

# CONSOLIDATED BALANCE SHEET

TOA CORPORATION and its consolidated subsidiaries  
As of 31 March 2022 and 2023

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2022	31 March 2023	31 March 2023
<b>Current assets:</b>			
Cash and bank deposits (Note 11)	¥ 32,028	¥ 28,289	\$ 212,699
Notes and accounts receivable, trade (Note 5 and 11)	111,809	127,884	961,534
Securities	42	—	—
Cost on construction contracts in progress and other (Note 5)	3,597	4,427	33,285
Real estate for sale	1,558	1,315	9,890
Advanced money	8,211	7,935	59,661
Other current assets (Note 5)	4,831	5,731	43,094
Allowance for doubtful accounts	(7)	(9)	(69)
Total current assets	162,072	175,573	1,320,097
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings and structures	15,689	15,758	118,482
Machinery, vehicles and equipment	20,923	22,326	167,866
Land (Note 5)	19,127	18,767	141,107
Leased assets	2,652	2,472	18,591
Construction in progress	6,015	6,682	50,246
Less accumulated depreciation	(29,312)	(30,404)	(228,604)
Total property, plant and equipment-net	35,095	35,602	267,690
Intangible assets:	975	808	6,078
<b>Investments and other assets:</b>			
Investments in securities (Notes 5, 11 and 12)	10,600	10,456	78,620
Long-term loans receivable (Note 5)	116	101	766
Asset for retirement benefit (Note 14)	—	1,404	10,557
Deferred tax assets (Note 15)	2,994	2,002	15,053
Other	1,600	1,510	11,355
Allowance for doubtful accounts	(539)	(530)	(3,992)
Total investments and other assets	14,771	14,944	112,362
Total fixed assets	50,843	51,355	386,130
Total assets	¥ 212,916	¥ 226,928	\$ 1,706,228

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

# CONSOLIDATED BALANCE SHEET

TOA CORPORATION and its consolidated subsidiaries  
As of 31 March 2022 and 2023

LIABILITIES	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2022	31 March 2023	31 March 2023
<b>Current liabilities:</b>			
Notes and accounts payable, trade	¥ 34,601	¥ 37,250	\$ 280,080
Electronically recorded obligations, operating	7,897	7,616	57,263
Short-term borrowings (Notes 5)	18,875	30,708	230,888
Commercial papers	—	6,000	45,112
Accrued income taxes	1,737	1,620	12,185
Advances received on construction contracts in progress	15,785	10,650	80,077
Deposits received	18,255	20,917	157,273
Reserve for indemnity on completed contracts	859	894	6,725
Reserve for loss on construction works (Note 5)	1,809	1,321	9,932
Reserve for director's bonuses	63	28	215
Other current liabilities	7,864	5,242	39,414
Total current liabilities	107,750	122,249	919,168
<b>Long-term liabilities:</b>			
Convertible bonds with share options (Note 11)	1,050	—	—
Long-term debt (Notes 5 and 11)	10,937	10,335	77,709
Deferred tax liabilities on revaluation of land (Notes 5 and 15)	2,320	2,232	16,785
Liability for retirement benefits (Note 14)	1,339	596	4,487
Provision for board benefit trust	106	111	837
Other long-term liabilities	2,686	2,041	15,351
Total long-term liabilities	18,440	15,317	115,170
Total liabilities	126,190	137,567	1,034,339
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock	18,976	18,976	142,681
Capital surplus	19,042	18,965	142,596
Retained earnings	43,543	46,602	350,396
Treasury stock	(1,524)	(2,225)	(16,732)
Total shareholders' equity	80,037	82,319	618,942
<b>Accumulated other comprehensive income:</b>			
Net unrealized gains (losses) on securities (Note 12)	2,235	2,048	15,403
Net deferred gains (losses) on hedges (Notes 13)	5	(3)	(24)
Revaluation reserve for land (Note 5)	3,659	3,460	26,017
Retirement benefits liability adjustments (Note 14)	89	804	6,047
Total accumulated other comprehensive income	5,990	6,310	47,444
<b>Non-controlling interests</b>			
Total net assets	86,725	89,361	671,888
Total liabilities and net assets	¥ 212,916	¥ 226,928	\$ 1,706,228

