

CONSOLIDATED BALANCE SHEET

TOA CORPORATION and its consolidated subsidiaries
As of 31 March 2021 and 2022

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2021	31 March 2022	31 March 2022
Current assets:			
Cash and bank deposits (Note 11)	¥ 32,331	¥ 32,028	\$ 262,524
Notes and accounts receivable, trade (Note 5 and 11)	87,702	111,809	916,471
Securities	—	42	351
Cost on construction contracts in progress and other (Note 5)	5,197	3,597	29,490
Real estate for sale	1,843	1,558	12,778
Advanced money	15,285	8,211	67,310
Other current assets (Note 5)	9,535	4,831	39,600
Allowance for doubtful accounts	(275)	(7)	(60)
Total current assets	151,619	162,072	1,328,466
Fixed assets:			
Property, plant and equipment:			
Buildings and structures	15,454	15,689	128,598
Machinery, vehicles and equipment	20,039	20,923	171,503
Land (Note 5)	19,050	19,127	156,779
Leased assets	2,627	2,652	21,745
Construction in progress	6,197	6,015	49,309
Less accumulated depreciation	(28,624)	(29,312)	(240,269)
Total property, plant and equipment-net	34,745	35,095	287,667
Intangible assets:	1,050	975	7,999
Investments and other assets:			
Investments in securities (Notes 5, 11 and 12)	11,324	10,600	86,890
Long-term loans receivable (Note 5)	131	116	951
Deferred tax assets (Note 15)	4,238	2,994	24,544
Other	1,637	1,600	13,115
Allowance for doubtful accounts	(546)	(539)	(4,419)
Total investments and other assets	16,785	14,771	121,081
Total fixed assets	52,580	50,843	416,748
Total assets	¥ 204,200	¥ 212,916	\$ 1,745,215

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

TOA CORPORATION and its consolidated subsidiaries
As of 31 March 2021 and 2022

LIABILITIES	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2021	31 March 2022	31 March 2022
Current liabilities:			
Notes and accounts payable, trade	¥ 32,005	¥ 34,601	\$ 283,619
Electronically recorded obligations, operating	11,929	7,897	64,735
Short-term borrowings (Notes 5)	9,865	18,875	154,716
Accrued income taxes	2,226	1,737	14,243
Advances received on construction contracts in progress	13,176	15,785	129,389
Deposits received	23,546	18,255	149,637
Reserve for indemnity on completed contracts	941	859	7,046
Reserve for loss on construction works (Note 5)	1,705	1,809	14,831
Reserve for loss on construction defects	192	—	—
Reserve for director's bonuses	—	63	523
Other current liabilities	5,325	7,864	64,459
Total current liabilities	100,914	107,750	883,201
Long-term liabilities:			
Convertible bonds with share options (Note 11)	6,990	1,050	8,606
Long-term debt (Notes 5 and 11)	11,885	10,937	89,648
Deferred tax liabilities on revaluation of land (Notes 5 and 15)	2,320	2,320	19,020
Liability for retirement benefits (Note 14)	2,504	1,339	10,982
Provision for board benefit trust	72	106	871
Other long-term liabilities	3,337	2,686	22,018
Total long-term liabilities	27,111	18,440	151,148
Total liabilities	128,025	126,190	1,034,350
Net assets:			
Shareholders' equity:			
Common stock	18,976	18,976	155,546
Capital surplus	18,124	19,042	156,084
Retained earnings	37,647	43,543	356,914
Treasury stock	(5,247)	(1,524)	(12,499)
Total shareholders' equity	69,500	80,037	656,045
Accumulated other comprehensive income:			
Net unrealized gains (losses) on securities (Note 12)	2,700	2,235	18,319
Net deferred gains (losses) on hedges (Notes 13)	(8)	5	48
Revaluation reserve for land (Note 5)	3,659	3,659	29,999
Retirement benefits liability adjustments (Note 14)	(405)	89	736
Total accumulated other comprehensive income	5,945	5,990	49,103
Non-controlling interests			
	728	697	5,716
Total net assets	76,175	86,725	710,865
Total liabilities and net assets	¥ ¥204,200	¥ 212,916	\$ 1,745,215

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF INCOME

TOA CORPORATION and its consolidated subsidiaries
For the year ended 31 March 2021 and 2022

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2021	31 March 2022	31 March 2022
Net sales	¥ 189,712	¥ 219,814	\$ 1,801,756
Cost of sales	169,983	198,437	1,626,536
Gross profit	19,728	21,376	175,220
Selling, general and administrative expenses (Note 6)	11,013	11,502	94,280
Operating income	8,714	9,874	80,939
Non-operating income:			
Interest income	21	19	159
Dividend income	340	270	2,220
Exchange gain	87	372	3,053
Other (Note 3)	556	85	701
Total non-operating income	1,005	748	6,134
Non-operating expenses:			
Interest expense	228	251	2,057
Guarantee fee	162	143	1,176
Provision for doubtful accounts, non-trade	(49)	—	—
Commission fee	128	66	544
Other	3	23	189
Total non-operating expenses	473	484	3,968
Ordinary profit	9,247	10,138	83,105
Extraordinary income:			
Gain on sale of fixed assets (Note 6)	0	10	89
Gain on sale of investment in securities	1,448	221	1,816
Other	—	5	41
Total extraordinary income	1,449	237	1,947
Extraordinary losses:			
Loss on sale of fixed assets (Note 6)	7	0	2
Loss on disposal of fixed assets (Note 6)	227	10	82
Loss on sale of investment in securities	24	0	2
Loss on impairment of fixed assets (Note 6)	239	80	661
Other	18	1	15
Total extraordinary losses	518	93	764
Profit before income taxes	10,177	10,283	84,288
Income taxes:			
Current	1,994	1,724	14,137
Deferred	1,299	1,204	9,871
Total income taxes	3,293	2,929	24,009
Profit	6,884	7,354	60,278
Profit attributable to:			
Non-controlling interests	¥ 24	¥ (31)	\$ -256
Owners of parent	¥ 6,859	¥ 7,385	\$ 60,535

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOA CORPORATION and its consolidated subsidiaries
For the year ended 31 March 2021 and 2022

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	31 March 2021	31 March 2022	31 March 2022	
Profit	¥ 6,884	¥ 7,354	\$ 60,278	
Other comprehensive income:				
Net unrealized gains (losses) on securities	128	(465)	(3,813)	
Net deferred gains (losses) on hedges	18	14	117	
Retirement benefits liability adjustments (Note 14)	2,141	495	4,061	
Total other comprehensive income (Note 7)	2,289	44	366	
Comprehensive income	¥ 9,173	¥ 7,398	\$ 60,645	
Total comprehensive income attributable to: (Note 7)				
Owners of parent	¥ 9,148	¥ 7,430	\$ 60,902	
Non-controlling interests	¥ 24	¥ (31)	\$ -256	

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

TOA CORPORATION and its consolidated subsidiaries
For the year ended 31 March 2021 and 2022

