

# NON-CONSOLIDATED BALANCE SHEET

TOA CORPORATION

As of 31 March 2021 and 31 March 2022

ASSETS	Millions of Japanese Yen		Thousands of
	31 March 2021	31 March 2022	U.S. Dollars 31 March 2022
<b>Current assets:</b>			
Cash and bank deposits	¥ 28,424	¥ 29,004	\$ 237,743
Notes receivable (Note6)	3,850	2,634	21,596
Accounts receivable, trade (Note6)	78,227	103,712	850,103
Accounts receivable, other (Note6)	2,474	2,925	23,977
Securities	-	42	351
Cost on construction contracts in progress	3,631	2,315	18,983
Cost on other contracts	159	102	838
Real estate for sale	1,796	1,513	12,403
Advanced money	15,246	8,181	67,064
Other(Note6)	10,540	5,355	43,899
Allowance for doubtful accounts	(270)	(1)	(9)
Total current assets	144,082	155,788	1,276,952
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings	7,361	7,536	61,772
Structures	1,841	1,892	15,508
Machinery and equipment	3,321	3,336	27,350
Vessels	8,087	9,486	77,757
Vehicles	334	304	2,497
Tools and furniture and fixtures	2,495	2,598	21,296
Land	15,512	15,589	127,779
Leased assets	2,826	2,854	23,393
Construction in progress	6,225	6,016	49,314
Total property, plant and equipment	48,007	49,613	406,670
Less: Accumulated depreciation	(19,774)	(20,751)	(170,096)
Property, plant and equipment - net	28,232	28,862	236,574
<b>Intangible assets:</b>	997	927	7,601
<b>Investments and other assets:</b>			
Investments in securities (Note6)	10,638	9,852	80,760
Stock of subsidiaries and affiliates(Note6 and 8)	2,373	2,396	19,643
Long-term loans to subsidiaries and affiliates(Note6)	1,101	1,485	12,178
Deferred tax assets (Note2 and 9)	3,617	2,582	21,167
Other(Note6)	1,653	1,625	13,322
Allowance for doubtful accounts	(546)	(539)	(4,420)
Total investments and other assets	18,838	17,403	142,652
Total fixed assets	48,068	47,193	386,828
Total assets	¥ 192,150	¥202,981	\$1,663,781

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

# NON-CONSOLIDATED BALANCE SHEET

TOA CORPORATION

As of 31 March 2021 and 31 March 2022

LIABILITIES	Millions of Japanese Yen		Thousands of U.S. Dollars
	31 March 2021	31 March 2022	31 March 2022
<b>Current liabilities:</b>			
Notes payable (Note6)	¥ 3,181	¥ 2,135	\$ 17,501
Electronically recorded obligations, operating (Note6)	14,186	9,221	75,585
Accounts payable, trade (Note6)	24,153	29,618	242,772
Short-term borrowings (Note6)	8,822	18,592	152,395
Lease obligation	540	515	4,223
Accrued income taxes	1,908	1,478	12,119
Advances received on construction contracts in progress	12,777	15,395	126,189
Advances received on other contracts	47	125	1,030
Deposits received	26,368	22,000	180,333
Reserve for indemnity on completed contracts	941	859	7,045
Reserve for loss on construction works	1,700	1,804	14,786
Reserve for loss on construction defects	192	-	-
Reserve for director's bonuses(Note1)	-	63	523
Other current liabilities	6,550	8,798	72,118
Total current liabilities	101,371	110,608	906,625
<b>Long-term liabilities:</b>			
Convertible bonds with share options	6,990	1,050	8,606
Long-term debt	11,682	10,917	89,483
Lease obligation	2,013	1,560	12,789
Deferred tax liabilities on revaluation of land (Note9)	2,320	2,320	19,020
Liability for retirement benefits (Note1)	1,424	911	7,470
Provision for board benefit trust (Note1)	72	106	871
Other long-term liabilities	238	255	2,092
Total long-term liabilities	24,742	17,120	140,335
Total liabilities	126,113	127,729	1,046,961
<b>NET ASSETS:</b>			
<b>Shareholders' equity:</b>			
Common stock	18,976	18,976	155,546
Capital surplus			
Legal capital surplus	4,744	4,744	38,886
Other capital surplus	13,431	14,349	117,622
Total capital surplus	18,176	19,094	156,508
Retained earnings			
Other retained earnings			
General reserves	14,000	14,000	114,754
Retained earnings brought forward	13,399	18,448	151,215
Total retained earnings	27,399	32,448	265,969
Treasury stock	(4,763)	(1,040)	(8,532)
Total shareholders' equity	59,788	69,478	569,492
<b>Valuation and translation adjustments:</b>			
Net unrealized gains (losses) on securities	2,596	2,108	17,281
Net deferred gains (losses) on hedges	(8)	5	48
Revaluation reserve for land	3,659	3,659	29,999
Total valuation and translation adjustments	6,247	5,774	47,328
Total net assets	66,036	75,252	616,820
Total liabilities and net assets	¥ 192,150	¥ 202,981	\$1,663,781

