

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

1. Significant Items that Form the Basis of Preparing Consolidated Financial Statements:

The accompanying consolidated financial statements of TOA CORPORATION (the "Company") and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications and rearrangements were made for the convenience of readers outside of Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been rounded down to the nearest million Japanese yen.

I. Basis of consolidation

The Company has 16 majority-owned subsidiaries as of March 31, 2021. The consolidated financial statements for the year ended March 31, 2021 include the accounts of the Company and 10 majority-owned subsidiaries. Principal consolidated subsidiaries were TOA Agency Co., Ltd., Shinko Corporation, TOA Kikai Kogyo Co., Ltd. Consolidated subsidiaries have the same financial period as the Company that ends on March 31.

Other 6 subsidiaries are not consolidated as they are at small scale and not significant in terms of total assets, net sales, retained earnings or net income in aggregate.

Investments in unconsolidated subsidiaries (Human Affair Co., Ltd. and others) and affiliates (Sengenyama Developing Co., Ltd. and others) are excluded from application of the equity method as they are not significant in terms of net income or retained earnings in aggregate.

II. Basis of accounting treatment

(1) Basis of valuation for significant assets

a) Securities

Securities held by the Companies are classified into two categories:

Held-to-maturity debt securities are carried at amortized cost.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are included directly in the net assets and cost of securities sold is computed by the moving average method.

Other securities for which market quotations are unavailable are stated at moving average cost method.

b) Derivatives

With changes in fair value included in net income or loss for the period in which they arise, derivatives are stated at fair value.

c) Inventories

Cost on construction contracts in progress, PFI projects and real estate for sale are stated at specific cost method for each contract. Materials and supplies are stated at moving average cost method.

However, in the case that net selling value falls below the acquisition cost at the end of the period, inventories except for cost on construction contracts in progress are carried at the net selling value on the balance sheet, regarded as decreased profitability of assets.

(2) Depreciation for property, plant and equipment and other

Except for leased assets, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives. However, depreciation of buildings which the Companies acquired on or after April 1, 1998, and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 are computed on a straight-line basis over the estimated period. Useful lives and residual value are in conformity with the provisions of the Corporation Tax Law of Japan.

As for intangible fixed assets excluding leased assets and long-term prepaid expenses, amortization is computed by the straight-line method and the useful lives are in conformity with the provisions of the Corporation Tax Law of Japan.

As for leased assets related to finance lease,

other than those which are deemed to transfer ownership of the leased assets to the lessee, depreciation is principally computed by the straight-line method over the useful lives equivalent to lease term and residual value is equal to zero.

(3) Reserve and allowance

a) Allowance for doubtful accounts

Allowance for general receivables are established in amounts considered to be appropriate based upon credit loss experience. For specific receivables such as doubtful accounts, allowance for these are established in amounts considered to be uncollectible based upon an evaluation of possibility of collection in each outstanding receivable.

b) Reserve for indemnity on completed contracts

Reserve for indemnity on completed contracts is provided for the future defect expenses based upon the estimated indemnity amount for net sales for the year.

c) Reserve for loss on construction works

Reserve for loss on construction works is provided for the amount equivalent to cover future loss by evaluating individual construction form which loss is assumed and estimated.

d) Reserve for loss on construction defects

Reserve for loss on construction defects is provided for the amount equivalent to cover future defect expenses based upon the estimated repair costs for construction defects for soil investment projects.

e) Provision for board benefit trust

Provision for board benefit trust is provided for the amount equivalent to cover future benefit obligations for members of the Board of Directors and the Executive Officers in accordance with the regulations of the board benefit trust.

(4) Retirement benefits

Liabilities for retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets.

To calculate projected benefit obligation, the benefit formula method is used to allocate expected retirement benefit payments to the each period through current fiscal year-end.

Actuarial gain or loss is amortized by the straight-line method over a defined period (12 years), not exceeding the average remaining service period of the employees from the next fiscal year after the incurrence.

Certain consolidated subsidiaries apply the simplified method which assumes retirement benefit obligation to be equal to the benefits payable assuming voluntary retirement of all employees at fiscal year-end.

(5) Recognition of contract revenue and cost

The Companies adopt the percentage-of-completion method for revenue recognition for the construction-type contracts where the outcome of the construction activities by the end of this year can be reliably estimated.

Completion method is adopted otherwise. The percentage of completion is measured by the ratio of the costs incurred to the estimated total costs for each contract.

(6) Deferred assets

Bond issuance costs are expensed in full when incurred.

(7) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as a component of net assets and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values but an alternative (short-cut) method under Japanese accounting standards is applied by which the amounts received or paid for such interest swap arrangements are recognized as interest over the life of each of the arrangements.

The derivatives designated as hedging instruments by the Companies are principally interest swaps and forward exchange contracts. The related hedged items are bank loans, foreign currency monetary liabilities and forecasted transactions.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation and foreign exchange fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(8) Scope of cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows and composed of cash on hand, bank deposits which are able to be withdrawn on demand and short-term investment with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

(9) Other important items for the preparation of consolidated financial statements

1) Accounting principles and procedures adopted when the relevant accounting standards are not clearly defined.

Accounting methods used for joint ventures (JV) in construction projects.

The Companies recognize assets, liabilities, income and expenses mainly in proportion to the percentage of investment by the JV members.

(Additional information)

The Companies apply the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) from the fiscal year ended March 31, 2021.

2) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(10) U.S. Dollar amounts

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate of ¥110=US\$1, the approximated rate of exchange prevailing on March 31, 2021. The inclusion of such dollar amounts is solely for the convenience of readers outside of Japan and is not intended to imply that yen and assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at this or any other rates.

Amounts less than one thousand have been rounded down to the nearest thousand dollars.

Significant accounting estimates

1 Percentage-of-completion method

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

The amounts of contract revenue accounted for by the percentage-of-completion method
¥172,265 million (US\$1,566,046 thousand)

(2) Information on the nature of significant accounting estimates for identified items

The Companies apply the percentage-of-completion method (the construction-cost-percentage method for estimating the degree of completion) to construction contracts whose outcome at the end of the current fiscal year is deemed certain. The percentage of completion based on the percentage-of-completion method is calculated by making a reliable estimate of total construction revenue and total construction cost for each construction project, and multiplying the percentage of construction cost incurred up to the end of the fiscal year by the total construction revenue calculated as of the end of the fiscal year. Estimates of the total cost of construction are made using an implementation budget, and the assumptions used includes/ various factors such as unit prices of construction materials, unit prices of labor, and the number of man-hours.

Since these key assumptions are subject to estimation uncertainty, changes in key assumptions due to future changes in economic conditions may result in an increase or decrease in the amount of work completed in the following fiscal year.

2 Impairment loss on fixed assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year Impairment loss
¥239 million (US\$2,180 thousand)

- (2) Information on significant accounting estimates for identified items

The Companies recognize impairment losses when the total amount of undiscounted future cash flows from an asset or asset group is less than its carrying amount, after grouping business assets by business location while rental assets and idle assets are grouped individually.