	Millions of Japanese Yen									
	Shareholders' equity				Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land (Note 5)	Retirement benefits liability adjustments (Note 14)		
Balance at March 31, 2020	¥ 18,976	¥ 18,121	¥31,773	¥ (4,066)	¥ 2,571	¥ (27)	¥ 3,659	¥ (2,547)	¥ 703	¥ 69,166
Cash dividends			(985)							(985)
Profit attributable to owners of parent for the period			6,859							6,859
Acquisition of treasury stock				(1,194)						(1,194)
Sale of treasury stock				5						5
Conversion of convertible bond		2		7						10
Net changes in items other than shareholders' equity					128	18	—	2,141	24	2,314
Balance at March 31, 2021	¥ 18,976	¥ 18,124	¥37,647	¥ (5,247)	¥ 2,700	¥ (8)	¥ 3,659	¥ (405)	¥ 728	¥ 76,175
Cumulative effect of accounting change			48							48
Cash dividends			(1,537)							(1,537)
Profit attributable to owners of parent for the period			7,385							7,385
Acquisition of treasury stock				(1,306)						(1,306)
Sale of treasury stock				7						7
Conversion of convertible bond		917		5,022						5,940
Net changes in items other than shareholders' equity					(465)	14	—	495	(31)	13
Balance at March 31, 2022	¥ 18,976	¥ 19,042	¥43,543	¥ (1,524)	¥ 2,235	¥ 5	¥ 3,659	¥ 89	¥ 697	¥ 86,725

The accompanying notes are an integral part of these financial statements.

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' equity				Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land (Note 5)	Retirement benefits liability adjustments (Note 14)		
Balance at March 31, 2021	\$155,546	\$148,560	\$308,585	\$ (43,014)	\$ 22,133	\$ (69)	\$ 29,999	\$ (3,324)	\$ 5,973	\$624,387
Cumulative effect of accounting change			393							393
Cash dividends			(12,600)							(12,600)
Profit attributable to owners of parent for the period			60,535							60,535
Acquisition of treasury stock				(10,711)						(10,711)
Sale of treasury stock				61						61
Conversion of convertible bond		7,524		41,164						48,688
Net changes in items other than shareholders' equity					(3,813)	117	0	4,061	(256)	109
Balance at March 31, 2022	\$155,546	\$156,084	\$356,914	\$ (12,499)	\$ 18,319	\$ 48	\$ 29,999	\$ 736	\$ 5,716	\$710,865

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TOA CORPORATION and its consolidated subsidiaries
For the year ended 31 March 2021 and 2022

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2021	31 March 2022	31 March 2022
Cash flows from operating activities:			
Profit before income taxes	¥ 10,177	¥ 10,283	\$ 84,288
Adjustments to reconcile income before income taxes and Non-controlling interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	1,635	2,225	18,240
Loss on impairment of fixed assets	239	80	661
Increase (decrease) in allowance for doubtful accounts	(49)	(20)	(171)
Increase (decrease) in liability for retirement benefits	(694)	(749)	(6,140)
Increase (decrease) in provision for loss on construction defects	(1,307)	(192)	(1,577)
Interest and dividend income	(362)	(290)	(2,379)
Interest expenses	228	251	2,057
Exchange (gain) loss, net	(94)	(206)	(1,691)
Increase (decrease) in consumption tax payable	(1,441)	3,119	25,571
(Gain) loss on valuation of marketable securities and investment in securities	10	1	9
(Gain) loss on sale of investment in securities	(1,423)	(221)	(1,814)
(Gain) loss on sale of fixed assets and intangible assets	7	(10)	(86)
(Gain) loss on disposal of fixed assets and intangible assets	212	6	56
Decrease (increase) in notes and accounts receivable, trade	(4,426)	(21,779)	(178,518)
Decrease (increase) in cost on construction contracts in progress and other	2,112	(541)	(4,440)
Decrease (increase) in real estate for sale	273	127	1,043
Decrease (increase) in advanced money	(3,217)	7,073	57,981
Increase (decrease) in notes and accounts payable, trade	(2,756)	(1,435)	(11,766)
Increase (decrease) in advances received on construction contracts in progress	3,070	2,693	22,077
Increase (decrease) in deposits received	2,384	(5,282)	(43,295)
Other, net	(2,386)	4,379	35,897
Sub-total	2,193	(487)	(3,997)
Interest and dividend income received	362	290	2,382
Interest paid	(229)	(298)	(2,450)
Income taxes paid	(854)	(2,175)	(17,831)
Net cash (used in) provided by operating activities	1,471	(2,671)	(21,897)
Cash flows from investing activities:			
Payments for acquisition of property, plant and equipment	(5,684)	(2,418)	(19,820)
Proceeds from sale of property, plant and equipment	70	25	211
Payments for acquisition of intangible assets	(274)	(262)	(2,155)
Payments for acquisition of investment in securities	(1,080)	(51)	(421)
Proceeds from sale of investment in securities	2,133	292	2,396
Payments of loans receivable	(261)	(0)	(2)
Collection of loans receivable	342	18	149
Other, net	24	4	38
Net cash (used in) provided by investing activities	(4,731)	(2,391)	(19,603)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(4,520)	9,801	80,336
Proceeds from long-term debt	4,900	4,010	32,868
Repayment of long-term debt	(6,100)	(5,749)	(47,123)
Acquisition of treasury stock	(1,194)	(1,306)	(10,711)
Cash dividends paid	(981)	(1,531)	(12,553)
Other, net	(358)	(672)	(5,515)
Net cash (used in) provided by financing activities	(8,254)	4,550	37,301
Effect of exchange rate changes on cash and cash equivalents	77	219	1,797
Net increase (decrease) in cash and cash equivalents	(11,436)	(293)	(2,402)
Cash and cash equivalents at beginning of year	43,746	32,310	264,841
Cash and cash equivalents at end of year	¥ 32,310	¥ 32,017	\$ 262,439

The accompanying notes are an integral part of these financial statements.

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, 2022. The consolidated financial statements for the year ended March 31, 2022 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 three categories;

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

Other non-marketable securities other than shares, etc. 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 non-marketable shares, etc. 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) Reserve for bonuses for board of directors

Reserve for bonuses for board of directors is provided for the amount estimated to be paid to the members of the Board of Directors and the Executive Officers.

f) 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 significant revenue and expenses

The Companies are primarily engaged in construction work in three segments: Domestic civil engineering businesses, domestic building businesses, and overseas construction businesses.

The revenue from each contract is recognized by estimating the fulfillment of the performance obligations over a certain period of time. The progress in the fulfillment of the performance obligations is estimated by the ratio of the costs incurred to the estimated total costs for each contract. However, the cost recovery method is applied where the progress cannot be estimated but the costs incurred are expected to be recovered. For the contracts completed within a short period of time, the revenue is recognized when the performance obligations are fully satisfied.

(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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

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, 2022.

