immateriality.

3. Securities for which impairment was recognized

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

Not applicable

Prior fiscal year (from April 1, 2021 to March 31, 2022)

Impairment loss of 24 million yen was recognized for stocks of other securities.

【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, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Balance of projected benefit obligation as of the beginning of the current fiscal year	**¥ 6,961 million**	¥ 6,985 million
Service cost	**281**	292
Interest cost	**69**	69
Recognized actuarial (loss)	**(50)**	(84)
Retirement benefit payment	**(440)**	(286)
Decrease due to exclusion of subsidiaries from consolidation	**—**	(14)
Balance of projected benefit obligation as of the end of the current fiscal year	**¥ 6,821 million**	¥ 6,962 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, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Balance of assets as of the beginning of the current fiscal year	**¥ 8,861 million**	¥ 8,192 million
Expected return on plan assets	**222**	205
Recognized actuarial (loss) gain	**(307)**	86
Contribution by company	**615**	639
Retirement benefit payment	**(440)**	(261)
Balance of assets as of the end of the current fiscal year	**¥ 8,951 million**	¥ 8,861 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, 2023)	Prior fiscal year (as of March 31, 2022)
Retirement benefit liability of funded plan	¥ 6,771 million	¥ 6,918 million
Plan assets	(8,951)	(8,861)
Subtotal	(2,180)	(1,943)
Retirement benefit liability of unfunded plan	50	43
Net liability/asset recorded in consolidated statement of operations	(2,130)	(1,900)
Retirement benefit liability	50	43
Retirement benefit asset	(2,180)	(1,943)
Net liability/asset recorded in consolidated statement of operations	¥ (2,130) million	¥ (1,900) million

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

	Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Service cost	¥ 281 million	¥ 292 million
Interest cost	69	69
Expected return on plan assets	(222)	(205)
Recognized actuarial loss	(106)	(28)
Net periodic benefit costs for defined benefit program	¥ 22 million	¥ 128 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, 2022 and 2023

	Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Actuarial gain/loss	¥ (362) million	¥ 142 million
Total	¥ (362) million	¥ 142 million

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2023

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
Unrecognized actuarial gain/loss	¥ (254) million	¥ (617) million
Total	¥ (254) million	¥ (617) 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, 2023)	Prior fiscal year (as of March 31, 2022)
Bonds	65 %	62 %
Stock	22 %	24 %
Other	13 %	14 %
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, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
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 ¥ 91 million for the current fiscal year and ¥ 94 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 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.

【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, 2023 and 2022. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
Deferred tax assets		
Loss on valuation of real estate for sale	**¥ 718 million**	¥ 718 million
Impairment losses	**368**	1,181
Tax loss carryforwards (Note)	**149**	11
Other	**1,216**	1,085
Deferred tax assets subtotal	**2,451**	2,995
Less valuation allowance for tax loss carryforwards	**(147)**	(11)
Less valuation allowance for deductible temporary difference	**(1,574)**	(2,413)
Valuation allowance	**(1,721)**	(2,424)
Deferred tax assets total	**730**	571
Deferred tax liabilities		
Unrealized loss on available-for-sale securities	**(284)**	(279)
Others	**(670)**	(596)
Deferred tax liabilities total	**(954)**	(875)
Net deferred tax (liabilities) assets	**¥ (224) million**	¥ (305) million

Note: The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 is as follows:

Current 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**

Prior fiscal year
(Millions of Yen)

March 31, 2022	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	1	2	1	1	—	6	¥ 11
Less valuation allowances for tax loss carryforwards	(1)	(2)	(1)	(1)	—	(6)	(11)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	—	—

2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022, is as follows:

	Current fiscal year (as of March 31, 2023)	Prior fiscal year (as of March 31, 2022)
Statutory tax rate	**30.6 %**	30.6 %
(Reconciliation)		
Permanently non-deductible income	**2.9 %**	2.2 %
Permanently non-deductible expenses	**(0.1) %**	(0.0) %
Per capita inhabitant tax	**2.9 %**	2.7 %
Valuation allowance	**(19.1) %**	(18.1) %
Effective tax rate after application of tax effect accounting	**17.2 %**	17.4 %

【Business Combinations and Business Divestitures】

Omitted as it is immaterial.