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

# NON-CONSOLIDATED STATEMENT OF INCOME

TOA CORPORATION

For the years ended 31 March 2021 and 2022

	Millions of Japanese Yen		Thousands of U.S. Dollars
	From 1 April 2020 To 31 March 2021	From 1 April 2021 To 31 March 2022	From 1 April 2021 To 31 March 2022
<b>Net sales</b>			
Net sales of completed construction contracts (Note7)	¥ 175,664	¥205,939	\$1,688,024
Net sales in development business and other	3,741	3,977	32,604
Net sales in real estate business and other	1,319	804	6,597
Total net sales	180,725	210,721	1,727,226
<b>Cost of sales</b>			
Cost of sales of completed construction contracts	159,449	187,771	1,539,109
Cost of sales in development business and other	3,113	3,261	26,736
Cost of sales in real estate business and other	759	392	3,220
Total cost of sales	163,322	191,425	1,569,065
<b>Gross profit</b>			
Gross profit on completed construction contracts	16,214	18,167	148,915
Gross profit on development business and other	628	715	5,867
Gross profit on real estate business and other	560	412	3,377
Total gross profit	17,403	19,295	158,161
<b>Selling, general and administrative expenses</b>			
Remuneration for directors	234	259	2,127
Employees' salaries and allowances	4,181	4,632	37,972
Retirement benefit expenses	484	236	1,937
Legal welfare expenses	604	671	5,502
Welfare expenses	384	438	3,595
Stationery expenses	503	530	4,346
Communication and transportation expenses	248	287	2,354
Research study expenses	911	871	7,141
Advertising expenses	108	121	995
Provision of allowance for doubtful accounts	0	0	2
Entertainment expenses	89	111	911
Donations	23	12	104
Rent expenses on land and buildings	709	692	5,674
Depreciation	318	370	3,036
Taxes and dues	574	567	4,652
Miscellaneous expenses	733	808	6,627
Total selling, general and administrative expenses	10,110	10,611	86,982
<b>Operating income</b>	7,293	8,683	71,178
<b>Non-operating income:</b>			
Interest income (Note7)	38	42	349
Interest on securities	0	0	5
Dividend income	331	259	2,124
Exchange gain	87	372	3,053
Other	543	70	578
Total non-operating income	1,001	745	6,110
<b>Non-operating expenses:</b>			
Interest expense	238	249	2,045
Guarantee fee	161	142	1,165
Provision for doubtful accounts, non-trade	(49)	—	—
Commission fee	128	66	544
Other	3	22	188
Total non-operating expenses	482	481	3,943
<b>Ordinary profit</b>	7,812	8,948	73,345