Assets or asset groups for which it has been determined that an impairment loss should be recognized are written down to their recoverable amount, and the amount of the reduction is presented as an impairment loss. The recoverable amount is the higher of the net selling price or the value in use of the asset or asset group. Future cash flows are calculated based on major assumptions such as future estimates of the amount of contract awards and the amount of construction value and the construction profit ratio.

Since these major assumptions are subject to estimation uncertainty, if the major assumptions change due to future changes in economic conditions or the Companies' business environment, it may be necessary to record additional impairment losses in the following fiscal year.

3 Recoverability of deferred tax assets

- (1) Amounts recognized in the consolidated financial statements for the year ended March 31, 2021. Deferred tax assets ¥4,238 million (US\$38,532 thousand)

- (2) Information on significant accounting estimates for identified items

The Companies recognize deferred tax assets for net operating loss carryforwards and deductible temporary differences when the Companies believe that future taxable income will be sufficient to utilize the carryforwards and deductible temporary differences.

In determining the recoverability, the Companies estimate future taxable income based on major assumptions such as the expected amount of contract awards and the amount of construction work performed and the profit ratio on construction work and calculate the recoverable amount through the scheduling of loss carryforwards and deductible temporary differences.

Since these major assumptions are subject to estimation uncertainty, if the major assumptions change due to future changes in economic conditions or the Companies' business environment, it may be necessary to reverse the deferred tax assets in the following fiscal year.

2. Issued but not yet adopted accounting standard and others

Accounting Standard and Implementation Guidance on Revenue Recognition.

On March 31, 2020, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the 'following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

Accounting Standard for Fair Value Measurement and Related Implementation Guidance

On July 4, 2019, the ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ

Statement No. 30), and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31), along with related updates to "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9), and "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

(1) Overview

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

- Financial instruments defined in "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes defined in "Accounting Standard for Measurement of Inventories"

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

3. Changes in Presentation

Adoption of Accounting Standard for Disclosure of Accounting Estimates.

The Companies have adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) in preparing the consolidated financial statements for the year ended March 31, 2021, and notes regarding significant accounting estimates are included in the consolidated financial statements.

However, in the notes, comparative information for the previous fiscal year is not included in accordance with the transitional treatment prescribed in the proviso of paragraph 11 of this accounting standard.

The Companies have changed the presentation of items in the consolidated statement of income as follows:

The items that had been presented as "Other income (expenses)" in the consolidated statements of income until the fiscal year ended March 31, 2020 are presented separately as "Non-operating income", "Non-operating expenses", "Extraordinary income" and "Extraordinary loss" from the fiscal year ended March 31, 2021.

Gain on insurance claims included in Other, net of Other income (expenses) in the consolidated statement of income is presented separately from the fiscal year ended March 31, 2021. To reflect this change in presentation, the Companies reclassified this item in the consolidated financial statements.

Consequently, the amount of ¥(36) million shown as Other, net of Other income(expenses) in the consolidated statement of income for the previous fiscal year was reclassified as Gain on insurance claims in the amount of ¥8 and Other of ¥29 million in Non-operating income.

Commission fee included in Other, net of Other income (expenses) in the consolidated statement of income is presented separately from the fiscal year ended March 31, 2021. In addition, Exchange loss, presented separately in the previous year, is included in Other in Non-operating loss in the current year. To reflect this change in presentation, the Companies reclassified this item in the consolidated financial statements.

Consequently, the amount of ¥(298) million shown as Exchange loss and the amounts of ¥(36) million shown Other, net of Other income(expenses) in the consolidated statement of income for the previous fiscal year were reclassified as Commission fee in the amount of ¥43 and Other of ¥324 million in Non-operating income.

Gain on redemption of golf club membership, presented separately in the previous year, is included in Other in Extraordinary income in the current year. To reflect this change in presentation, the Companies reclassified this item in the consolidated financial

statements. Consequently, the amount of ¥84 million shown Gain on redemption of golf club membership of ¥(36) million shown Other, net of Other income(expenses) in the consolidated statement of income for the previous fiscal year was reclassified as Other in the amount of ¥113 in Extraordinary income.

Loss on valuation of investment in securities, presented separately in the previous year, is included in Other in Extraordinary loss in the current year. To reflect this change in presentation, the Companies reclassified this item in the consolidated financial statements.

Consequently, the amount of ¥(198) million shown Loss on valuation of investment in securities of ¥(36) million shown Other, net of Other income(expenses) in the consolidated statement of income for the previous fiscal year was reclassified as Other in the amount of ¥232 in Extraordinary loss.

4. Changes in accounting estimates

Change in the number of years for accounting treatment of retirement benefits

Previously, the Company had amortized the cost of retirement benefits over 13 years, which is a certain number of years within the average remaining years of service of employees, but as the average remaining years of service has fallen below this number, the Company has changed the number of years over which costs are amortized to 12 years from the fiscal year ended March 31, 2021.

The effect of this change on profit or loss for the current fiscal year was immaterial.

5. Additional information

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

1 Transaction summary

The Company approved a resolution at the 129th Annual General Meeting of Shareholders held on June 27, 2019 to introduce the Board Benefit Trust (the "BBT"), a performance-linked stock compensation plan for its directors and executive officers (the Directors). The BBT plan clarifies how the Company's performance and its stock value influence the Directors' compensation, which enables the Directors to share with stockholders the benefits from the improvement of the Company's performance and corporate value over the medium to long-term period.

The Shares are acquired through the trust funded by the Company and established based on the BBT (the "Trust"). Under the BBT plan, Directors are granted shares in the Company and the amount of cash equivalent to the market price of the Company's shares (the "Shares") through the Trust in accordance with the Director's Stock Compensation Rules stipulated by the Company.

In principle, the Directors are to receive the such compensation upon their retirement from the position.

2 The Company's own stock in the Trust

The Company's outstanding shares in the Trust are included in treasury stock under net assets based on the book value in the Trust. The book value of such treasury stock was ¥124 million (US\$1,135 thousand), and the number of shares was 96,300 as of March 31, 2021.

(Impact of the spread of COVID-19 on Accounting Estimates)

As a result of the global spread of COVID-19, the Companies have been affected by the suspension of construction work on some overseas projects. Almost all of the interrupted works have been resumed, and assuming that these works can be continued, the Companies have made accounting estimates for the recoverability of deferred tax assets, the determination of impairment of fixed assets, and the total cost of construction works.

However, since it is difficult to predict the impact of the spread of COVID-19 and the timing of its convergence, the Companies' financial position and operating results in the future may differ from these estimates and assumptions.

(Acquisition of treasury stock)

By resolution of the Board of Directors meeting held on February 22, 2021, the Company acquired 698,600 shares of treasury stock by May 31, 2021, in accordance with the provisions of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act.

Consequently, treasury stock increased by ¥1,696 million (US\$15,425 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

6. Notes to Consolidated Balance Sheet

I. Cost on construction contracts in progress and other

Cost on construction contracts in progress and other as of March 31, 2020 and 2021 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cost on construction contracts in progress	¥5,646	¥3,817	\$34,701
PFI projects	773	619	5,633
Other inventories	890	760	6,913
Cost on construction contracts in progress and other	¥7,310	¥5,197	\$47,248

II. Reserve for loss on construction works

Cost on construction contracts in progress and reserve account in relation to the construction works, which loss is assumed, are represented in current assets and liabilities, respectively without setoff.