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 2022 and 2023

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2022	31 March 2023	31 March 2023
<b>Net sales</b>	¥ 219,814	¥ 213,569	\$ 1,605,787
<b>Cost of sales</b>	198,437	195,539	1,470,218
Gross profit	21,376	18,030	135,569
<b>Selling, general and administrative expenses (Note 6)</b>	11,502	11,475	86,281
Operating income	9,874	6,555	49,287
<b>Non-operating income:</b>			
Interest income	19	23	179
Dividend income	270	329	2,478
Exchange gain	372	134	1,011
Other	85	81	609
Total non-operating income	748	569	4,278
<b>Non-operating expenses:</b>			
Interest expense	251	303	2,280
Guarantee fee	143	138	1,040
Commission fee	66	59	444
Other	23	9	68
Total non-operating expenses	484	510	3,834
<b>Ordinary profit</b>	10,138	6,614	49,731
<b>Extraordinary income:</b>			
Gain on sale of fixed assets (Note 6)	10	36	276
Gain on sale of investment in securities	221	489	3,682
Subsidy income (Note 5)	—	14	106
Other	5	0	7
Total extraordinary income	237	541	4,073
<b>Extraordinary losses:</b>			
Loss on sale of fixed assets (Note 6)	0	0	0
Loss on disposal of fixed assets (Note 6)	10	5	37
Loss on reduction of noncurrent assets	—	14	106
Loss on valuation of stocks of subsidiaries and affiliates	—	10	77
Loss on impairment of fixed assets (Note 6)	80	3	23
Other	2	3	26
Total extraordinary losses	93	36	272
<b>Profit before income taxes</b>	10,283	7,119	53,533
<b>Income taxes:</b>			
Current	1,724	1,537	11,557
Deferred	1,204	670	5,039
Total income taxes	2,929	2,207	16,597
<b>Profit</b>	7,354	4,912	36,936
<b>Profit attributable to:</b>			
Non-controlling interests	¥ (31)	¥ 77	\$ 582
Owners of parent	¥ 7,385	¥ 4,835	\$ 36,353

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 2022 and 2023

	Millions of Japanese Yen		Thousands of
	31 March 2022	31 March 2023	U.S. Dollars (Note 1)
<b>Profit</b>	¥ 7,354	¥ 4,912	\$ 36,936
<b>Other comprehensive income:</b>			
Net unrealized gains (losses) on securities	(465)	(186)	(1,400)
Net deferred gains (losses) on hedges	14	(9)	(68)
Retirement benefits liability adjustments ( Note 14)	495	714	5,371
Total other comprehensive income ( Note 7)	44	519	3,902
<b>Comprehensive income</b>	¥ 7,398	¥ 5,431	\$ 40,838
<b>Total comprehensive income attributable to: ( Note 7)</b>			
Owners of parent	¥ 7,430	¥ 5,354	\$ 40,255
Non-controlling interests	¥ (31)	¥ 77	\$ 582

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 2022 and 2023

	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)		
<b>Balance at March 31, 2021</b>	¥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
Revaluation reserve for land										—
Conversion of convertible bond		917		5,022						5,940
Change in scope of consolidation										—
Net changes in items other than shareholders' equity					(465)	14	—	495	(31)	13
<b>Balance at March 31, 2022</b>	¥18,976	¥19,042	¥43,543	(¥1,524)	¥2,235	¥5	¥3,659	¥89	¥697	¥86,725
Cumulative effect of accounting change										—
Cash dividends			(1,994)							(1,994)
Profit attributable to owners of parent for the period			4,835							4,835
Acquisition of treasury stock				(3,042)						(3,042)
Sale of treasury stock		152		1,063						1,216
Revaluation reserve for land			199							199
Conversion of convertible bond		(228)		1,278						1,050
Change in scope of consolidation		(1)	19							18
Net changes in items other than shareholders' equity					(186)	(9)	(199)	714	34	353
<b>Balance at March 31, 2023</b>	¥18,976	¥18,965	¥46,602	(¥2,225)	¥2,048	(¥3)	¥3,460	¥804	¥731	¥89,361

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 2022 and 2023

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)		
<b>Balance at March 31, 2022</b>	\$142,681	\$143,175	\$327,394	(\$11,465)	\$16,804	\$44	\$27,517	\$676	\$5,243	\$652,071
Cumulative effect of accounting change										—
Cash dividends			(14,998)							(14,998)
Profit attributable to owners of parent for the period			36,353							36,353
Acquisition of treasury stock				(22,873)						(22,873)
Sale of treasury stock		1,150		7,994						9,144
Revaluation reserve for land			1,500							1,500
Conversion of convertible bond		(1,718)		9,612						7,894
Change in scope of consolidation		(10)	146							135
Net changes in items other than shareholders' equity					(1,400)	(68)	(1,500)	5,371	258	2,660
<b>Balance at March 31, 2023</b>	<b>\$142,681</b>	<b>\$142,596</b>	<b>\$350,396</b>	<b>(\$16,732)</b>	<b>\$15,403</b>	<b>(\$24)</b>	<b>\$26,017</b>	<b>\$6,047</b>	<b>\$5,501</b>	<b>\$671,888</b>