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 ¥122=US\$1, the approximated rate of exchange prevailing on March 31, 2022. 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 Accounting Standard for Revenue Recognition

- (1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

The amount of contract revenue accounted for by estimating the progress in the fulfillment of the performance obligation over a certain period of time:

Previous Fiscal Year

¥172,265 million (US\$1,412,008 thousand)

Current Fiscal Year

¥206,214 million (US\$1,690,279 thousand)

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

Revenue arising from contracts that are deemed to transfer control over the goods or services to the customer over a certain period of time is recognized by measuring the progress in the fulfillment of the performance obligations (input method based on the costs incurred is used to estimate the progress). The amount of contract revenue accounted for by this method is calculated by making a reliable estimate of total contract revenue and total construction cost for each contract, and multiplying the estimated total contract revenue by the ratio of the construction cost incurred up to the end of the fiscal year to the estimated total construction cost. Estimates of the total construction cost of are made using an implementation budget, and the assumptions used include various factors such as unit prices of construction materials, unit prices of labor, and the number of man-hours. For the estimation of the uncontracted part of the total contract revenue, an amount deemed to be the most probable is used.

Since these key assumptions are subject to estimation uncertainty, future changes in economic conditions may result in an increase or decrease in the amount of contract revenue 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

2021

¥239 million

2022

¥80 million (US\$661 thousand)

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

The Companies recognizes 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

2021

¥4,238 million

2022

¥2,994 million (US\$24,544 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.Changes in accounting policies

Changes due to adoption of "Accounting Standard for Revenue Recognition"

Effective from this fiscal year, the Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and other related standards. Revenue is recognized with at the amount expected to be received in exchange for the goods and services when the control over the goods or services is transferred to the customer.

As a result, contract revenue is recognized as the performance obligation is fulfilled over a certain period of time where control over the goods or services is transferred to the customer over a certain period of time. While, previously, the percentage of completion method was used for the contract whose outcome at the end of the fiscal year is deemed to be certain. Progress in the fulfillment of the performance obligations is based on the ratio of the construction cost

incurred up to the end of the fiscal year to the estimated total construction cost. For the contract whose progress cannot be estimated but the costs incurred are expected to be recovered, the cost recovery method is applied.

In applying the Accounting Standard for Revenue Recognition and other related standards, as the transitional treatment stipulated in the proviso of Clause 84 of the standard was applied, and the cumulative effect of retrospective application of the new accounting policy to previous fiscal years is added to or subtracted from the balance of retained earnings at the beginning of this fiscal year, and new accounting policy is applied from the beginning of this fiscal year.

Consequently, NET Sales increased by ¥2,169 million, Cost of Sales increased by ¥1,794 million, and Operating Profit, Ordinary Profit, and Profit Before Income Taxes each increased by ¥375 million in this fiscal year. In addition, the beginning balance of Retained Earnings increased by ¥48 million.

In accordance with the transitional treatment stipulated in Clause 89-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

3.Changes in Presentation

Adoption of Accounting Standard for Disclosure of Accounting Estimates.

"Exchange gain", which was included in "Other" under "Non-operating income" in the consolidated statement of income for the previous fiscal year, is presented separately since its amount was more than 10% of the total non-operating income. Also, "Gain on insurance claims", which was presented separately in the previous fiscal year, is included in "other" under "Non-operating income" in the consolidated statement of income for this fiscal year because the amount is immaterial. To reflect those changes in presentation, the items are reclassified in the consolidated financial statements for the previous fiscal year.

Consequently, the ¥521 million presented as "Gain on insurance claims" and the ¥122 million presented as "Other" under "Non-operating income" in the consolidated statement of income for the previous fiscal year have been reclassified as "Exchange gain" of ¥87 million and "Other" of ¥556 million under "Non-operating income".

4.Additional information

(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. All of the suspended 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.

(Acquisition of treasury stock)

By resolution of the Board of Directors meeting held on February 8, 2022, the Company acquired 737,200 shares of treasury stock by May 23, 2022, in accordance with the provisions of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act, and the repurchase of treasury stock based on the resolution of the Board of Directors meeting was completed.

Consequently, treasury stock increased by ¥1,999 million (US\$16,385 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

5. Notes to Consolidated Balance Sheet

I. Among notes and accounts receivable, trade, the aggregate amounts of credits and contract assets arising from the contracts with customers are as follows.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Notes		¥2,537	\$20,796
Accounts receivable, trade		49,701	407,389
Contract assets		58,995	483,566

II. Among advances received on construction contracts in progress, the amount of contract liabilities is shown in "Note 18. Revenue Recognition, c (1) Balances of contract assets and liabilities."

(1) Consolidated Financial Statements Notes (Revenue Recognition), 3 (1) Contract assets and liabilities balances

III. Cost on construction contracts in progress and other

Cost on construction contracts in progress and other as of March 31, 2021 and 2022 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Cost on construction contracts in progress	¥3,817	¥2,455	\$20,123
PFI projects	619	421	3,456
Other inventories	760	721	5,910
Cost on construction contracts in progress and other	¥5,197	¥3,597	\$29,490

IV. 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, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
	¥563	¥29	\$243

V. Investments in securities

Among investments in securities, the aggregate amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Investments in affiliates	¥339	¥362	\$2,970

VI. 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.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Revalued date	March 31, 2002		
Differences of the land after revaluation exceeded its fair value	¥3,618	¥3,674	\$30,122

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

VII .Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities as of March 31, 2021 and 2022 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Assets pledged as collateral:			
Current assets			
Other current assets	¥17	¥15	\$126
Investment and other assets			
Investment in securities	2,327	2,366	19,397
Long-term loans	130	115	950
Total	¥2,476	¥2,497	\$20,475

As of March 31, 2022, the assets listed above are pledged as collateral to secure contingent liabilities amounting to ¥2,029 million (US\$16,636 thousand) and liabilities based on the loan agreements with credit line between 12 PFI companies and financial institutions.

As of March 31, 2021, secured liabilities were in the amount of ¥1,959 million and liabilities were for 12 PFI companies.

VIII .Securities lent

Among investments in securities, securities lent to a financial institution under the security lending agreement at March 31, 2021 and 2022 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
	¥195	¥165	\$1,353

IX .Commitments and contingent liabilities

(a)The Companies are contingently liable for the following as of March 31, 2021 and 2022:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Employees (Loan guarantee to bank)	¥14	¥13	\$114
National Federation of Promotion for Fishing Ports and Villages	33	22	182
Fisheries Cooperative Association (Loan guarantee)			
MORIMOTO CO., LTD (Deposit Money Guarantee)	155	610	5,002
Total	¥203	¥646	\$5,299

X .Short-term borrowings

The Company had commitment lines for efficient financing from 7 banks at March 31, 2021 and 2022 as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Total amount of contracts of commitment lines	¥25,000	¥25,000	\$204,918
Outstanding borrowings	—	—	—
Balance	¥25,000	¥25,000	\$204,918

XI .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, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Non-recourse debt included in current portion of long-term debt	¥455	¥183	\$1,500
Non-recourse debt included in long-term debt	203	20	164
Total	¥658	¥203	\$1,665

The amount of PFI assets pledged as collateral for non-recourse debt as of March 31, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
	¥3,074	¥2,354	\$19,302

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

6. Notes to Consolidated Statement of Income

I. Revenue from contracts with customers

Revenue from contracts with customers and revenue from other sources in net sales are not presented separately.