Among cost on construction contracts in progress, the aggregate amounts corresponding to reserve for loss on construction works as of March 31, 2020 and 2021 are as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2020	2021	2021
¥192	¥563	\$5,123

III. Investments in securities

Among investments in securities, the aggregate amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2020 and 2021 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Investments in affiliates	¥303	¥339	\$3,088

IV. Revaluation of land

In accordance with the "Act on Revaluation of Land" (Act No.34 promulgated on March 31, 1998) and the "Act on Partial Revision of the Act on Revaluation of Land" (Act No.19 promulgated on March 31, 2001), the Company revalued its land held for the business purpose and accounted for the amount equivalent to tax related to this differences on revaluation as "deferred tax liabilities on revaluation of land" in liabilities and accounted for the amount that tax amount were deducted from the differences on revaluation as "revaluation reserve for land" in net assets.

Furthermore, reviewing a collectability of "deferred tax assets for land revaluation" individually, among the amount equivalent to tax related to the differences on revaluation of land, the amount that were difficult to anticipate collectability were reduced from "revaluation reserve for land".

Revalued method

The Company revalued its land held for business purposes based on the value appraised by an appraiser, as regulated by Article No.2-4 of the "Enforcement Ordinance of the Law Concerning Land Revaluation (Article No.119 issued on March 31, 1998) with certain necessary adjustments.

Revalued date March 31, 2002

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Differences of the land after revaluation exceeded its fair value	¥3,802	¥3,618	\$32,895

V. Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities as of March 31, 2020 and 2021 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Assets pledged as collateral:			
Current assets			
Other current assets	¥19	¥17	\$159
Investment and other assets			
Investment in securities	2,301	2,327	21,160
Long-term loans	147	130	1,189
Total	¥2,468	¥2,476	\$22,510

As of March 31, 2021, the assets listed above are pledged as collateral to secure contingent liabilities amounting to ¥1,959 million (US\$17,817 thousand) and liabilities based on the loan agreements with credit line between 12 PFI companies and financial institutions.

As of March 31, 2020, secured liabilities were in the amount of ¥1,768 million and liabilities were for 12 PFI companies.

VI .Securities lent

Among investments in securities, securities lent to financial institution under the security lending agreement at March 31, 2020 and 2021 were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2020	2021	2021
¥164	¥195	\$1,779

VII .Commitments and contingent liabilities

(a)The Companies are contingently liable for the following as of March 31, 2020 and 2021:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Employees (Loan guarantee to bank)	¥13	¥14	\$131
National Federation of Promotion for Fishing Ports and Villages	44	33	303
Fisheries Cooperative Association (Loan guarantee)			
MORIMOTO CO., LTD (Deposit Money Guarantee)	325	155	1,417
Others	5	—	—
Total	¥389	¥203	\$1,852

VIII .Short-term borrowings

The Company had commitment lines for efficient financing from 7 banks at March 31, 2020 and 2021 as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Total amount of contracts of commitment lines	¥20,000	¥25,000	\$227,272
Outstanding borrowings	—	—	—
Balance	¥20,000	¥25,000	\$227,272

IX .Non-recourse debt

The following non-recourse debts are included in current portion of long-term debt and long-term debt with PFI business pledged as collateral. The amount of non-recourse debts as of March 31, 2020 and 2021 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Non-recourse debt included in current portion of long-term debt	¥542	¥455	\$4,138
Non-recourse debt included in long-term debt	658	203	1,846
Total	¥1,201	¥658	\$5,985

The amount of PFI assets pledged as collateral for non-recourse debt as of March 31, 2020 and 2021 are as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2020	2021	2021
¥3,583	¥3,074	\$27,950

7.Notes to Consolidated Statement of Income

I .Net sales

The amounts of contract revenue which are accounted for by the percentage-of-completion method were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2020	2021	2021
¥172,431	¥172,265	\$1,566,046

II .Loss on valuation of inventory

The ending inventory was the carrying value after writing down due to the decreased profitability. Among the cost of sales, the aggregate amounts corresponding to loss on valuation of inventory were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2020	2021	2021
¥212	¥14	\$131

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

III .Reserve for loss on construction works

Among the cost of sales, the aggregate amount corresponding to reserve for loss on construction works were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2020	2021	2021
¥1,968	¥767	\$6,980

IV .Selling, general and administrative expenses

The significant items of selling, general and administrative expenses were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Salaries to employees	¥4,804	¥4,564	\$41,492
Expenses for retirement benefits for employees	332	496	4,509
Research expenses	982	911	8,285
Provision for doubtful accounts, trade	(0)	(0)	(2)

V .Research and development expenses

Among the general and administrative expenses and the cost on contract, the aggregate amounts corresponding to research and development expenses were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2020	2021	2021
¥1,058	¥1,225	\$11,139

VI .Gain on sale of fixed assets

The breakdown of the gain on sale of fixed assets was as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Land	¥22	¥0	\$6
Building and structures	4	—	—
Vessels	1	0	0
Others	0	0	0
Total	¥28	¥0	\$8

VII .Loss on sale of fixed assets

The breakdown of the loss on disposition of fixed assets was as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Land	¥0	¥6	\$58
Building and structures	0	1	14
Others	—	0	0
Total	¥0	¥7	\$72

VIII .Loss on disposal of fixed assets

The breakdown of the loss on retirement of fixed assets was as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Machinery, vehicles and equipment	¥2	¥203	\$1,847
Buildings and structures	56	16	153
Others	—	7	67
Total	¥58	¥227	\$2,068

IX .Impairment of fixed assets

For the year ended March 31, 2020, the Companies recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of groups
Idle properties	Land	Kanagawa Pref and other	2

The construction business assets were grouped by each branch unit, the real estate leasing assets and the idle properties were grouped individually.

The carrying amount of the relevant assets was written down to the recoverable value due to the drop in fair value and ¥2 million (US\$20 thousand) was accounted for as loss on impairment of fixed assets, which consisted of ¥2 million (US\$20 thousand) for Land.

Meanwhile, the recoverable value of the relevant assets was based on the anticipated net sale value. Furthermore, the anticipated net sale value of land whose carrying amount was significant was based on the appraisal value by the licensed real-estate appraiser.

For the year ended March 31, 2021, the Companies recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of groups
Business assets	Buildings and structures	Kanagawa Pref	1

The construction business assets were grouped by each branch unit, the real estate leasing assets and the idle properties were grouped individually.

Some business assets in Kanagawa Prefecture are no longer expected to be used in the future due to the decision to partially demolish buildings and structures in the current fiscal year, and the book value has been reduced to the recoverable amount. An impairment loss of ¥239 million (US\$2,180 thousand) has been recorded.