【Asset Retirement Obligation】

Current fiscal year (as of March 31, 2023) and prior fiscal year (as of March 31, 2022)

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, and real estate including portions for rent and other purposes are as follows:

			Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Real estate for rent and other	Carrying amount	Balance as of the beginning of the fiscal year (Millions of yen)	**¥ 13,925**	¥ 10,804
		Increase(decrease) during the fiscal year (Millions of yen)	**(855)**	3,121
		Balance as of the end of the fiscal year (Millions of yen)	**13,070**	13,925
	Fair value as of the end of the fiscal year (Millions of yen)		**13,139**	13,977
Real estate including portions for rent and other purposes	Carrying amount	Balance as of the beginning of the fiscal year (Millions of yen)	**332**	341
		Increase(decrease) during the fiscal year (Millions of yen)	**(8)**	(9)
		Balance as of the end of the fiscal year (Millions of yen)	**324**	332
	Fair value as of the end of the fiscal year (Millions of yen)		**¥ 559**	¥ 539

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 ¥ 148 million due to the acquisition of buildings for lease through renovation, and decreases of ¥ 629 million due to the sale of buildings for lease and decreases of ¥ 382 million due to depreciation.

Primary factors for the increase/decrease during the prior fiscal year include: increases of ¥ 1,912 million due to the acquisition of buildings for lease through construction and renovation, increases of ¥ 1,556 million due to the transfer from assets for own use to real estate for lease, and decreases of ¥ 354 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, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Real estate for rent and other purposes	Rent revenue (Millions of yen)	**¥ 997**	¥ 943
	Rent expenses (Millions of yen)	**860**	793
	Rent income/loss (Millions of yen)	**137**	150
	Other income/loss (Millions of yen)	**(11)**	(3)
Real estate including portions for rent and other purposes	Rent revenue (Millions of yen)	**16**	16
	Rent expenses (Millions of yen)	**6**	5
	Rent income/loss (Millions of yen)	**10**	11
	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)	**¥ 14,853 million**	¥ 19,041 million
Receivables arising from contracts with customers (ending balance)	**19,796**	14,853
Contract assets (beginning balance)	**41,535**	32,403
Contract assets (ending balance)	**39,783**	41,535
Contract liabilities (beginning balance)	**5,426**	6,959
Contract liabilities (ending balance)	**8,797**	5,426

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 4,307 million yen. The amount of revenue recognized from performance obligations satisfied in past periods in the current fiscal year was 2,346 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 5,837 million yen. The amount of revenue recognized from performance obligations satisfied in past periods in the previous fiscal year was 2,141 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 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.

The total transaction price allocated to unfulfilled (or partially fulfilled) performance obligations at the end of the prior fiscal year was 212,917 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 six 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, 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.

Prior fiscal year (from April 1, 2021 to March 31, 2022) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Adjusted amount (Note 1)	Consolidated (Note 2)
Net sales						
Government	¥ 44,969	¥ 14,171	¥ 19	¥ 59,159	¥ —	¥ 59,159
Private	18,207	33,168	6,082	57,457	—	57,457
Revenue from contracts with customers	63,176	47,339	6,101	116,616	—	116,616
Other revenue	—	—	1,049	1,049		1,049
Sales to third parties	63,176	47,339	7,150	117,665	—	117,665
Intersegment sales and transactions	—	373	306	679	(679)	—
Total	63,176	47,712	7,456	118,344	(679)	117,665
Segment income	5,105	1,757	503	7,365	(2,790)	4,575
Segment assets	65,825	23,580	24,385	113,790	842	114,633
Other items						
Depreciation	239	157	516	912	—	912
Increase in property, plant and equipment and intangible assets	¥ 505	¥ 184	¥ 721	¥ 1,410	¥ —	¥ 1,410

Note 1: Amounts have been adjusted as follows:

(1) Adjusted amount of (¥ 2,790) million under "Segment income/loss" includes (¥ 654) million in elimination of intersegment transactions and (¥ 2,111) 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 ¥ 842 million under “Segment assets” includes ¥ 972 million in total corporate assets that are not allocated to the reportable segments and (¥ 129) 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, 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.