The amount of revenue from contracts with customers is shown in "Note 18. Revenue Recognition, a) Disaggregation of revenue from contracts with customers."

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
2021	2022	2022
¥14	¥28	\$233

III. Reserve for loss on construction works

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

Millions of Japanese Yen		Thousands of U.S. Dollars
2021	2022	2022
¥767	¥1,123	\$9,208

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
	2021	2022	2022
Salaries to employees	¥4,564	¥5,011	\$41,079
Expenses for retirement benefits for employees	496	253	2,079
Research expenses	911	871	7,143
Provision for doubtful accounts, trade	(0)	0	1

V. Research and development expenses

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

Millions of Japanese Yen		Thousands of U.S. Dollars
2021	2022	2022
¥1,225	¥1,224	\$10,037

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
	2021	2022	2022
Machinery and Equipment	¥0	¥10	\$87
Building and structures	—	0	2
Land	0	—	—
Vessels	0	—	—
Total	¥0	¥10	\$89

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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
	2021	2022	2022
Building and structures	¥1	¥0	\$2
Land	6	—	—
Others	0	—	—
Total	¥7	¥0	\$2

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
	2021	2022	2022
Buildings and structures	¥16	¥5	\$47
Lease assets	—	2	20
Machinery, vehicles and equipment	203	1	12
Others	7	0	1
Total	¥227	¥10	\$82

IX .Impairment of fixed assets

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 has been recorded.

For the year ended March 31, 2022, the Companies recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of groups
Idle properties	Land	Hokkaido and other	3

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 a decline in fair value and ¥80 million (US\$661 thousand) was accounted for as loss on impairment of fixed assets, which consisted of ¥80 million (US\$661 thousand) for Land.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

7. 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
	2021	2022	2022
Unrealized gains (losses) on securities:			
Amount arising during the year	¥1,641	(¥440)	\$14,924
Amount of reclassification adjustments	(1,420)	(220)	(12,910)
Amount before tax effect	221	(660)	2,014
Tax effect	(93)	195	(845)
Unrealized gains (losses) on securities	128	(465)	1,168
Deferred gains (losses) on hedges:			
Amount arising during the year	27	20	245
Amount of reclassification adjustments	—	—	—
Amount before tax effect	27	20	245
Tax effect	(8)	(6)	(75)
Deferred gains (losses) on hedges	18	14	170
Revaluation reserve for land:			
Tax effect	—	—	—
Revaluation reserve for land	—	—	—
Retirement benefits liability adjustments:			
Amount arising during the year	1,831	415	16,645
Amount of reclassification adjustments	1,256	298	11,418
Amount before tax effect	3,087	714	28,064
Tax effect	(945)	(218)	(8,593)
Retirement benefits liability adjustments	2,141	495	19,471
Total other comprehensive income	¥2,289	¥44	\$20,810

8. Notes to Consolidated Statement of Changes in Net Assets

I. Type and number of shares

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 2024	5
Decrease due to the BBT benefits	3

For the year ended March 31, 2022

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	3,375	523	3,240	658

Notes: 1. The number of common shares of treasury stock includes 90 thousand shares acquired by the BBT.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

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	329 thousand shares
Increase due to acquisition of treasury stock under the board resolution on Feb 8, 2022	193
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 2024	3,234
Decrease due to the BBT benefits	5

II .Dividend payment

For the year ended March 31, 2021

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 29, 2021	Common stock	Retained earnings	¥1,537	¥80	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.

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, 2022

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, 2022	Common stock	Retained earnings	¥1,973	¥90	\$16,175	\$0.73	March 31, 2022	June 30, 2022

Notes: Total amount of dividends (¥1,973 million) based on the resolution adopted at the Ordinary General Shareholder's Meeting on Jun 29, 2022 is also included in the dividend payment of ¥8 million for the shares acquired by the BBT.

III .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 2024	5

For the year ended March 31, 2022

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	3,736	69	3,234	571	See Note

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

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	69 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 2024	3,234

9. Notes to Consolidated Statement of Cash Flows

Cash and cash equivalents consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Cash and bank deposits	¥32,331	¥32,028	\$293,919
Time deposits due over three months	(20)	(10)	(185)
Cash and cash equivalents	¥32,310	¥32,017	\$293,733

10. Leases

Operating lease

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2021 and 2022, are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Due within one year	¥140	¥89	\$737
Due over one year	68	205	1,683
Total	¥208	¥295	\$2,420

11. 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

II .Fair value of financial instruments

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

	Carrying amount	Fair value	Unrealized gain (loss)
	Millions of Japanese Yen		
Investments in securities			
Other securities	¥9,486	¥9,486	¥—
Total assets	9,486	9,486	—
Convertible bonds with stock acquisition rights	6,990	9,284	2,294
Long-term debt (*1)	17,634	17,699	64
Total liabilities	24,624	26,983	2,359
Derivative transactions (*2)	(¥12)	(¥12)	¥—

(*1) Cash and bank deposits are not shown because they are cash, and their carrying amounts approximate fair value because of the short maturity of these instruments

Notes and accounts receivable, trade, advanced money, notes and accounts payable, trade, electronically recorded obligations, operating short-term borrowings and deposits received are not shown because their carrying amounts approximate fair value because of the short maturity of these instruments

(*2) 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
	2021
Unlisted stocks	¥1,837

(*3) Current portion of long-term debt of ¥5,749 million is included in long-term debt and carrying amount and fair value are represented.

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

As of March 31, 2022, 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		
Investments in securities						
Other securities	¥8,783	¥8,783	¥—	\$71,992	\$71,992	\$—
Total assets	8,783	8,783	—	71,992	71,992	—
Convertible bonds with stock acquisition rights	1,050	1,463	413	8,606	11,996	3,389
Long-term debt (*1)	15,895	15,923	28	130,290	130,523	232
Total liabilities	16,945	17,387	441	138,897	142,519	3,621
Derivative transactions (*2)	¥6	¥6	¥—	\$50	\$50	\$—

(*1) Cash and bank deposits are not shown because they are cash, and their carrying amounts approximate fair value because of the short maturity of these instruments

Notes and accounts receivable, trade, advanced money, notes and accounts payable, trade, electronically recorded obligations, operating short-term borrowings and deposits received are not shown because their carrying amounts approximate fair value because of the short maturity of these instruments

(*2) 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
	2022	2022
Unlisted stocks	¥1,860	\$15,248