8. Notes to Consolidated Statement of Comprehensive Income

Reclassifications adjustments and tax effects in relation to the other comprehensive income were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unrealized gains (losses) on securities:			
Amount arising during the year	(¥1,197)	¥1,641	\$14,924
Amount of reclassification adjustments	73	(1,420)	(12,910)
Amount before tax effect	(1,123)	221	2,014
Tax effect	360	(93)	(845)
Unrealized gains (losses) on securities	(762)	128	1,168
Deferred gains (losses) on hedges:			
Amount arising during the year	12	27	245
Amount of reclassification adjustments	—	—	—
Amount before tax effect	12	27	245
Tax effect	(3)	(8)	(75)
Deferred gains (losses) on hedges	8	18	170
Revaluation reserve for land:			
Tax effect	—	—	—
Revaluation reserve for land	—	—	—
Retirement benefits liability adjustments:			
Amount arising during the year	(2,555)	1,831	16,645
Amount of reclassification adjustments	565	1,256	11,418
Amount before tax effect	(1,990)	3,087	28,064
Tax effect	609	(945)	(8,593)
Retirement benefits liability adjustments	(1,381)	2,141	19,471
Total other comprehensive income	(¥2,134)	¥2,289	\$20,810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

9. Notes to Consolidated Statement of Changes in Net Assets

I. Type and number of shares

For the year ended March 31, 2020

Type of shares	Number of shares at beginning of year	Increase	Decrease	Thousands of shares
				Number of shares at end of year
Issued stock				
Common stock	22,494	—	—	22,494
Treasury stock				
Common stock	1,594	1,396	100	2,891

Notes: 1. The number of common shares of treasury stock includes 100 thousand shares acquired by the BBT.

2. The principal reasons for the increase and decrease in treasury stock were as follows:

Increase due to acquisition of common stock under BBT	100 thousand shares
Increase due to acquisition of treasury stock under the board resolution on Nov 27, 2019	1,296
Increase due to purchase of odd lot shares	0
Decrease due to disposition of treasury stock by third party allotment resulting from the introduction of the BBT	100

For the year ended March 31, 2021

Type of shares	Number of shares at beginning of year	Increase	Decrease	Thousands of shares
				Number of shares at end of year
Issued stock				
Common stock	22,494	—	—	22,494
Treasury stock				
Common stock	2,891	493	9	3,375

Notes: 1. The number of common shares of treasury stock includes 96 thousand shares acquired by the BBT.

2. The principal reasons for the increase and decrease in treasury stock were as follows:

Increase due to acquisition of treasury stock under the board resolution on Feb 22, 2021	493 thousand shares
Increase due to purchase of odd lot shares	0
Decrease due to the issuance of treasury stock with exercising of stock acquisition rights of yen-denominated convertible corporate bonds with stock acquisition rights maturing in 2021	5
Decrease due to the BBT benefits	3

II. Dividend payment

For the year ended March 31, 2020

Resolution	Type of share	Dividend resource	Millions of Japanese Yen		Record date	Effective date
			Total amount of dividends	Cash dividends per share (Yen)		
Annual Shareholders' Meeting held on June 26, 2020						
	Common stock	Retained earnings	¥1,002	¥50	March 31, 2020	June 29, 2020

Notes: Total amount of dividends (¥1,002 million) based on the resolution adopted at the Ordinary General Shareholder's Meeting on Jun 26, 2020 is also included in the dividend payment of ¥5 million for the shares acquired by the BBT.

III. Among dividends whose record date belong in the current fiscal year, dividends which become effective in the following fiscal year was as follows:

For the year ended March 31, 2021

Resolution	Type of share	Dividend resource	Millions of Japanese Yen		Thousands of U.S. Dollars		Record date	Effective date
			Total amount of dividends	Cash dividends per share (Yen)	Total amount of dividends	Cash dividends per share (Dollars)		
Annual Shareholders' Meeting held on June 29, 2021								
	Common stock	Retained earnings	¥1,537	¥80	\$13,974	\$0.72	March 31, 2021	June 30, 2021

Notes: Total amount of dividends (¥1,537 million) based on the resolution adopted at the Ordinary General Shareholder's Meeting on Jun 29, 2021 is also included in the dividend payment of ¥7 million for the shares acquired by the BBT.

IV .Stock acquisition rights

For the year ended March 31, 2021

Number of shares to be issued (Thousands of shares)

Company name	Description	Type of Share	Beginning of year	Increase	Decrease	End of year	Balance at end of year
Issuing Company	Stock acquisition rights, yen-denominated convertible corporate bonds with stock acquisition rights maturing in 2024 Issue date : December 13, 2019	Common stock	3,719	22	5	3,736	See Note

Notes: 1. Convertible corporate bonds with stock acquisition rights are accounted for based on the lump-sum reporting method.

2. The principal reasons for the increase and decrease in stock acquisition rights were as follows:

Increase due to adjustment of conversion price	22 thousand shares
Decrease due to the issuance of treasury stock with exercising of stock acquisition rights of yen-denominated convertible corporate bonds with stock acquisition rights maturing in 2021	5

10. Notes to Consolidated Statement of Cash Flows

Cash and cash equivalents consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash and bank deposits	¥43,767	¥32,331	\$293,919
Time deposits due over three months	(20)	(20)	(185)
Cash and cash equivalents	¥43,746	¥32,310	\$293,733

11. Leases

Operating lease

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2020 and 2021, are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Due within one year	¥153	¥140	\$1,278
Due over one year	181	68	619
Total	¥334	¥208	\$1,898

12. Financial Instruments

I. Summary of financial instruments

a) Policy for financial instruments

The Companies limit its fund management to low-risk financial instruments, such as bank deposits in a short period and have a policy to raise low-interest funds through bank borrowings flexibly. The Companies utilize derivatives in order to reduce the risk of fluctuation in interest rates and foreign exchange rates for debts and credits in foreign currencies. The Companies, furthermore, utilize the hedging instruments for the purpose of stabilizing the cost on contracts and do not enter into derivatives for speculative purpose.

b) Contents of financial instruments, related risk and risk management

Notes and accounts receivable which categorized into operating receivables are exposed to credit risk of customers.

These risks are reviewed at entering into a contract and the concerned counterparts are managed by the administration headquarters in each case.

Investments in securities are exposed to fluctuation risks of market price.

Those securities are mainly shares of other companies with which the Company has business relationships and the Company monitors the monthly fair value.

Among the debt, short-term borrowings are principally applicable to funds for business activities and long-term debt (maturities are within five years in principle) are funds for capital investments. Long-term debt with variable interest rates are exposed to the risk of interest rate fluctuation. The Company utilizes derivatives which are the interest swaps in each contracts in order to avoid fluctuation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

risk of interest expenses and stabilize interest cost.

In addition, the Company utilizes foreign currency exchange contracts to hedge foreign currency exposure of certain transactions related to construction work denominated in foreign currencies.

Conducting of derivative transactions is managed by gaining approval by directors and derivatives provided by the highly-rated financial institutions are utilized in order to avoid credit risk.

c) Supplemental explanation for fair value of financial instruments

Notional amounts of derivatives are not indicative of the actual market risk involved in derivative transactions.