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

# NON-CONSOLIDATED STATEMENT OF INCOME

TOA CORPORATION

For the years ended 31 March 2021 and 2022

	Millions of Japanese Yen		Thousands of
	From 1 April 2020 To 31 March 2021	From 1 April 2021 To 31 March 2022	From 1 April 2021 To 31 March 2022 U.S. Dollars
<b>Extraordinary income:</b>			
Gain on sale of fixed assets (Note5)	¥ —	¥ 0	\$ 2
Gain on sale of investment in securities	1,448	201	1,649
Other	—	4	33
Total extraordinary income	1,448	205	1,685
<b>Extraordinary losses:</b>			
Loss on sale of fixed assets (Note7)	7	0	2
Loss on disposal of fixed assets (Note7)	25	6	49
Loss on sale of investment in securities	24	0	2
Loss on impairment of fixed assets (Note2)	239	80	661
Other	18	1	15
Total extraordinary losses	315	89	731
<b>Profit before income taxes</b>	<b>8,945</b>	<b>9,064</b>	<b>74,299</b>
<b>Income taxes:</b>			
Current	1,544	1,311	10,752
Deferred	1,298	1,215	9,959
Total income taxes	2,842	2,526	20,712
<b>Profit</b>	<b>¥ 6,102</b>	<b>¥ 6,537</b>	<b>\$ 53,587</b>

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

# STATEMENT OF COST OF COMPLETED CONTRACTS

TOA CORPORATION

For the years ended March 31, 2021 and 2022

	Notes No	Millions of Japanese Yen				Thousands of U.S. Dollars
		31 March 2021		31 March 2022		31 March 2022
		Amount	Composition Ratio %	Amount	Composition Ratio %	Amount
Material cost		27,778	17.4	33,132	17.6	271,581
Labor cost		258	0.2	430	0.2	3,530
(Subcontract labor cost included)		(33)	0.0	2	0.0	22
Subcontract cost		97,975	61.4	117,248	62.4	961,054
Expenses		33,437	21.0	36,959	19.8	302,942
(Personnel expenses included)		(11,733)	(7.4)	(11,603)	(6.2)	(95,112)
<b>Total</b>		¥159,449	100.0	¥187,771	100.0	\$1,539,109

The Company's cost accounting method is based on specific cost accounting, where the actual cost of each construction project is categorized and aggregated according to the elements of material cost, labor cost, subcontracting cost and expenses.

# STATEMENT OF COST OF SALES IN DEVELOPMENT BUSINESS AND OTHERS AND REAL ESTATE AND OTHERS

TOA CORPORATION

For the years ended March 31, 2021 and 2022

	Notes No	Millions of Japanese Yen				Thousands of U.S. Dollars
		31 March 2021		31 March 2022		31 March 2022
		Amount	Composition Ratio %	Amount	Composition Ratio %	Amount
Cost of sales in development business and other						
Cost of sales in design services and other		3,113	100.0	3,252	99.7	26,663
Cost of sales in development business		—	—	8	0.3	72
<b>Total</b>		3,113	100.0	3,261	100.0	26,736
Cost of sales in real estate business and other						
Cost of sales in real estate for sale		248	32.7	185	47.1	1,517
Cost of sales in rentals		510	67.3	207	52.9	1,702
Cost of sales in sideline facilities and other		0	0.0	—	—	—
<b>Total</b>		¥759	100.0	¥392	100.0	\$3,220

The Company's cost accounting method is based on specific cost accounting.