Prior fiscal year (from April 1, 2021 to March 31, 2022)

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, 2022 to March 31, 2023)

Not applicable

Prior fiscal year (from April 1, 2021 to March 31, 2022) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Impairment losses	¥ 200	¥ 170	¥ 1	¥ 371	¥ —	¥ 371

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

Current 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**

Prior fiscal year (from April 1, 2021 to March 31, 2022) (Millions of yen)

	Civil Engineering Business	Architecture Business	Development Business	Total	Eliminations	Total
Amortization	¥ 45	¥ 1	¥ 82	¥ 128	¥ —	¥ 128
Balance	¥ 45	¥ 0	¥ 272	¥ 317	¥ —	¥ 317

(Information on Gain on Negative Goodwill by Reportable Segment)

Current fiscal year (from April 1, 2022 to March 31, 2023) and Prior fiscal year (from April 1, 2021 to March 31, 2022)

Not applicable

【Transactions with Related Parties】

Current fiscal year (from April 1, 2022 to March 31, 2023) and prior fiscal year (from April 1, 2021 to March 31, 2022)

Not applicable

【Per Share Information】

	Current fiscal year (from April 1, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Net assets per share	¥ 2,389.71	¥ 2,293.14
Net income per share	¥ 158.81	¥ 168.30

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, 2022 to March 31, 2023)	Prior fiscal year (from April 1, 2021 to March 31, 2022)
Net income attributable to owners of the parent (millions of yen)	¥ 3,038	¥ 3,220
Amounts not applicable to common stockholders (millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (millions of yen)	¥ 3,038	¥ 3,220
Average number of common stock outstanding during term (1,000 shares)	19,131	19,130

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 180 thousand during the current consolidated fiscal year and 178 thousand during the previous fiscal year. In these, the average number held by BBT was 102 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, 2023)	Prior fiscal year (as of March 31, 2022)
Total net assets (millions of yen)	¥ 45,730	¥ 43,873
Deduction from net assets (millions of yen)	10	8
Minority interests (millions of yen)	(10)	(8)
Term-end amount allocated to common stock (millions of yen)	¥ 45,720	¥ 43,865
Number of common stock used to calculate net assets per share (1,000 shares)	19,132	19,128

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 181 thousand for the current consolidated fiscal year and 178 thousand for the previous fiscal year. In these, the number held by BBT at term end was 103 thousand for the current consolidated fiscal year and 102 thousand for the previous consolidated fiscal year.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tobishima Corporation:

Opinion

We have audited the consolidated financial statements of Tobishima Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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.

<table>
<tr><th colspan="2">Revenue recognition of construction contracts satisfies performance obligations over time</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As stated in Note 2. "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, q. Construction Contracts," 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 estimated reasonably. As stated in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATES," the Group recognized 117,436 million yen of Net sales of completed construction contracts on the consolidated statement of income for the year ended March 31, 2023, which included 108,239 million yen 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 with a lack of comprehensiveness in estimates regarding the pending or changed portion or for which the feasibility is not high.</td><td>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, 2023, 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 amendment 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.</td></tr>
</table>

• 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 the expectation of additional orders for subcontracting costs due to project time 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. 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, 2023. Therefore, we identified it as the Key Audit Matter.	• We selected a sample of construction contracts in progress and evaluated whether the budget was reviewed timely and prepared appropriately and comprehensively in line with the progress of the construction by inspecting the budget reports approved by management as of the fiscal year-end and the most recent budget management documents obtained from the construction site. We also evaluated whether the budgeted amount was consistent with the total Construction costs recorded by the Group. • 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 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, related safeguards.

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

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

Our firm and its designated engagement partner 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

August 25, 2023

Board of Directors

President and Representative Director
Masahiro Norikyo

Representative Director
Takuji Arao

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-Presidents
Seiichi Okuyama

Senior Managing Executive Officers
Takuji Arao
Mitsuhiko Takahashi
Shinichiro Sato

Managing Executive Officers
Kazuya Taniguchi
Junichi Fukada
Toshimori Souma
Toshiyuki Matsubara
Yasunori Inaba
Kazuhiro Tashiro

Executive Officers
Akiyoshi Ban
Kunji Nakagawa
Masahiro Yamagami
Katsuo Shimada

International Operations Division
W BLDG. 4F
1-8-15, Konan, Minato-ku,
Tokyo, Japan
Phone 03-6455-8390
Fax 03-6455-8391

Overseas Offices

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

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

Myanmar Office
Room-317, 3rd Floor, Hledan Center Apartment, Corner of Pyay and Hledan Road, Kamayut Township, Yangon, Myanmar
Phone 95-9-95029-8432

Overseas Subsidiaries

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

Employees by Occupation

(As of March 31, 2023)

Administrative Officers	210
Civil Engineers	479
Building Engineers	411
Mechanical Engineers	14
Electrical Engineers	7
Other Equipment Engineers	45
Employees of the subsidiaries	259
Total	1,425

Year of Establishment

March 1947
(Predecessor founded in 1883)

Stock Information

(As of March 31, 2023)

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 81,770 treasury stocks.

Number of Shareholders:	29,505