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 2022 and 2023

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	31 March 2022	31 March 2023	31 March 2023
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 10,283	¥ 7,119	\$ 53,533
Adjustments to reconcile income before income taxes and Non-controlling interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	2,225	2,712	20,394
Loss on impairment of fixed assets	80	3	23
Increase (decrease) in allowance for doubtful accounts	(20)	(6)	(48)
Increase (decrease) in liability for retirement benefits	(749)	(1,032)	(7,763)
Interest and dividend income	(290)	(353)	(2,657)
Interest expenses	251	303	2,280
Exchange (gain) loss, net	(206)	(56)	(421)
Increase (decrease) in consumption tax payable	3,119	(2,990)	(22,482)
(Gain) loss on sale of investment in securities	(221)	(489)	(3,682)
(Gain) loss on sale of fixed assets and intangible assets	(10)	(36)	(276)
(Gain) loss on disposal of fixed assets and intangible assets	6	11	89
Decrease (increase) in notes and accounts receivable, trade	(21,779)	(16,074)	(120,861)
Decrease (increase) in cost on construction contracts in progress and other	(541)	(829)	(6,234)
Decrease (increase) in real estate for sale	127	243	1,830
Decrease (increase) in advanced money	7,073	276	2,081
Increase (decrease) in notes and accounts payable, trade	(1,435)	2,367	17,801
Increase (decrease) in advances received on construction contracts in progress	2,693	(5,135)	(38,610)
Increase (decrease) in deposits received	(5,282)	2,661	20,011
Other, net	4,188	(1,041)	(7,828)
Sub-total	(487)	(12,344)	(92,819)
Interest and dividend income received	290	351	2,646
Interest paid	(298)	(300)	(2,257)
Income taxes paid	(2,175)	(1,654)	(12,438)
Net cash (used in) provided by operating activities	(2,671)	(13,947)	(104,869)
<b>Cash flows from investing activities:</b>			
Payments for acquisition of property, plant and equipment	(2,418)	(3,398)	(25,550)
Proceeds from sale of property, plant and equipment	25	517	3,892
Payments for acquisition of intangible assets	(262)	(145)	(1,093)
Payments for acquisition of investment in securities	(51)	(350)	(2,633)
Proceeds from sale of investment in securities	292	784	5,894
Payments of loans receivable	(0)	(1)	(12)
Collection of loans receivable	18	15	118
Other, net	4	(0)	0
Net cash (used in) provided by investing activities	(2,391)	(2,578)	(19,383)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	9,801	12,221	91,888
Net increase (decrease) in commercial papers	—	6,000	45,112
Proceeds from long-term debt	4,010	3,960	29,774
Repayment of long-term debt	(5,749)	(4,958)	(37,280)
Sale of treasury stock	—	1,193	8,976
Acquisition of treasury stock	(1,306)	(3,042)	(22,873)
Cash dividends paid	(1,531)	(1,964)	(14,768)
Payment of dividends to non-controlling interests	—	(21)	(160)
Other, net	(672)	(665)	(5,003)
Net cash (used in) provided by financing activities	4,550	12,723	95,663
<b>Effect of exchange rate changes on cash and cash equivalents</b>	219	63	477
<b>Net increase (decrease) in cash and cash equivalents</b>	(293)	(3,738)	(28,112)
<b>Cash and cash equivalents at beginning of year</b>	32,310	32,017	240,734
<b>Cash and cash equivalents at end of year</b>	¥ 32,017	¥ 28,278	\$ 212,621

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 15 majority-owned subsidiaries as of March 31, 2023. The consolidated financial statements for the year ended March 31, 2023 include the accounts of the Company and 9 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.

With regard to changes in the scope of consolidated subsidiaries during the current fiscal year, the liquidation procedures of No. 2 Morioka Government Office Building Development Management Co., Ltd., a consolidated subsidiary of the Company, have been completed; therefore, it has been excluded from the scope of consolidation.

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 (Kazusamagokoro Services 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 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.