II .Fair value of financial instruments

As of March 31, 2020, carrying amount, fair value and unrealized gain (loss) are as follows:

	Carrying amount	Fair value	Unrealized gain (loss)
Millions of Japanese Yen			
Cash and bank deposits	¥43,767	¥43,767	¥—
Notes and accounts receivable, trade	83,275	83,275	—
Advanced money	12,068	12,068	—
Investments in securities			
Other securities	8,781	8,781	—
Total assets	147,893	147,893	—
Notes and accounts payable, trade	34,796	34,796	—
Electronically recorded obligations, operating	11,894	11,894	—
Short-term borrowings	8,636	8,636	—
Deposits received	21,161	21,161	—
Convertible bonds with stock acquisition rights	7,000	7,206	206
Long-term debt (*1)	18,834	18,901	66
Total liabilities	102,323	102,596	272
Derivative transactions (*2)	(¥39)	(¥39)	¥—

(*1) Current portion of long-term debt of ¥6,100 million (US\$56,485 thousand) is included in long-term debt and carrying amount and fair value are represented.

(*2) The assets and liabilities are reported as net amount.

As of March 31, 2021, carrying amount, fair value and unrealized gain (loss) are as follows:

	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Millions of Japanese Yen			Thousands of U.S. Dollars			
Cash and bank deposits	¥32,331	¥32,331	¥—	\$293,919	\$293,919	\$—
Notes and accounts receivable, trade	87,702	87,702	—	797,295	797,295	—
Advanced money	15,285	15,285	—	138,960	138,960	—
Investments in securities						
Other securities	9,486	9,486	—	86,242	86,242	—
Total assets	144,805	144,805	—	1,316,417	1,316,417	—
Notes and accounts payable, trade	32,005	32,005	—	290,960	290,960	—
Electronically recorded obligations, operating	11,929	11,929	—	108,445	108,445	—
Short-term borrowings	4,116	4,116	—	37,418	37,418	—
Deposits received	23,546	23,546	—	214,056	214,056	—
Convertible bonds with stock acquisition rights	6,990	9,284	2,294	63,545	84,405	20,860
Long-term debt (*1)	17,634	17,699	64	160,314	160,902	588
Total liabilities	96,221	98,580	2,359	874,741	896,189	21,448
Derivative transactions (*2)	(¥12)	(¥12)	¥—	(\$111)	(\$111)	\$—

(*1) Current portion of long-term debt of ¥5,749 million (US\$52,264 thousand) is included in long-term debt and carrying amount and fair value are represented.

(*2) The assets and liabilities are reported as net amount.

a) Computation of fair value for financial instruments, investment in securities and derivative transactions

Assets

Cash and bank deposits, and advanced money in other current assets

Those accounts are carrying value, since those are settled in a short period and their fair value is equivalent to carrying amount approximately.

Notes and accounts receivable, trade

The most of its account are carrying value, since those are settled in a short period and their fair value is equivalent to carrying amount approximately.

Investments in securities

Fair value of investments in securities is based on market price at Stock Exchange or asking price from correspondent financial institutions.

Liabilities

Notes and accounts payable, trade, electronically recorded obligations, operating, short-term borrowings, and deposits received in other current liabilities.

Those accounts are carrying value, since those are settled in a short period and their fair value is equivalent to carrying amount approximately.

Convertible bonds with stock acquisition rights

The fair value of convertible bonds with stock acquisition rights is calculated using prices provided by counterparty financial institutions.

Long-term debt

For the fair value of long-term debt by variable interest rates, the market rate is almost equal to the book price because it reflects the interest rates in a short time.

Fair value of long-term debt by fixed rate is based on the present value of the total of principal and interest discounted by the interest rate to be applied, provided that the equivalent loans are newly entered into.

In addition, long-term debt by some variable interest rates is subject to the special treatment of interest rate swaps. The total amount of the principal that is being treated as a combination of interest rate swaps is calculated by discounting the interest rate to be applied, provided that the equivalent loans are newly entered into.

Derivative Transactions

Please refer to Note 13, Derivative Transactions, of the notes the consolidated financial statements.

b) Financial instruments for which it is extremely difficult to determine fair value

Unlisted stocks are not included in Investments in securities, since those have no market price and it is extremely difficult to determine fair value.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unlisted stocks	¥1,860	¥1,837	\$16,706

c) Projected redemption

The projected redemption of monetary claims as of March 31, 2020 was as follows:

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
	Millions of Japanese Yen			
Cash and bank deposits	¥43,767	¥—	¥—	¥—
Notes and accounts receivable, trade	77,172	6,095	8	—
Investments in securities				
Other securities with maturities (Government bonds)	—	42	—	—
Total	¥120,939	¥6,138	¥8	¥—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

The projected redemption of monetary claims as of March 31, 2021 was as follows:

	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
	Millions of Japanese Yen				Thousands of U.S. Dollars			
Cash and bank deposits	¥32,331	¥—	¥—	¥—	\$293,919	\$—	\$—	\$—
Notes and accounts receivable, trade	87,532	168	1	—	795,751	1,528	15	—
Investments in securities								
Other securities with maturities (Government bonds)	—	42	—	—	—	389	—	—
Total	¥119,863	¥211	¥1	¥—	\$1,089,671	\$1,918	\$15	\$—

d) The projected repayment of short-term borrowings, long-term debt and lease obligation as of March 31, 2020 was as follows:

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
	Millions of Japanese Yen					
Short-term borrowings	¥8,636	¥—	¥—	¥—	¥—	¥—
Long-term debt	6,100	5,797	3,545	2,304	1,080	7
Lease obligation	71	65	28	25	2	—
Total	¥14,808	¥5,862	¥3,574	¥2,329	¥1,082	¥7

The projected repayment of short-term borrowings, long-term debt and lease obligation as of March 31, 2021 was as follows:

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
	Millions of Japanese Yen					
Short-term borrowings	¥4,116	¥—	¥—	¥—	¥—	¥—
Long-term debt	5,749	4,884	3,508	2,284	1,207	1
Lease obligation	534	497	494	470	183	352
Total	¥10,399	¥5,381	¥4,002	¥2,754	¥1,391	¥353

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
	Thousands of U.S. Dollars					
Short-term borrowings	\$37,418	\$—	\$—	\$—	\$—	\$—
Long-term debt	52,264	44,036	31,892	20,766	10,976	14
Lease obligation	4,856	4,518	4,491	4,279	1,670	3,201
Total	\$94,538	\$48,555	\$36,383	\$25,045	\$12,646	\$3,215

13. Securities

(1) The following is certain information related to the aggregate acquisition costs, carrying amount and fair value of securities.