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

# NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

TOA CORPORATION

For the years ended March 31, 2021 and 2022

Millions of Japanese Yen

	Shareholders' equity									Valuation and translation adjustments				Total Net Assets
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total Retained Earnings							
					General Reserves	Retained earnings brought forward								
<b>Balance at March 31, 2020</b>	¥18,976	¥4,744	¥13,429	¥18,173	¥14,000	¥8,300	¥22,300	¥(3,539)	¥55,910	¥2,381	¥(27)	¥3,659	¥6,013	¥61,924
Cash dividends						(1,002)	(1,002)		(1,002)					(1,002)
Profit						6,102	6,102		6,102					6,102
Acquisition of treasury stock								(1,236)	(1,236)					(1,236)
Sale of treasury stock								5	5					5
Conversion of convertible bond			2	2				7	10					10
Net changes in items other than shareholders' equity										214	18	—	233	233
<b>Balance at March 31, 2021</b>	¥18,976	¥4,744	¥13,431	¥18,176	¥14,000	¥13,399	¥27,399	¥(4,763)	¥59,788	¥2,596	¥(8)	¥3,659	¥6,247	¥66,036
Cumulative effect of accounting change						48	48		48					48
Cash dividends						(1,537)	(1,537)		(1,537)					(1,537)
Profit						6,537	6,537		6,537					6,537
Acquisition of treasury stock								(1,306)	(1,306)					(1,306)
Sale of treasury stock								7	7					7
Conversion of convertible bond			917	917				5,022	5,940					5,940
Net changes in items other than shareholders' equity										(487)	14	—	(473)	(473)
<b>Balance at March 31, 2022</b>	¥18,976	¥4,744	¥14,349	¥19,094	¥14,000	¥18,448	¥32,448	¥(1,040)	¥69,478	¥2,108	¥5	¥3,659	¥5,774	¥75,252

Thousands of U.S. Dollars (Note 1)

	Shareholders' equity									Valuation and translation adjustments				Total Net Assets
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total Retained Earnings							
					General Reserves	Retained earnings brought forward								
<b>Balance at March 31, 2021</b>	\$155,546	\$38,886	\$110,098	\$148,984	\$114,754	\$109,834	\$224,589	\$(39,047)	\$490,072	\$21,279	\$(69)	\$29,999	\$51,208	\$541,281
Cumulative effect of accounting change						393	393		393					393
Cash dividends						(12,600)	(12,600)		(12,600)					(12,600)
Profit						53,587	53,587		53,587					53,587
Acquisition of treasury stock								(10,711)	(10,711)					(10,711)
Sale of treasury stock								61	61					61
Conversion of convertible bond			7,524	7,524				41,164	48,688					48,688
Net changes in items other than shareholders' equity										(3,998)	117	0	(3,880)	(3,880)
<b>Balance at March 31, 2022</b>	\$155,546	\$38,886	\$117,622	\$156,508	\$114,754	\$151,215	\$265,969	\$(8,532)	\$569,492	\$17,281	\$48	\$29,999	\$47,328	\$616,820

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

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 1. Significant accounting policies

### I. Basis of valuation for securities

- 1) Held-to-maturity debt securities  
Held-to-maturity debt securities are carried at amortized cost.
- 2) Stock of subsidiaries and affiliates  
Stock of subsidiaries and affiliates is stated at moving average cost method.
- 3) Other securities  
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.

### II. Basis of valuation for 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.

### III. Basis of valuation for inventories

- 1) Cost on construction contracts in progress and cost on other contracts are stated at specific cost method for each contract.
- 2) Real estate for sale are stated at specific cost method for each contract.
- 3) 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.

### IV. Depreciation for property, plant and equipment and other

- 1) Property, plant and equipment and other excluding leased assets  
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 Company 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.
- 2) Intangible fixed assets excluding leased assets and long-term prepaid expenses  
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.

### 3) Leased assets

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.

### V. Reserve and allowance

- 1) 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.

- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) Liability for retirement benefits  
Retirement benefits is provided for the amount equivalent to cover future retirement benefits expenses based upon the estimate of retirement benefit obligations and employee's pension plan assets.
  - a) 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.
  - b) Actuarial gain or loss is amortized by the straight-line method over a defined period (13 years), not exceeding the average remaining service period of the employees from the next fiscal year after the incurrence.
- 7) 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.

### VI. Recognition of revenue and expenses

The Company is 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.

### VII. Deferred assets

Bond issuance costs are expensed in full when incurred.