##### e) Provision for board benefit trust

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

#### (4) Retirement benefits

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

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

Actuarial gain or loss is amortized by the straight-line method over a defined period (11 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.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## (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 ¥133=US\$1, the approximated rate of exchange prevailing on March 31, 2023. 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, 2023

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

¥206,214 million

Current Fiscal Year

¥200,581 million (US\$1,508,128 thousand)

- (2) Information on 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

Previous Fiscal Year

¥80 million

Current Fiscal Year

¥3 million (US\$23 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, 2023.

Deferred tax assets

Previous Fiscal Year

¥2,994 million

Current Fiscal Year

¥2,002 million (US\$15,053 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 (Adoption of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

Effective from the current fiscal year, the Company has adopted "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance on Accounting Standard for Fair Value Measurement") and the new accounting policies stipulated in "Implementation Guidance on Accounting Standard for Fair Value Measurement" are applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of "Implementation Guidance on Accounting Standard for Fair Value Measurement."

### 3.Changes in Presentation (The Company has changed the presentation of items in the statement of income as follows:)

"Loss on sale of investment in securities," which was presented separately under "Extraordinary losses" in the consolidated statement of income for the previous fiscal year, is included in "Other" under "Extraordinary losses" in the consolidated statement of income for this fiscal year because the amount is immaterial. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Consequently, the ¥0 million presented as "Losses on sale of investment in securities" and the ¥1 million presented as "Other" under "Non-operating income" in the consolidated statement of income for the previous fiscal year have been reclassified as "Other" of ¥2 million.

### (Consolidated Statement of Cash Flow)

"Increase (decrease) of reserves for loss on construction defects" and "(Gain) loss on valuation of marketable securities and investment in securities," which were presented separately under "Cash flow from operating activities" for the previous fiscal year, are presented in "Other" under "Cash flow from operating activities" for this fiscal year because the amount is immaterial. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Consequently, the (¥192 million) presented in "Increase (decrease) of reserves for loss on construction defects" under "Cash flow from operating activities" in the consolidated statement of cash flows for the previous fiscal year, and the ¥1 million presented in "(Gain) loss on valuation of marketable securities and investment in securities" and the ¥4,379 million presented in "Other" are reclassified as "Other" of ¥4,188 million.

### (Changes in Accounting Estimates)

The Company has changed the period for charging expenses for amortization of actuarial loss in accounting of retirement benefits as follows:

With regard to the period for charging expenses for amortization of actuarial loss in accounting of retirement benefits, the Company had amortized actuarial loss by charging expenses over a defined period of 12 years, which did not exceed the average remaining service period of employees. However, as the average remaining service period was less than the defined period of 12 years, the period of time for charging expenses has been changed to 11 years.

Furthermore, the impact of this change on profit or loss for the current fiscal year was immaterial.

## 4.Additional information

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

With regard to the current fiscal year, the Companies have made accounting estimates of the recoverability of deferred tax assets, the determination of impairment of fixed assets, and the total cost of construction works, with no significant changes being made to assumptions about the spread of COVID-19 disclosed in the Securities Report for the previous fiscal year.

# 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
	2022	2023	2023
Notes	¥2,537	¥293	\$2,209
Electronically recorded monetary claims	556	1,119	8,414
Accounts receivable, trade	49,701	59,980	450,982
Contract assets	58,995	66,475	499,818

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."

III .Cost on construction contracts in progress and other

Cost on construction contracts in progress and other as of March 31, 2022 and 2023 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Cost on construction contracts in progress	¥2,455	¥2,815	\$21,168
PFI projects	421	238	1,796
Other inventories	721	1,372	10,320
Cost on construction contracts in progress and other	¥3,597	¥4,427	\$33,285

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, 2022 and 2023 are as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2022	2023	2023
¥29	¥109	\$824

V .Investments in securities

Among investments in securities, the aggregate amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Investments in affiliates	¥362	¥405	\$3,047

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.

Revalued date March 31, 2002

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Differences of the land after revaluation exceeded its fair value	¥3,674	¥3,484	\$26,201

# 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, 2022 and 2023 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Assets pledged as collateral:			
Current assets			
Other current assets	¥15	¥15	\$114
Investment and other assets			
Investment in securities	2,366	2,118	15,926
Long-term loans	115	100	757
<b>Total</b>	<b>¥2,497</b>	<b>¥2,234</b>	<b>\$16,798</b>

As of March 31, 2023, the assets listed above are pledged as collateral to secure contingent liabilities amounting to ¥2,205 million (US\$16,581 thousand) and liabilities based on the loan agreements with credit line between 12 PFI companies and financial institutions.