At March 31, 2020

	Millions of Japanese Yen		
	Fair value (Carrying value)	Acquisition cost	Unrealized gain (loss)
Other securities whose fair value amount exceeds their acquisition cost			
Stock	¥6,949	¥3,271	¥3,677
Government bond	42	41	1
Sub total	6,992	3,312	3,679
Other securities whose fair value does not exceed their acquisition cost			
Stock	1,789	2,013	(223)
Government bond	—	—	—
Sub total	1,789	2,013	(223)
Total	¥8,781	¥5,325	¥3,456

At March 31, 2021

	Millions of Japanese Yen			Thousands of U.S. Dollars		
	Fair value (Carrying value)	Acquisition cost	Unrealized gain (loss)	Fair value (Carrying value)	Acquisition cost	Unrealized gain (loss)
Other securities whose fair value exceeds its acquisition cost						
Stock	¥9,080	¥5,236	¥3,844	\$82,553	\$47,603	\$34,950
Government bond	42	41	1	389	379	10
Sub total	9,123	5,278	3,845	82,943	47,983	34,960
Other securities whose fair value does not exceed their acquisition cost						
Stock	362	407	(44)	3,298	3,703	(404)
Government bond	—	—	—	—	—	—
Sub total	362	407	(44)	3,298	3,703	(404)
Total	¥9,486	¥5,685	¥3,801	\$86,242	\$51,686	\$34,556

(2) Other securities sold during the years ended March 31, 2020 and 2021 were as follows:

At March 31, 2020

	Millions of Japanese Yen		
	Sales proceeds	Gain on sales	Loss on sales
Stock	¥487	¥197	¥72
Other	—	—	—
Total	¥487	¥197	¥72

At March 31, 2021

	Millions of Japanese Yen			Thousands of U.S. Dollars		
	Sales proceeds	Gain on sales	Loss on sales	Sales proceeds	Gain on sales	Loss on sales
Stock	¥2,107	¥1,425	¥5	\$19,160	\$12,959	\$49
Other	—	—	—	—	—	—
Total	¥2,107	¥1,425	¥5	\$19,160	\$12,959	\$49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

14. Derivative Transactions

Derivative transactions for the year ended March 31, 2020 were classified into:

a) Hedge accounting unapplied

Not applicable

b) Hedge accounting applied

Notional amounts and fair value conditioned on contracts based on each hedge accounting method are as follows:

(1) Currency related derivatives

Hedge accounting method	Types of derivative	Hedged item	Millions of Japanese Yen		
			Notional amount	Maturing over one year	Fair value
Accounting in principle	Forward foreign exchange contracts Buying U.S. Dollars	Accounts payable	¥756	¥238	¥8 (*)

(*) Fair value is calculated based on prices provided by counterparty financial institution.

(2) Interest rate related derivatives

Hedge accounting method	Types of derivative	Hedged item	Millions of Japanese Yen		
			Notional amount	Maturing over one year	Fair value
Accounting in principle	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥4,428	¥3,393	(¥48) (*)
Short-cut	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥914	¥83	(¥2)

(*)1 Fair value is calculated based on prices provided by counterparty financial institutions.

(*)2 Fair value based on the short-cut method is included in fair value of these long-term debt, since the derivative transactions are accounted for together with the hedged long-term debt collectively.

Derivative transactions for the year ended March 31, 2021 were classified into:

a) Hedge accounting unapplied

Not applicable

b) Hedge accounting applied

Notional amounts and fair value conditioned on contracts based on each hedge accounting method are as follows:

(1) Currency related derivatives

Hedge accounting method	Types of derivative	Hedged item	Millions of Japanese Yen			Thousands of U.S. Dollars		
			Notional amount	Maturing over one year	Fair value	Notional amount	Maturing over one year	Fair value
Accounting in principle	Forward foreign exchange contracts Buying U.S. Dollars	Accounts payable	¥238	—	(¥14) (*)	\$2,168	—	\$129 (*)

(*) Fair value is calculated based on prices provided by counterparty financial institutions.

(2) Interest rate related derivatives

Hedge accounting method	Types of derivative	Hedged item	Millions of Japanese Yen			Thousands of U.S. Dollars		
			Notional amount	Maturing over one year	Fair value	Notional amount	Maturing over one year	Fair value
Accounting in principle	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥3,393	¥2,021	(¥26) (*)	\$30,845	\$18,377	(\$239) (*)
Short-cut	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥83	—	(¥2)	\$760	—	(¥2)

(*)1 Fair value is calculated based on the price provided by counterparty financial institutions.

(*)2 Fair value based on the short-cut method is included in fair value of these long-term debt, since the derivative transactions are treated with the hedged long-term debts collectively.

15. Reserve for Retirement Benefits and Pension Plan

The Company and some of its consolidated subsidiaries have the funded/unfunded defined benefit retirement plans.

The Company has the funded defined benefit plan, the cash balance plan and sets up the retirement benefit trust.

Some consolidated subsidiaries have the unfunded retirement lump sum plans.

Furthermore, additional severance payment covering substantially all employees.

(1)The changes in the retirement benefit obligation during the years ended March 31, 2020 and 2021 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Retirement benefit obligation balance at the beginning of the year	¥21,135	¥21,073	\$191,574
Service cost	781	811	7,377
Interest cost	78	78	709
Actuarial gain	158	(272)	(2,476)
Retirement benefit paid	(1,081)	(1,236)	(11,236)
Past service costs	—	514	4,673
Retirement benefit obligation balance at the end of the year	¥21,073	¥20,968	\$190,621

(2)The changes in plan assets during the years ended March 31, 2020 and 2021 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Plan assets balance at the beginning of the year	¥17,889	¥15,721	\$142,927
Expected return on plan assets	233	240	2,186
Actuarial gain (loss)	(2,396)	2,072	18,842
Contributions by the Company	1,077	1,641	14,924
Retirement benefits paid	(1,080)	(1,213)	(11,031)
Plan assets balance at the end of the year	¥15,721	¥18,463	\$167,849

(3)The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2020 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Funded retirement benefit obligation	¥20,596	¥20,473	\$186,118
Plan assets at fair value	(15,721)	(18,463)	(167,849)
Unfunded retirement benefit obligation	4,874	2,009	18,269
Net liability for retirement benefits in the balance sheet	5,351	2,504	22,771
Liability for retirement benefits	5,351	2,504	22,771
Net liability for retirement benefits in the balance sheet	¥5,351	¥2,504	\$22,771

(4)The components of retirement benefit expense for the years ended March 31, 2020 and 2021 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Service cost	¥781	¥811	\$7,377
Interest cost	78	78	709
Expected return on plan assets	(233)	(240)	(2,186)
Amortization of actuarial loss	565	939	8,542
Past service costs	—	316	2,876
Other	11	5	51
Retirement benefit expense	¥1,203	¥1,910	\$17,370

(5)Unrecognized actuarial gain (loss) included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2021 is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Past service costs	—	(¥197)	(\$1,797)
Actuarial gain (loss)	(1,990)	3,284	29,862
Total	(¥1,990)	¥3,087	\$28,064

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

(6)Unrecognized actuarial gain (loss) included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2021 is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unrecognized past service costs	—	¥197	\$1,797
Unrecognized actuarial gain (loss)	3,671	386	3,517
Total	¥3,671	¥584	\$5,315

(7)The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2021 is as follows:

	2020	2021
Stocks	34%	39%
Bonds	30%	27%
General account assets	19%	16%
Other	17%	17%
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(8)The assumptions used in accounting for the above plans as of March 31, 2020 and 2021 were as follows:

	(Weighted average)	
	2020	2021
Discount rate	0.4%	0.5%
Expected rate of return on plan assets	2.0%	2.0%
Expected rate of future salary increase	2.4%~7.2%	2.2%~7.1%