### VIII. Hedge accounting

#### 1) Method

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.

#### 2) Hedging instruments and hedged items

##### a) Hedging instruments

The derivatives designated as hedging instruments by the Company are principally interest swaps and forward exchange contracts.

##### b) Hedged items

The related hedged items are bank loans, foreign currency monetary liabilities and forecasted transactions.

#### 3) Hedge policy

The Company has 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.

### IX. Retirement benefits

The accounting method of outstanding amounts of unrecognized actuarial gains / losses for retirement benefits is different from that applied in the consolidated financial statements.

### X. 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 Company recognizes assets, liabilities, income and expenses mainly in proportion to the percentage of investment by the JV members.

### XI. 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.

## 2. Significant accounting estimates

### I. Accounting Standard for Revenue Recognition

- 1) Amount recorded in the consolidated financial statements for the current fiscal year  
The amount of contract revenue accounted for by estimating the progress in the fulfillment of the performance obligation over a certain period of time:

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

Previous Fiscal Year  
¥169,007 million  
Current Fiscal Year  
¥203,913 million (US\$1,671,423 thousand)

2) Information on significant accounting estimates for identified items

Same as stated in the Significant accounting estimates of Notes to Consolidated Financial Statements.

## II. Impairment loss on fixed assets

1) Amount recorded in the consolidated financial statements for the current fiscal year Impairment loss:

Previous Fiscal Year  
¥239 million  
Current Fiscal Year  
¥80 million (US\$661 thousand)

2) Information on significant accounting estimates identified items

Same as stated in the Significant accounting estimates of Notes to Consolidated Financial Statements.

## III. Recoverability of deferred tax assets

1) Amounts recognized in the consolidated financial statements for the current fiscal year

Deferred tax assets:

Previous Fiscal Year  
¥3,617 million  
Current Fiscal Year  
¥2,582 million (US\$21,167 thousand)

2) Information on significant accounting estimates for identified items

Same as stated in the Significant accounting estimates of Notes to Consolidated Financial Statements.

## 3. 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 ¥2,286

million, Cost of Sales increased by ¥1,910 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.

Changes due to adoption of the the "Accounting Standard for Calculation of Fair Value"

Effective from this fiscal year, the Company has adopted the "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Accounting Standard for Calculation of Fair Value") and other related standards, and the new accounting policies stipulated in the "Accounting Standard for Calculation of Fair Value" and other related standards are applied prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the "Accounting Standard for Calculation of Fair Value" and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the financial statements for the current fiscal year.

## 4. Changes in Presentation

The Company has changed the presentation of items in the statement of income as follows:

"Exchange gain", which was included in "Other" under "Non-operating income" in the 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 statement of income for this fiscal year because the amount is immaterial. To reflect those changes in presentation, the items are reclassified in the financial statements for the previous fiscal year.

Consequently, the ¥520 million presented as "Gain on insurance claims" and the ¥110 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 ¥543 million under "Non-operating income".

## 5. Additional information

Impact of the spread of COVID-19 on Accounting Estimates

As a result of the global spread of COVID-19, the Company has 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 Company has 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

Same as stated in the Additional information of Notes to Consolidated Financial Statements.



# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 6. Notes to Balance Sheet

### I. Receivables and payables

The aggregate amounts corresponding to affiliates as of March 31, 2021 and 2022 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Notes receivable, accounts receivable, trade and accounts receivable, other	¥1,313	¥3,136	\$25,705
Notes payable, electronically recorded obligations, operating and accounts payable, trade	8,001	5,727	46,946

### II. Assets pledged as collateral and secured liabilities

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Assets pledged as collateral:			
Current assets			
Other current assets	¥292	¥18	\$151
Investment and other assets			
Investment in securities	2,123	2,131	17,467
Stock of subsidiaries and affiliates	457	328	2,693
Long-term loans to subsidiaries and affiliates	276	125	1,030
Total	¥3,149	¥2,603	\$21,342

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 affiliated companies including PFI projects and financial institutions.