As of March 31, 2022, secured liabilities were in the amount of ¥2,029 million and liabilities were for 12 PFI companies.

## VIII .Because of government subsidies, etc. that were received, the reduction entry amount indicated below was deducted from the acquisition cost of property, plant and equipment.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Buildings and structures	—	¥14	\$106

## IX .Securities lent

Among investments in securities, securities lent to a financial institution under the security lending agreement at March 31, 2022 and 2023 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
	¥165	¥163	\$1,225

## X .Commitments and contingent liabilities

(a)The Companies are contingently liable for the following as of March 31, 2022 and 2023:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Employees (Loan guarantee to bank)	¥13	¥12	\$94
National Federation of Promotion for Fishing Ports and Villages	22	11	83
Fisheries Cooperative Association (Loan guarantee)			
MORIMOTO CO., LTD (Deposit Money Guarantee)	610		
<b>Total</b>	<b>¥646</b>	<b>¥23</b>	<b>\$178</b>

## XI .Short-term borrowings

The Company had commitment lines for efficient financing from 7 banks at March 31, 2022 and 2023 as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Total amount of contracts of commitment lines	¥25,000	¥25,000	\$187,969
Outstanding borrowings	—	—	—
<b>Balance</b>	<b>¥25,000</b>	<b>¥25,000</b>	<b>\$187,969</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## XII .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, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Non-recourse debt included in current portion of long-term debt	¥183	¥6	\$45
Non-recourse debt included in long-term debt	20	14	105
Total	¥203	¥20	\$151

The amount of PFI assets pledged as collateral for non-recourse debt as of March 31, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
	¥2,354	¥181	\$1,363

## 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
	2022	2023	2023
	¥28	¥14	\$108

### 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
	2022	2023	2023
	¥1,123	¥867	\$6,518

### 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
	2022	2023	2023
Salaries to employees	¥5,011	¥4,722	\$35,508
Expenses for retirement benefits for employees	253	138	1,042
Research expenses	871	1,006	7,569
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
	2022	2023	2023
	¥1,224	¥1,209	\$9,092

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 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
	2022	2023	2023
Land and building	¥0	¥36	\$274
Machinery and devise	10	0	2
Total	¥10	¥36	\$276

## 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
	2022	2023	2023
Building and structures	¥0	¥—	\$—
Machinery, vehicles and tools, furniture and fixtures	—	0	0
Total	¥0	¥0	\$0

## 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
	2022	2023	2023
Buildings and structures	¥5	¥4	\$36
Lease assets	2	—	—
Machinery, vehicles and tools, furniture and fixtures	1	0	0
Others	0	0	0
Total	¥10	¥5	\$37

## IX .Impairment of fixed assets

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	2

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

The carrying amount of the relevant assets was written down to the recoverable value due to a decline in fair value and ¥80 million (US\$607 thousand) was accounted for as loss on impairment of fixed assets, which consisted of ¥80 million (US\$607 thousand) for Land.

Meanwhile, the recoverable amount of the relevant assets was based on the expected net sale value, and the appraisal amount was based on the amount for inheritance tax and fixed property tax purposes based on the street value.

For the year ended March 31, 2023, the Companies recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of groups
Idle properties	Land	Hokkaido	1

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 ¥3 million (US\$23 thousand) was accounted for as loss on impairment of fixed assets, which consisted of ¥3 million (US\$23 thousand) for Land.

Meanwhile, the recoverable amount of the relevant assets was based on the expected net sale value, and the appraisal amount was based on the amount for inheritance tax and fixed property tax purposes based on the street value.

# 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
	2022	2023	2023
Unrealized gains (losses) on securities:			
Amount arising during the year	(¥440)	¥232	\$1,747
Amount of reclassification adjustments	(220)	(489)	(3,682)
Amount before tax effect	(660)	(257)	(1,935)
Tax effect	195	71	534
Unrealized gains (losses) on securities	(465)	(186)	(1,400)
Deferred gains (losses) on hedges:			
Amount arising during the year	20	(41)	(310)
Amount of reclassification adjustments	—	28	211
Amount before tax effect	20	(13)	(98)
Tax effect	(6)	4	30
Deferred gains (losses) on hedges	14	(9)	(68)
Revaluation reserve for land:			
Tax effect	—	—	—
Revaluation reserve for land	—	—	—
Retirement benefits liability adjustments:			
Amount arising during the year	415	1,114	8,381
Amount of reclassification adjustments	298	(85)	(639)
Amount before tax effect	714	1,029	7,742
Tax effect	(218)	(315)	(2,370)
Retirement benefits liability adjustments	495	714	5,371
Total other comprehensive income	¥44	¥519	\$3,902

## 8. Notes to Consolidated Statement of Changes in Net Assets

### I. Type and number of shares

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.