16. Tax Effect Accounting

1. The significant components of deferred tax assets and liabilities at March 31, 2020 and 2021 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Deferred Tax Assets:			
Net liability for retirement benefits	¥2,467	¥1,615	\$14,683
Loss carried forward	2,358	1,120	10,188
Reserve for loss on construction works	805	522	4,749
Accrued bonus to employees	820	801	7,286
Loss on valuation of utility rights	233	232	2,110
Loss on valuation of investment in securities	142	135	1,229
Loss on impairment of fixed assets	252	317	2,885
Loss on construction defects	459	58	535
Others	1,389	1,940	17,642
Total gross deferred tax assets	¥8,929	¥6,744	\$61,312
Valuation allowance for tax loss carried forward	(¥242)	(¥251)	(2,287)
Valuation allowance for deductible temporary differences	(¥970)	(¥929)	(8,453)
Total valuation allowance	(¥1,213)	(¥1,181)	(10,740)
Total deferred tax assets	¥7,716	¥5,562	50,571
Deferred Tax Liabilities:			
Unrealized gains on securities	(¥1,007)	(¥1,100)	(10,008)
Revaluation reserve for land	(545)	(548)	(4,983)
Other	(58)	(279)	(2,538)
Total deferred tax liabilities	(1,612)	(1,928)	(\$17,530)
Net deferred tax assets	¥6,103	¥3,634	\$33,041

(Note) A breakdown of tax loss carried forward and valuation allowance by expiry date as of March 3, 2020 is as follows:

At March 31, 2021

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Millions of Japanese Yen							
Tax loss carried forward (*1)	¥16	¥—	¥—	¥—	¥26	¥1,077	¥1,120
Valuation allowance	(9)	—	—	—	(25)	(216)	(251)
Deferred tax assets	6	—	—	—	0	861	869 (*2)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Thousands of U.S. Dollars							
Tax loss carried forward (*1)	\$152	\$—	\$—	\$—	\$241	\$9,794	\$10,188
Valuation allowance	(89)	—	—	—	(233)	(1,964)	(2,287)
Deferred tax assets	62	—	—	—	7	7,830	7,901 (*2)

(*1) The amount is determined by multiplying the corresponding loss carried forward by effective statutory tax rate.

(*2) Deferred tax assets of ¥869 million (US\$7,901 thousand) for the tax loss carried forward of ¥1,120 million (US\$10,188 thousand) (the amount is determined by multiplying the corresponding effective statutory tax rate) were recorded.

Deferred tax assets of ¥869 million (US\$7,901 thousand) mainly consist of the balance of tax loss carried forward of ¥849 million (the amount is determined by multiplying the corresponding effective statutory tax rate).

The tax loss carried forward within deferred tax assets was mainly due to the reversal of a portion of the ¥14,100 million (US\$128,181 thousand) provision for loss on construction defects recorded in the fiscal year ended March 31, 2017.

The Companies consider that it is likely the tax loss carried forward will be realized based on estimates of future taxable income; therefore, a related valuation allowance has not been recognized.

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

	2020	2021
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	2.5	1.0
Non-taxable income	(0.4)	(0.3)
Per capita levy of inhabitant taxes	1.5	1.1
Change in valuation allowance	(1.3)	(0.3)
Other-net	0.1	0.3
Actual effective tax rates	32.9%	32.4%

17.Asset Retirement Obligations

Because the amounts of asset retirement obligations are immaterial, the Companies have omitted a disclosure in the Notes to Consolidated Financial Statements for the years ended March 31, 2020 and 2021.

18.Investment and Rental Property

Because the amounts of investment and rental property are immaterial, the Companies have omitted a disclosure in the Notes to Consolidated Financial Statements for the year ended March 31, 2020 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

19. Information on Reportable Segments

I. Outline of the reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and prepared for the regular review, so that the board of directors can make decisions on the distribution of management resources and evaluate the operating performance. The Company comprises "Civil Engineering General Headquarters" and "Building Construction General Headquarters", which control domestic construction businesses, and "International Division" for overseas businesses. Those Headquarters and International Division develop strategies comprehensively in each line of business and expand business activities.

Accordingly, the Company's businesses consist of segments classified by products and services based on the headquarters. The reportable segments are composed of "Domestic Civil Engineering Businesses", "Domestic Architectural Businesses", "Overseas Businesses" and principal activities in each segment are the following:

- 1) Domestic Civil Engineering Businesses: domestic civil engineering contracts, contracts related to design and others
- 2) Domestic Architectural Building Businesses: domestic architectural contracts, contracts related to design and others
- 3) Overseas Businesses: general overseas contracts

II. Computation for the amount of net sales, profits or losses and other items in each reportable segment

The accounting policies of the reportable segments are substantially equivalent to the description in Significant Respects for the Basis of Preparing Consolidated Financial Statements. Intersegment net sales and transfers are based on the current market price. Meanwhile, assets are not allocated to the business segments.

III. Information on net sales, profits or losses and other items in the reportable segments

For the year ended March 31, 2020

Millions of Japanese Yen								
	Reportable Segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total				
Net sales:								
External customers	¥101,454	¥49,439	¥29,012	¥179,906	¥10,372	¥190,278	¥ —	¥190,278
Inter-segment	—	66	—	66	28,987	29,053	(29,053)	—
Total	¥101,454	¥49,505	¥29,012	¥179,972	¥39,360	¥219,332	(¥29,053)	¥190,278
Segment profits or losses	7,172	2,605	248	10,026	1,832	11,859	(3,902)	7,957
Other items								
Depreciation and amortization	¥412	¥0	¥270	¥683	¥473	¥1,156	¥404	¥1,560

Notes :

1. "Other" is excluded from the reportable segments and inclusive of Real Estate Business, Manufacture / Sale / Repairing of construction machineries.
2. Adjustment of the segment profits amounting to ¥(3,902) million is inclusive of inter-segment elimination amounting to ¥40 million and Selling, General and Administrative Expenses amounting to ¥(3,942) million which are not attributed to any reportable segments.
3. Segment profits or losses are adjusted to the operating income in the consolidated statements of income.
4. Assets are not described due to no allocation to the business segments.

For the year ended March 31, 2021

Millions of Japanese Yen								
	Reportable Segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total				
Net sales:								
External customers	¥95,385	¥57,024	¥26,812	¥179,221	¥10,490	¥189,712	¥ —	¥189,712
Inter-segment	100	84	—	184	28,803	28,987	(28,987)	—
Total	¥95,485	¥57,108	¥26,812	¥179,405	¥39,293	¥218,699	(¥28,987)	¥189,712
Segment profits or losses	7,100	3,586	(495)	10,192	1,989	12,181	(3,466)	8,714
Other items								
Depreciation and amortization	¥509	¥0	¥319	¥828	¥454	¥1,283	¥352	¥1,635

For the year ended March 31, 2021

Thousands of U.S. Dollars									
	Reportable Segments				Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total					
Net sales:									
External customers	\$867,137	\$518,405	\$243,746	\$1,629,289	\$95,365	\$1,724,655	\$ —	\$1,724,655	
Inter-segment	909	764	—	1,673	261,850	263,524	(263,524)	—	
Total	\$868,046	\$519,169	\$243,746	\$1,630,963	\$357,216	\$1,988,179	(\$263,524)	\$1,724,655	
Segment profits or losses	64,550	32,608	(4,501)	92,656	18,084	110,741	(31,515)	79,226	
Other items									
Depreciation and amortization	\$4,627	\$7	\$2,900	\$7,535	\$4,134	\$11,670	\$3,201	\$14,871	

Notes :

- "Other" is excluded from the reportable segments and inclusive of Real Estate Business, Manufacture / Sale / Repairing of construction machineries.
- Adjustment of the segment profits amounting to ¥(3,466) million (US\$(31,515) thousand) is inclusive of inter-segment elimination amounting to ¥(7) million (US\$(66) thousand) and Selling, General and Administrative Expenses amounting to ¥(3,459) million (US\$(31,448) thousand) which are not attributed to any reportable segments.
- Segment profits or losses are adjusted to the operating income in the consolidated statements of income.
- Assets are not described due to no allocation to the business segments.