(*3) Current portion of long-term debt of ¥4,958 million (US\$40,642 thousand) is included in long-term debt and carrying amount and fair value are represented.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

a) Projected redemption

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
	Millions of Japanese Yen			
Cash and bank deposits	¥32,331	¥—	¥—	¥—
Notes and accounts receivable, trade	87,532	168	1	—
Investments in securities				
Other securities with maturities (Government bonds)	—	42	—	—
Total	¥119,863	¥211	¥1	¥—

The projected redemption of monetary claims as of March 31, 2022 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	¥32,028	¥—	¥—	¥—	\$262,524	\$—	\$—	\$—
Notes and accounts receivable, trade	111,788	21	—	—	916,297	174	—	—
Investments in securities								
Other securities with maturities (Government bonds)	42	—	—	—	351	—	—	—
Total	¥143,859	¥21	¥—	¥—	\$1,179,172	\$174	\$—	\$—

d) 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

The projected repayment of short-term borrowings, long-term debt and lease obligation as of March 31, 2022 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	¥13,917	¥—	¥—	¥—	¥—	¥—
Long-term debt	4,958	4,491	3,268	2,191	985	¥—
Lease obligation	503	501	478	189	186	170
Total	¥19,378	¥4,993	¥3,746	¥2,380	¥1,171	¥170

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	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	\$114,073	\$—	\$—	\$—	\$—	\$—
Long-term debt	40,642	36,819	26,787	17,960	8,081	\$—
Lease obligation	4,124	4,107	3,921	1,554	1,525	1,396
Total	\$158,839	\$40,926	\$30,708	\$19,514	\$9,606	\$1,396

III .Classification of fair value of financial instruments

Fair value of financial instruments is classified into 3 levels in accordance with the observability and importance of the inputs related to fair value measurement.

Level 1 of fair value: Measured at fair value using unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 of fair value: Measured at fair value using the directly or indirectly observable inputs except level 1

Level 3 of fair value: Measured at fair value using significant but unobservable inputs

In case several inputs are used that significantly affect the fair value measurement are used, the priority on fair value measurement classifies the fair value in the lowest level

a) Financial instruments with fair value recorded in the consolidated balance sheet

As of March 31, 2022

	Millions of Japanese Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities and investment in securities				
Other securities	¥8,783	¥—	¥—	¥8,783
Total assets	¥8,783	¥—	¥—	¥8,783
Derivatives				
Currency	¥—	¥15	¥—	¥15
Interest rate	—	(9)	—	(9)
Total liabilities	¥—	¥6	¥—	¥6

	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities and investment in securities				
Other securities	\$71,992	\$—	\$—	\$71,992
Assets Total	\$71,992	\$—	\$—	\$71,992
Derivatives				
Currency	\$—	\$122	\$—	\$122
Interest rate	—	(73)	—	(73)
Liabilities Total	\$—	\$49	\$—	\$49

b) Financial instruments with fair value recorded in the consolidated balance sheet except the above a)

As of March 31, 2022

	Millions of Japanese Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Convertible bonds with stock acquisition rights	¥—	¥1,463	¥—	¥1,463
Long-term debt	—	15,923	—	15,923
Total liabilities	¥—	¥17,387	¥—	¥17,387

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	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Convertible bonds with stock acquisition rights	\$—	\$11,996	\$—	\$11,996
Long-term debt	—	130,523	—	130,523
Total liabilities	\$—	\$142,519	\$—	\$142,519

(Note) Valuation method using fair value for financial instruments and explanation on inputs related to fair value for financial instruments

Assets

Securities and investment in securities

The fair value of listed stocks and government bonds classified as level 1 is evaluated using market prices because these are traded in an active market.

Liabilities

Convertible bonds with stock acquisition rights

The fair value of convertible bonds with stock acquisition rights classified as level 2 is evaluated based on prices provided by counterparty financial institutions.

Long-term debt

The fair value of long-term debt with variable interest rates classified as level 2 is evaluated based on the book value because it reflects market interest rates within a short period of time, and it approximates fair value.

The fair value of long-term debt with fixed interest rates classified as level 2 is measured using the present value discounted by the interest rate estimated to be applied for new similar borrowings.

The fair value of certain long-term debt with variable interest rates classified as level 2 is accounted for using the exceptional treatment of interest swaps. Thus, the present value of such long-term loans is calculated based on the principal and interest, which is treated together with the interest swap, using interest rates estimated to be applied for similar borrowings.

Derivatives

The fair value of derivatives classified as level 2 is evaluated based on prices provided by counterparty financial institutions.

12. Securities

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

At March 31, 2021

	Millions of Japanese Yen		
	Fair value (Carrying value)	Acquisition cost	Unrealized gain (loss)
Other securities whose fair value amount exceeds their acquisition cost			
Stock	¥9,080	¥5,236	¥3,844
Government bond	42	41	1
Sub total	9,123	5,278	3,846
Other securities whose fair value does not exceed their acquisition cost			
Stock	362	407	(44)
Government bond	—	—	—
Sub total	362	407	(44)
Total	¥9,485	¥5,684	¥3,802

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At March 31, 2022

	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	¥7,969	¥4,738	¥3,230	\$65,321	\$38,843	\$26,478
Government bond	42	42	0	351	347	3
Sub total	8,012	4,781	3,230	65,673	39,191	26,482
Other securities whose fair value does not exceed their acquisition cost						
Stock	771	861	(90)	6,319	7,060	(741)
Government bond	—	—	—	—	—	—
Sub total	771	861	(90)	6,319	7,060	(741)
Total	¥8,783	¥5,642	¥3,140	\$71,992	\$46,251	\$25,740

(2) Other securities sold during the years ended March 31, 2021 and 2022 were as follows:

At March 31, 2021

	Millions of Japanese Yen		
	Sales proceeds	Gain on sales	Loss on sales
Stock	¥2,107	¥1,425	¥5
Other	—	—	—
Total	¥2,107	¥1,425	¥5

At March 31, 2022

	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	¥292	¥221	¥0	\$2,399	\$1,816	\$2
Other	—	—	—	—	—	—
Total	¥292	¥221	¥0	\$2,399	\$1,816	\$2

13. Derivative Transactions

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		
			Notional amount	Maturing over one year	Fair value
Accounting in principle	Forward foreign exchange contracts Buying U.S. Dollars	Accounts payable	¥238	—	¥14 (*)

(*) 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	¥3,393	¥2,021	(¥26) (*1)
Short-cut	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥83	—	(*2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(*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, 2022 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	¥139	—	¥18 (*)	\$1,146	—	\$150 (*)

(*) 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	¥1,627	¥982	(¥9) (*)	\$13,340	\$8,053	(\$80) (*)

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

14. 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, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Retirement benefit obligation balance at the beginning of the year	¥21,073	¥20,968	\$171,871
Service cost	811	789	6,472
Interest cost	78	102	836
Actuarial gain	(272)	(340)	(2,793)
Retirement benefit paid	(1,236)	(1,129)	(9,254)
Past service costs	514	—	—
Retirement benefit obligation balance at the end of the year	¥20,968	¥20,390	\$167,132