### III. 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

### IV. Commitments and contingent liabilities

The Company is 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	\$112
National Federation of Promotion for Fishing Ports and Villages	33	22	365
MORIMOTO CO., LTD (Deposit Money Guarantee)	155	610	2,670
Total	¥203	¥646	\$3,147

### V. 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

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 7. Notes to Statement of Income

### I . Interest income from affiliates was as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2021	2022	2022
¥24	¥22	\$186

### II . 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
Buildings	—	0	2
Total	—	¥0	\$2

### III . Loss on sale of fixed assets

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Buildings	¥1	¥0	\$2
Land	5	—	—
Others	0	—	—
Total	¥7	¥0	\$2

### IV . 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	¥16	¥3	\$25
Leased assets	—	2	\$20
Furniture and fixtures	1	0	\$0
Vessels	7	—	—
Others	0	0	\$3
Total	¥25	¥6	\$49

## 8. Securities

Since the stock of subsidiaries and affiliates have no market price and it is extremely difficult to determine fair value, the fair value of stock of subsidiaries and affiliates is not included in the financial statements.

The amounts on the balance sheet, which are extremely difficult to determine fair value, are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2021	2022	2022
Stock of subsidiaries	¥2,123	¥2,123	\$17,406
Stock of affiliates	250	272	\$2,236
Total	¥2,373	¥2,396	\$19,643

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 9. Tax Effect Accounting

I. 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	¥1,269	¥1,150	\$9,427
Loss carried forward	849	—	—
Reserve for loss on construction works	520	552	4,527
Accrued bonus to employees	711	846	6,942
Loss on valuation of utility rights	231	230	1,888
Loss on valuation of investment in securities	139	132	1,089
Loss on impairment of fixed assets	312	326	2,676
Loss on construction defects	58	—	—
Deferred gains (losses) on hedges	3	—	—
Others	1,475	1,000	8,197
Total gross deferred tax assets	¥5,572	¥4,239	\$34,750
Valuation allowance for tax loss carried forward	—	—	—
Valuation allowance for deductible temporary differences	(¥906)	(¥813)	(6,665)
Total valuation allowance	(¥906)	(¥813)	(6,665)
Total deferred tax assets	¥4,665	¥3,426	\$28,084
Deferred Tax Liabilities:			
Unrealized gains on securities	(1,048)	(841)	(6,895)
Deferred gains (losses) on hedges	—	(2)	(21)
Total deferred tax liabilities	(1,048)	(843)	(6,916)
Net Deferred Tax Assets	¥3,617	¥2,582	\$21,167

II. 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 statements of income is as follows:

	2021	2022
Normal effective statutory tax rate	—	30.6%
Expenses not deductible for income tax purposes	—	1.2
Non-taxable income	—	(0.3)
Per capita levy of inhabitant taxes	—	1.2
Change in valuation allowance	—	(1.0)
Other	—	(3.8)
Actual effective tax rates	—	27.9%

The reconciliation for 2021 is omitted, because the difference between the statutory tax rate and the effective tax rate after the adoption of tax-effect accounting is less than 5% of the statutory tax rate.

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 10. Revenue Recognition

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

## 11. Significant subsequent events

On July 11, 2022, at one 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.