20.Related Information

I .Information on products and services

Description is excluded since the similar information is disclosed in the segment information.

II .Geographical information

1) Net sales

For the year ended March 31, 2020

	Millions of Japanese Yen
	2020
Japan	¥161,284
Other	28,994
Total	¥190,278

For the year ended March 31, 2021

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2021	2021
Japan	¥162,903	\$1,480,937
Other	26,808	243,717
Total	¥189,712	\$1,724,655

Note) Net sales are based on the customers' location and categorized into the countries or areas.

(Changes in presentation)

Net sales in South East Asia was presented separately in the previous fiscal year, however, it is included in Other from the fiscal year ended March 31, 2021. To reflect this change in presentation, the Company reclassified this item in the geographical information for the previous fiscal year. Consequently, the amount of ¥19,590 million shown as South East Asia in the consolidated statement of income for the previous fiscal year was reclassified as Other.

2) Tangible fixed assets

Description is excluded since the amounts of the tangible fixed assets in Japan exceed 90% of those amounts in the consolidated balance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

sheets.

III .Information on principal customers

For the year ended March 31, 2020

Net sales

Name of Customer	Related segments	Millions of Japanese Yen 2020
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses,others	¥33,509

For the year ended March 31, 2021

Net sales

Name of Customer	Related segments	Millions of Japanese Yen 2021	Thousands of U.S. Dollars 2021
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses,others	¥30,687	\$278,979

IV .Information on the loss on impairment of fixed assets in each reportable segment

The losses on impairment of fixed assets were not allocated to the reportable segments of the Companies. Description of the amounts and contents is excluded since the similar information is disclosed in the notes related to the consolidated statements of income for the years ended March 31, 2020 and 2021.

V .Information on amortization and the unamortized balance of goodwill in each reportable segment

Amortization was not applicable for the years ended March 31, 2020 and 2021.

VI .Information on gain on negative goodwill in each reportable segment

The Companies did not allocate the gain on negative goodwill to the reportable segments.

The gain was not applicable for the years ended March 31, 2020 and 2021.

21.Per Share Data

	Japanese Yen		U.S. Dollars
	2020	2021	2021
Net assets	¥3,492.34	¥3,946.12	\$35.873
Net income	244.65	350.63	3.187
Diluted net income	230.68	294.34	2.675

Note) The basic information for calculation of per share data was as follows:

1.Per share data on net assets

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net assets	¥69,166	¥76,175	\$692,502
Net assets amount for common stock	68,462	75,446	685,878
Significant breakdown of differences			
Non-controlling interests	¥703	¥728	\$6,624

	Thousands of shares	
	2020	2021
Numbers of issued shares of common stock	22,494	22,494
Numbers of shares of treasury stock	2,891	3,375
Numbers of shares of common stock which were used for calculation for per share data on net assets	19,603	19,119

2.Per share data on net income

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2020	2021	2021
Profit attributable to owners of parent	¥5,007	¥6,859	\$62,359
Profit attributable to owners of parent not attributable to common stockholders	—	—	—
Profit attributable to owners of parent for common stock	¥5,007	¥6,859	\$62,359

	Thousands of Shares	
	2020	2021
Average number of shares of common stock	20,467	19,563

	Thousands of Shares	
	2020	2021
Increase in the number of common stock	1,239	3,741

22.Significant Subsequent Events

Not applicable

Supplementary Information

Details on convertible corporate bonds with stock acquisition rights

Company name	Description	Issue date	Beginning balance (Millions of Japanese Yen)	Closing Balance (Millions of Japanese Yen)	Interest Rate	Collateral	Redemption due date
Toa Corporation	Yen-denominated convertible corporate bonds with stock acquisition rights maturing in 2024	December 13, 2019	7,000	6,990	—	Unsecured	December 13, 2024
Total			7,000	6,990			

Notes :

1.Details of convertible corporate bonds with stock acquisition rights are as follows.

Type of stock	: Common
Issue price of stock acquisition rights	: Free of charge
Exercise price	: ¥1,870.8 Yen
Total exercise price	: ¥7,000 million Yen
Total issue price of stock acquisition rights upon exercise	: -
Grant ratio of stock acquisition rights	: 100%
Exercise period of stock acquisition rights	: From December 27, 2019 to November 29, 2024

In case there is the request of the exercise of the stock acquisition rights, the Company treats such exercise as the payment by the bondholder of the full amount required to be paid upon exercise of the stock acquisition rights, in lieu of the full redemption of the convertible bond.

2.Details of the bond redemption schedule over five years subsequent to the closing date are as follows.

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Millions of Japanese Yen					¥6,990
Thousands of US dollars					\$63,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

Details of borrowings

	Millions of Japanese Yen		Thousands of U.S. Dollars		Average rates	Repayment deadline
	Beginning balance	Closing Balance	Beginning balance	Closing Balance	%	
Short-term borrowings	¥8,636	¥4,116	\$78,509	\$37,418	0.67%	
Current portion of Long-term debt	5,557	5,293	50,524	48,125	1.12	
Current portion of Non-recourse debt	542	455	4,933	4,139	1.98	
Current portion of lease obligations	71	534	653	4,856	—	
Long-term debt (excluding current portion)	12,076	11,682	109,782	106,202	1.07	from 2022 to 2026
Non-recourse debt (excluding current portion)	658	203	5,985	1,846	2.35	from 2022 to 2026
Lease obligation (excluding current portion)	122	1,997	1,113	18,161	—	from 2022 to 2026
Other debt	—	—	—	—	—	
Total	¥27,665	¥24,282	\$251,502	\$220,749		

Notes :

1.The "average rates" are balanced by the weighted average.

The average rates of lease obligations are not listed because interest is included in the lease obligation in the consolidated balance sheets.

2.The amount scheduled to be repaid of long-term debt, non-recourse debt and lease obligations (excluding current portions) within 5 years after the consolidated closing date were as follows:

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term debt	¥4,701	¥3,502	¥2,278	¥1,201	\$42,736	\$31,837	\$20,710	\$10,919
Non-recourse debt	183	6	6	6	1,664	54	56	57
Lease obligations	497	494	470	183	4,518	4,491	4,279	1,670

Table for asset retirement obligation

The indication omitted due to the beginning balance and closing balance of asset retirement obligation were less than or equal to hundredth part of the beginning balance and closing balance of liabilities and net assets.