(2) The changes in plan assets during the years ended March 31, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Plan assets balance at the beginning of the year	¥15,721	¥18,463	\$151,339
Expected return on plan assets	240	267	2,191
Actuarial gain (loss)	2,072	75	614
Contributions by the Company	1,641	1,372	11,253
Retirement benefits paid	(1,213)	(1,128)	(9,250)
Plan assets balance at the end of the year	¥18,463	¥19,050	\$156,149

(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, 2021 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

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	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Funded retirement benefit obligation	¥20,473	¥19,832	\$162,557
Plan assets at fair value	(18,463)	(19,050)	(156,149)
	2,009	781	6,408
Unfunded retirement benefit obligation	495	558	4,574
Net liability for retirement benefits in the balance sheet	2,504	1,339	10,982
Liability for retirement benefits	2,504	1,339	10,982
Net liability for retirement benefits in the balance sheet	¥2,504	¥1,339	\$10,982

(4)The components of retirement benefit expense for the years ended March 31, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Service cost	¥811	¥789	\$6,472
Interest cost	78	102	836
Expected return on plan assets	(240)	(267)	(2,191)
Amortization of actuarial loss	939	258	2,121
Past service costs	316	39	324
Other	5	8	72
Retirement benefit expense	¥1,910	¥931	\$7,635

(5)Unrecognized actuarial gain (loss) included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2022 is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Past service costs	(¥197)	¥39	\$324
Actuarial gain (loss)	3,284	674	5,530
Total	¥3,087	¥714	\$5,854

(6)Unrecognized actuarial gain (loss) included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2022 is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Unrecognized past service costs	¥197	¥158	\$1,296
Unrecognized actuarial gain (loss)	386	(287)	(2,358)
Total	¥584	(¥129)	(\$1,062)

(7)The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2022 is as follows:

	2021	2022
Stocks	39%	37%
Bonds	27%	29%
General account assets	16%	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, 2021 and 2022 were as follows:

	(Weighted average)	
	2021	2022
Discount rate	0.5%	0.6%
Expected rate of return on plan assets	2.0%	2.0%
Expected rate of future salary increase	2.2%~7.1%	2.2%~7.2%

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TOA CORPORATION and its consolidated subsidiaries

15. Tax Effect Accounting

1. The significant components of deferred tax assets and liabilities at March 31, 2021 and 2022 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Deferred Tax Assets:			
Net liability for retirement benefits	¥1,615	¥1,299	\$10,654
Loss carried forward	1,120	255	2,092
Reserve for loss on construction works	522	554	4,542
Accrued bonus to employees	801	943	7,733
Loss on valuation of utility rights	232	231	1,896
Loss on valuation of investment in securities	135	127	1,047
Loss on impairment of fixed assets	317	331	2,713
Loss on construction defects	58	—	—
Others	1,940	1,568	12,854
Total gross deferred tax assets	¥6,744	¥5,311	\$43,534
Valuation allowance for tax loss carried forward	(¥251)	(¥233)	(1,917)
Valuation allowance for deductible temporary differences	(¥929)	(¥820)	(6,726)
Total valuation allowance	(¥1,181)	(¥1,054)	(8,643)
Total deferred tax assets	¥5,562	¥4,256	34,890
Deferred Tax Liabilities:			
Unrealized gains on securities	(¥1,100)	(¥905)	(7,421)
Revaluation reserve for land	(548)	(548)	(4,493)
Other	(279)	(422)	(3,466)
Total deferred tax liabilities	(1,928)	(1,876)	(\$15,381)
Net deferred tax assets	¥3,634	¥2,380	\$19,508

(Note) A breakdown of tax loss carried forward and valuation allowance by expiry date as of March 3, 2022 is as follows:

At March 31, 2022

	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)	¥—	¥—	¥—	¥1	¥36	¥217	¥255
Valuation allowance	—	—	—	(1)	(34)	(198)	(233)
Deferred tax assets	—	—	—	0	2	18	21 (*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)	\$—	\$—	\$—	\$11	\$302	\$1,778	\$2,092
Valuation allowance	—	—	—	(10)	(280)	(1,626)	(1,917)
Deferred tax assets	—	—	—	0	21	1,520	175 (*2)

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

(*2) Deferred tax assets of ¥21 million (US\$175 thousand) for the tax loss carried forward of ¥255 million (US\$2,092 thousand) (the amount is determined by multiplying the corresponding effective statutory tax rate) were recorded.

Deferred tax assets of ¥21 million (US\$175 thousand) mainly consist of the balance of tax loss carried forward of ¥255 million (the amount is determined by multiplying the corresponding effective statutory tax rate).

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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, 2021 and 2022, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2021	2022
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.0	1.2
Non-taxable income	(0.3)	(0.3)
Per capita levy of inhabitant taxes	1.1	1.1
Change in valuation allowance	(0.3)	(1.2)
Other-net	0.3	(2.9)
Actual effective tax rates	32.4%	28.5%

16.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, 2021 and 2022.

17.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, 2021 and 2022.

18.Revenue recognition

a) Disaggregation of revenue arising from contracts with customers

For the year ended March 31, 2022

Millions of Japanese Yen						
	Reportable Segments				Others (Note 1)	Total
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total		
Domestic government	¥82,258	¥5,712	¥—	¥87,971	¥2,605	¥90,576
Domestic private	27,847	50,540	—	78,387	6,650	85,038
Overseas	—	—	43,450	43,450	—	43,450
Revenue from contracts with customers	110,106	56,252	43,450	209,809	9,256	219,065
Other revenue	—	—	—	—	748	748
Net sales: External customers	¥110,106	¥56,252	¥43,450	¥209,809	¥10,004	¥219,814

For the year ended March 31, 2022

Thousands of U.S. Dollars						
	Reportable Segments				Others (Note 1)	Total
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total		
Domestic government	\$674,253	\$46,821	\$—	\$721,075	\$21,357	\$742,433
Domestic private	228,257	414,266	—	642,524	54,511	697,035
Overseas	—	—	356,153	356,153	—	356,154
Revenue from contracts with customers	902,510	461,088	356,153	1,719,753	75,869	1,795,622
Other revenue	—	—	—	—	6,134	6,134
Net sales: External customers	\$902,510	\$461,088	\$356,153	\$1,719,753	\$82,003	\$1,801,756

(Note) "Other" is excluded from the reportable segments and inclusive of Real Estate Business, Manufacture / Sale / Repairing of construction machineries.

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b) Basic information to understand the revenue from contracts with customers

Basic information to understand the revenue from contracts with customers is shown in "II. Basis of accounting treatment, (5) Recognition of significant revenue and expenses."

The transaction price of construction contracts is the contract amount of the construction contract. Additional or variable contract amounts are shown in the amended construction contracts. In case additional or variable contract amounts are not agreed or fixed, the reasonably estimated amounts are included in the aggregate construction revenue.