Supplementary Information

Details of securities

【Stock】			Millions of Japanese Yen		Thousands of U.S. Dollars
		Security name	Number of shares	Amount on balance sheet	Amount on balance sheet
Investments in securities	Other securities	Keikyu Corporation	827,348	¥1,037	\$8,504
		Hulic Company, Limited	799,359	880	7,213
		NAGAWA CO., Ltd	81,600	820	6,728
		Mizuho Financial Group, Inc.	437,022	684	5,613
		Concordia Financial Group, Ltd.	1,168,560	535	4,386
		Taiheiyo Cement Corporation	236,697	477	3,917
		Sompo Holdings, Inc.	87,500	470	3,859
		RIKEN KEIKI Co., Ltd.	78,000	382	3,132
		The Chiba Bank, Ltd.	504,261	365	2,996
		NIPPON HUME CORPORATION	488,000	337	2,764
		ENEOS Holdings, Inc.	641,732	293	2,409
		The Ehime Bank, Ltd.	275,200	257	2,106
		Nippon Koei Co., Ltd.	72,400	217	1,780
		Kansai International Airport Land Company, Ltd.	4,300	215	1,762
		Fuyo General Lease Co., Ltd.	30,000	209	1,718
		SAN-AI OBBLI CO., LTD.	223,050	209	1,716
		Metropolitan Intercity Railway Company	4,000	200	1,639
		Yokohama Bayside Marina Co., Ltd.	4,000	200	1,639
		MS&AD Insurance Group Holdings, Inc.	49,555	197	1,615
		PORT OF HAKATA DEVELOPMENT CO., LTD.	378,800	189	1,552
		Other(55 security names)	961,259	1,671	13,702
Total			7,352,643	¥9,852	\$80,760
【Bond】			Millions of Japanese Yen	Millions of Japanese Yen	Thousands of U.S. Dollars
		Bond name	Face value	Amount on balance sheet	Amount on balance sheet
Investments in securities	Other securities	60th separated principal component	¥42	¥42	\$351
		Total	¥42	¥42	\$351

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## Details of fixed assets

Type of assets	Millions of Japanese Yen						
	Beginning balance	Increase	Decrease	Closing balance	Accumulated depreciation	Depreciation (Current term)	Balance (①-②)
Property, plant and equipment :				①	②		
Buildings	¥7,361	¥316	¥141	¥7,536	¥5,485	¥186	¥2,051
Structures	1,841	55	4	1,892	1,456	38	435
Machinery and equipment	3,321	195	180	3,336	3,000	203	336
Vessels	8,087	1,399	1	9,486	7,496	421	1,989
Vehicles	334	66	96	304	218	87	86
Tools, furniture and fixtures	2,495	300	198	2,598	2,123	181	474
Land	15,512	156	80	15,589	—	—	15,589
	[5980]		(80)	[5980]			
Leased assets	2,826	67	39	2,854	970	498	1,883
Construction in progress	6,225	1,478	1,687	6,016	—	—	6,016
Total property, plant and equipment	¥48,007	¥4,037	¥2,430	¥49,613	¥20,751	¥1,618	¥28,862
			(¥80)				
Intangible assets:	—	—	—	—	¥2,517	¥273	¥927
Long-term prepaid expenses	¥22	¥0	¥12	¥11	—	—	¥11

Type of assets	Thousands of U.S. Dollars						
	Beginning balance	Increase	Decrease	Closing balance	Accumulated depreciation	Depreciation (Current term)	Balance (①-②)
Property, plant and equipment:				①	②		
Buildings	\$60,341	\$2,594	\$1,163	\$61,772	\$44,959	\$1,527	\$16,812
Structures	15,094	453	39	15,508	11,941	318	3,566
Machinery and equipment	27,227	1,600	1,477	27,350	24,595	1,671	2,755
Vessels	66,294	11,471	8	77,757	61,449	3,455	16,308
Vehicles	2,737	547	787	2,497	1,788	718	709
Tools, furniture and fixtures	20,456	2,466	1,626	21,296	17,405	1,487	3,891
Land	127,154	1,286	661	127,779	—	—	127,779
	[49,019]		(661)	[49,019]			
Leased assets	23,170	550	327	23,393	7,957	4,087	15,436
Construction in progress	51,025	12,121	13,832	49,314	—	—	49,314
Total property, plant and equipment	\$393,503	\$33,092	\$19,925	\$406,670	\$170,096	\$13,265	\$236,574
			\$(661)				
Intangible assets:	—	—	—	—	\$20,635	\$2,244	\$7,601
Long-term prepaid expenses	\$187	\$6	\$98	\$95	—	—	\$95

Notes: 1. The amount in parentheses of "Decrease" is the amount of loss on impairment of fixed assets.