Contract payments are usually paid incrementally or in accordance with construction progress in a construction period and do not contain a significant financing component.

c) The relationship between satisfaction of performance obligation based on contracts with customers and the cashflow of the contract, and information on future (from the next fiscal year) revenue amount and timing from the contracts with customers, recognized as of the end of the current fiscal year.

(1) Balances of contract assets and contract liabilities

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	Beginning Balance	Ending Balance	Beginning Balance	Ending Balance
Receivables from contracts with customers	¥46,881	¥49,701	\$384,273	\$407,389
Contract assets	36,541	58,995	299,519	483,566
Contract liabilities	13,117	15,715	107,524	128,814

(Note) The balance of receivables from contracts with customers is not included in the amount of note receivables, trade.

Payment conditions in the construction business are different for each contract. Thus, they may not correspond with satisfaction of performance obligations, however, payments are usually made throughout the construction period, or in accordance with satisfaction of performance obligations.

The contract assets corresponding to performance obligations satisfied as of the end of fiscal year, but these represent the amounts of claims for which the due date has not yet been established, and increase with revenue recognition. Contract assets are transferred to receivables, trade from contracts with customers when the claims are submitted to the customers. In addition, the amount of contract assets will fluctuate in accordance with the revision of estimated aggregate construction revenue or aggregate construction cost.

Receivables from contracts with the customers and the contract assets are shown in "Notes and accounts receivable, trade" and "Contract assets." and contract liabilities is also shown in "Advances received on construction contracts in progress" on the consolidated balance sheets.

Regarding the amount of revenue recognition in the current fiscal year, the contract liability amount is ¥12,562 million. Furthermore, revenue recognition from satisfaction (or partial satisfaction) of performance obligations in prior periods is ¥1,065 million.

(2) Transaction price allocated to remaining performance obligations

The aggregate amount of transaction prices allocated to remaining performance obligations and the estimated period of revenue recognition are as follows.

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2022	2022
Domestic civil business	¥125,033	\$1,024,861
Domestic building business	60,178	493,268
Overseas business	114,960	942,298
Others	662	5,426
Total	¥300,834	\$2,465,853

(Note) "Other" is excluded from the reportable segments and inclusive of Real Estate Business, Manufacture / Sale / Repairing of construction machineries.

For the above transaction prices allocated to remaining performance obligations, the amounts are mainly the construction contracts satisfied performance obligations over one year. From the end of current fiscal year, the remaining performance obligations of each reportable segment are going to be satisfied within the following periods, and recognized as revenue.

Domestic civil business	Within 3years
Domestic building business	Within 1year

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Overseas business	Within 3years
Others	Within 1year

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, 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

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 ¥(3,466) million is inclusive of inter-segment elimination amounting to ¥(7) million and Selling, General and Administrative Expenses amounting to ¥(3,459) 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.

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For the year ended March 31, 2022

Millions of Japanese Yen									
	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	¥110,106	¥56,252	¥43,450	¥209,809	¥10,004	¥219,814	¥ —	¥219,814	
Inter-segment	—	106	—	106	16,055	16,162	(16,162)	—	
Total	¥110,106	¥56,359	¥43,450	¥209,916	¥26,060	¥235,976	(¥16,162)	¥219,814	
Segment profits or losses	8,419	2,727	713	11,859	1,555	13,415	(3,540)	9,874	
Other items									
Depreciation and amortization	¥1,011	¥0	¥477	¥1,489	¥348	¥1,838	¥387	¥2,225	

For the year ended March 31, 2022

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	\$902,510	\$461,088	\$356,153	\$1,719,751	\$82,003	\$1,801,756	\$ —	1,801,756	
Inter-segment	0	875	0	875	131,604	132,480	(132,480)	—	
Total	\$902,510	\$461,964	\$356,153	\$1,720,627	\$213,608	\$1,934,237	(\$132,480)	\$1,801,756	
Segment profits or losses	69,008	22,353	5,848	97,210	12,750	109,961	(29,022)	80,939	
Other items									
Depreciation and amortization	\$8,288	\$4	\$3,915	\$12,207	\$2,859	\$15,067	\$3,173	\$18,240	

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 ¥(3,540) million (US\$(29,022) thousand) is inclusive of inter-segment elimination amounting to ¥38 million (US\$315 thousand) and Selling, General and Administrative Expenses amounting to ¥(3,579) million (US\$(29,337) 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, 2021

Millions of Japanese Yen	
2021	
Japan	¥162,903
South East Asia	18,026
Other	8,782
Total	¥189,712

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For the year ended March 31, 2022

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2022	2022
Japan	¥176,363	\$1,445,603
South East Asia	¥34,815	\$285,371
Other	8,635	70,781
Total	¥219,814	\$1,801,756

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 included in Others in the previous fiscal year, however, it is presented separately from the fiscal year ended March 31, 2022. To reflect this change in presentation, the Company reclassified this item in the geographical information for the previous fiscal year.

Consequently, the amount of ¥26,808 million shown as Other in the consolidated statement of income for the previous fiscal year was reclassified as South East Asia in the amount of ¥18,026 million, and Other in the amount of ¥8,782 million.

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 sheets.

III .Information on principal customers

For the year ended March 31, 2021

Name of Customer	Related segments	Net sales	
		Millions of Japanese Yen	
		2021	
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses, others	¥30,687	

For the year ended March 31, 2022

Name of Customer	Related segments	Net sales	
		Millions of Japanese Yen	Thousands of U.S. Dollars
		2022	2022
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses, others	¥36,505	\$251,538

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, 2021 and 2022.

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

Amortization was not applicable for the years ended March 31, 2021 and 2022.

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, 2021 and 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

21. Per Share Data

	Japanese Yen		U.S. Dollars
	2021	2022	2022
Net assets	¥3,946.12	¥3,939.69	\$32.292
Net income	350.63	382.81	3.137
Diluted net income	294.34	326.51	2.676

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

1. Per share data on net income

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Profit attributable to owners of parent	¥6,859	¥7,385	\$60,535
Profit attributable to owners of parent not attributable to common stockholders	—	—	—
Profit attributable to owners of parent for common stock	¥6,859	¥7,385	\$60,535

	Thousands of shares	
	2021	2022
Average number of shares of common stock	19,563	19,292

	Thousands of shares	
	2021	2022
Increase in the number of common stock	3,741	3,326

2. Per share data on net assets

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net assets	¥76,175	¥86,725	\$710,865
Net assets amount for common stock	75,446	86,028	705,148
Significant breakdown of differences			
Non-controlling interests	¥728	¥697	\$5,716

	Thousands of Shares	
	2021	2022
Numbers of issued shares of common stock	22,494	22,494
Numbers of shares of treasury stock	3,375	658
Numbers of shares of common stock which were used for calculation for per share data on net assets	19,119	21,836

22. Significant Subsequent Events

On July 11, 2022, at one of the Company's ongoing building projects in Eniwa, Hokkaido, an accident occurred where the second-floor concreting collapsed.