2. The amount in square brackets of "Beginning balance", "Decrease" and "Closing balance" is the amount of "Revaluation reserve for land" revalued 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)

3. The main items in the "Increase" are as follows.  
Construction in progress: Vessel 779 million Yen

4. The "Beginning balance", "Increase" and "Decrease" in the intangible assets are omitted, because the closing book value is less than 1% of the aggregate amount of assets.

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## Details of allowances or reserves

Description	Millions of Japanese Yen				
	Beginning balance	Increase	Decrease (Intended use)	Decrease (Other)	Closing balance
Allowance for doubtful accounts	¥817	¥0	—	¥276	¥540
Reserve for indemnity on completed contracts	941	859	—	941	859
Reserve for loss on construction works	1,700	1,118	1,014	—	1,804
Reserve for loss on construction defects	192	—	192	0	—
Reserve for director's bonuses	—	63	—	—	63
Provision for board benefit trust	72	43	9	—	106

Description	Thousands of U.S. Dollars				
	Beginning balance	Increase	Decrease (Intended use)	Decrease (Other)	Closing balance
Allowance for doubtful accounts	\$6,696	\$2	—	\$2,268	\$4,430
Reserve for indemnity on completed contracts	7,718	7,045	—	7,718	7,045
Reserve for loss on construction works	13,934	9,163	8,311	—	14,786
Reserve for loss on construction defects	1,577	—	1,575	2	—
Reserve for director's bonuses	—	523	—	—	523
Provision for board benefit trust	596	354	78	—	871

Notes: 1. The "Decrease(Other)" of the allowance for doubtful accounts amounting to ¥276 million is reduced the amount because of the collection of credits.

2. The "Decrease(Other)" of the reserve for indemnity on completed contracts amounting to ¥941 million is the reversal of the reserve for indemnity.

3. The "Decrease(Other)" of the reserve for loss on construction defects to ¥0 million is reduced the amount due to the change of estimate.

## (2) Details of main assets and liabilities

They are omitted because the consolidated financial statements are provided separately.

## (3) Other

N/A

## Independent Auditor's Report

The Board of Directors  
TOA CORPORATION.

### **Opinion**

We have audited the accompanying non-consolidated financial statements of TOA CORPORATION (the Company), which comprise the non-consolidated balance sheet as at March 31, 2022, and the non-consolidated statements of income, changes in net assets, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of TOA CORPORATION as at March 31, 2022, and its non-consolidated financial performance and 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 Non-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 non-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 non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-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

TOA CORPORATION (the "Company") is engaged in the construction business and other businesses related to construction. The Company recorded net sales for completed construction work of 203,913 million yen using the method of recognizing revenue as performance obligations are satisfied over time, which accounted for 96.8% of net sales. Related disclosures are included in "6 Recognition of revenue and expenses" under "1. Significant accounting policies" and "1 Accounting Standard for Revenue Recognition" under "2. Significant accounting estimates." The "Description of Key Audit Matter" and "Auditor's Response" for this matter are omitted because they are the same as those stated in the independent auditor's report for the consolidated financial statements.



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### **Other Information**

The other information comprises the information included in the disclosure document that contains audited non-consolidated financial statements but does not include the non-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 Non-Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company'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 Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





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- 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 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 non-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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-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 Company to express an opinion on the non-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 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 non-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 Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



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### Convenience Translation

The U.S. dollar amounts in the accompanying non-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 non-consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

August 30, 2022

/s/ 福本 千人

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Kazuo Fukumoto  
Designated Engagement Partner  
Certified Public Accountant

/s/ 結城 洋治

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Yoji Yuki  
Designated Engagement Partner  
Certified Public Accountant