Estimating the reasonable recovery cost is very difficult because the investigation, including the cause of the accident has not yet been completed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

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	6,990	1,050	—	Unsecured	December 13, 2024
Total			6,990	1,050			

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	: ¥1,836.4 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			¥1,050		
Thousands of US dollars			\$8,606		

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	¥4,116	¥13,917	\$33,737	\$114,073	0.61	
Current portion of Long-term debt	5,293	4,775	43,391	39,141	1.07	
Current portion of Non-recourse debt	455	183	3,731	1,500	2.36	
Current portion of lease obligations	534	503	4,378	4,124	—	
Long-term debt (excluding current portion)	11,682	10,917	95,756	89,483	1.04	from 2023 to 2027
Non-recourse debt (excluding current portion)	203	20	1,665	164	2.18	from 2023 to 2026
Lease obligation (excluding current portion)	1,997	1,525	16,374	12,505	—	from 2023 to 2028
Other debt	—	—	—	—	—	
Total	¥24,282	¥31,841	\$199,036	\$260,993		

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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

	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	¥4,485	¥3,261	¥2,184	¥984	\$36,769	\$26,736	\$17,909	\$8,068
Non-recourse debt	6	6	6	1	49	50	51	13
Lease obligations	501	478	189	186	4,107	3,921	1,554	1,525

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.



Independent Auditor's Report

The Board of Directors
TOA CORPORATION.

Opinion

We have audited the accompanying consolidated financial statements of TOA CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue as performance obligations are satisfied over time in construction contracts	
Description of Key Audit Matter	Auditor's Response
Toa Corporation Group is engaged in the construction business and other businesses related to construction. As described in "(5) Recognition of significant revenue and expenses" under "II .Basis of accounting treatment" in "1. Significant Items that Form the Basis of Preparing	We mainly performed the following audit procedures in evaluating the reasonableness of estimates of total construction costs for revenue recognized as performance obligations are satisfied over time. (1) Evaluation of internal controls

<p>Consolidated Financial Statements,” TOA CORPORATION (the “Company”) and its consolidated subsidiaries mainly use the method of recognizing revenue as performance obligations are satisfied over time (cost-based input method is applied for estimates of progress towards satisfaction of the performance obligation) for construction that is deemed to satisfy performance obligations for the portion of work completed up to the end of the fiscal year ended March 31, 2022 in recording net sales and cost of sales for completed construction work related to construction contracts.</p> <p>As described in “1 Accounting Standard for Revenue Recognition” under “Significant accounting estimates,” net sales for completed construction work of 206,214 million yen were recorded using the method of recognizing revenue as performance obligations are satisfied over time, accounting for 93.8% of net sales in the amount of 219,814 million yen for the fiscal year ended March 31, 2022.</p> <p>Revenue recognized using the method of recognizing revenue as performance obligations are satisfied over time is measured based on the progress towards the satisfaction of the performance obligation, and such progress is determined based on the ratio of actual incurred costs up to the end of the fiscal year to total construction costs. Total construction costs are estimated using the operating budget for each construction contract and, when estimates of total construction costs are revised according to changes in the construction environment after construction begins, progress towards satisfaction of a performance obligation is calculated based on the latest revised budget following such revision of estimates.</p> <p>Operating budgets on which estimates of total construction costs are based are individual in nature since specifications, construction periods, and other considerations differ by construction contract, and are formulated based not only on objective figures and indicators such as quotations provided by counterparties, but also on subjective determinations based on factors such as past construction experience and specialized</p>	<p>We evaluated the design and operation of the following internal controls relating to estimates of total construction costs.</p> <ul style="list-style-type: none"> • Controls to ensure reliability by requiring that operating budgets on which estimates of total construction costs are based are prepared in a timely manner by construction managers and approved by decision makers designated in accordance with decision-making standards • Controls to ensure that each of the elements of total construction costs is calculated based on detailed aggregations for which appropriate unit prices and quantities were used, and that the necessary expenses arising throughout the construction period are appropriately calculated • Controls to ensure that estimates of total construction costs are appropriately revised in a timely manner by requiring that construction managers prepare monthly construction management reports and revise operating budgets as necessary based on an understanding of the actual costs that have arisen, the progress of construction work, and other changes in the construction environment, and requiring that managers in construction departments monitor whether revised budgets have been prepared to reflect changes in circumstances after construction begins within estimates of total construction costs <p>(2) Evaluation of the reasonableness of estimates of total construction costs</p> <p>In order to evaluate the reasonableness of total construction costs, we identified construction work for which uncertainty associated with estimates of total construction costs has a material impact on financial reporting in consideration of the existence of changes in construction contract amounts, profit (loss) on construction, and the construction environment, and performed the following audit procedures.</p> <ul style="list-style-type: none"> • We obtained monthly construction management reports and considered whether the types of work making up construction projects are consistent with overviews of projects, whether there were any irregularities in the percentage of
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construction knowledge of construction managers. In formulating the aforementioned budgets, estimates are made based on certain assumptions for the construction environment, including material and labor prices, construction period, construction method, and scope of work. If these assumptions change, it is necessary to revise total construction costs according to changes in the construction environment after construction begins and the status of discussions with counterparties. However, given that construction work generally spans long periods of time, it is difficult to accurately predict such changes and, therefore, estimates are subject to uncertainty.

Based on the above, we have determined that estimates of total construction costs, which are an assumption underlying the measurement of progress towards satisfaction of a performance obligation related to revenue recognition for construction contracts, are of particular significance for the fiscal year ended March 31, 2022 and, accordingly, that this is a key audit matter.

progress for each type of work, and whether there are any unreasonable declines in costs.

- We analyzed changes in indicators such as profit margin for each quarter, inquired about the factors causing fluctuations that were above a certain threshold, and considered the impact of events causing fluctuations on the significant assumptions and whether such fluctuations were reflected in the latest revised budgets as of the end of the fiscal year ended March 31, 2022.
- We inspected construction sites or made inquiries of construction managers about the status of construction work, and then considered whether the actual status of construction was consistent with work schedules and progress percentages. Additionally, with regard to cases where construction managers considered whether revisions to operating budgets were necessary and determined that operating budgets needed to be revised, we made inquiries of construction managers about the details thereof and whether such revisions were reflected in total construction costs.
- We evaluated the process for estimating total construction costs by comparing initial operating budgets with the latest revised budgets or finalized amounts and considering the details of any differences.
- Regarding items sampled from itemized breakdowns of total construction costs in operating budgets or the latest revised budgets, we reconciled such items to source documents such as quotations and considered whether such items were consistent with information such as contract periods and workforce plans.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 the Audit and Supervisory Committee 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 the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to 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 the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



Ernst & Young ShinNihon LLC
Tokyo, Japan

August 30, 2022

/s/ 福本 千人

Kazuo Fukumoto
Designated Engagement Partner
Certified Public Accountant

/s/ 結城 洋治

Yoji Yuki
Designated Engagement Partner
Certified Public Accountant