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

For the year ended March 31, 2023

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	658	1,148	1,078	728

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

Notes: 1. The number of common shares of treasury stock includes 549 thousand shares acquired by the BBT and J-ESOP.

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 8, 2022	543
Increase due to acquisition of treasury stock under the board resolution on Feb 8, 2023	127
Increase of shares for (BBT) and (J-ESOP) stock benefit trusts	477
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	583
Decrease due to the BBT benefits	17
Decreased of shares for (BBT) and (J-ESOP) stock benefit trusts	477

## II .Dividend payment

For the year ended March 31, 2022

		Millions of Japanese Yen				
Resolution	Type of share	Dividend resource	Total amount of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting held on June 29, 2022						
	Common stock	Retained earnings	¥1,973	¥90	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.

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, 2023

		Millions of Japanese Yen			Thousands of U.S. Dollars			
Resolution	Type of share	Dividend resource	Total amount of dividends	Cash dividends per share (Yen)	Total amount of dividends	Cash dividends per share (Dollars)	Record date	Effective date
Annual Shareholders' Meeting held on June 29, 2023								
	Common stock	Retained earnings	¥2,008	¥90	\$15,101	\$0.67	March 31, 2023	June 30, 2023

Notes: Total amount of dividends (¥2,008 million) based on the resolution adopted at the Ordinary General Shareholder's Meeting on Jun 29, 2023 is inclusive of the dividend payment of ¥49 million for the shares acquired by the BBT and J-ESOP stock benefit trusts.

## III .Stock acquisition rights

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: 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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

For the year ended March 31, 2023 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	571	11	583	—	—

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	11 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	583

## 9. Notes to Consolidated Statement of Cash Flows

Cash and cash equivalents consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Cash and bank deposits	¥32,028	¥28,289	\$212,699
Time deposits due over three months	(10)	(10)	(78)
Cash and cash equivalents	¥32,017	¥28,278	\$212,621

## 10. Leases

### Operating lease

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2022 and 2023, are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Due within one year	¥89	¥92	\$693
Due over one year	205	152	1,146
Total	¥295	¥244	\$1,840

## 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.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

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

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

## c) Supplemental explanation for fair value of financial instruments

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

## II .Fair value of financial instruments

As of March 31, 2022, 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	¥8,783	¥8,783	¥—
Total assets	8,783	8,783	—
Convertible bonds with stock acquisition rights	1,050	1,463	413
Long-term debt (*3)	15,895	15,923	28
Total liabilities	16,945	17,387	441
Derivative transactions (*4)	¥6	¥6	¥—

(\*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 Securities and Investments in securities, since those have no market price and it is extremely difficult to determine fair value.

	Millions of Japanese Yen
	2022
Unlisted stocks	¥1,860

(\*3) Current portion of long-term debt of ¥4,958 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, 2023, 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	¥8,553	¥8,553	¥—	\$64,310	\$64,310	\$—
Total assets	8,553	8,553	—	64,310	64,310	—
Long-term debt (*3)	14,897	14,911	14	112,008	112,119	110
Total liabilities	14,897	14,911	14	112,008	112,119	110
Derivative transactions (*4)	(¥4)	(¥4)	¥—	(\$35)	(\$35)	\$—

(\*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, commercial papers, 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
	2023	2023
Unlisted stocks	¥1,903	\$14,310

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

(\*3) Current portion of long-term debt of ¥4,561 million (US\$34,229 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.

## a) Projected redemption

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
Millions of Japanese Yen				
Cash and bank deposits	¥32,028	¥—	¥—	¥—
Notes and accounts receivable, trade	111,788	21	—	—
Investments in securities				
Other securities with maturities (Government bonds)	42	—	—	—
<b>Total</b>	<b>¥143,859</b>	<b>¥21</b>	<b>—</b>	<b>¥—</b>

The projected redemption of monetary claims as of March 31, 2023 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	¥28,289	¥—	¥—	¥—	\$212,699	\$—	\$—	\$—
Notes and accounts receivable, trade	127,869	14	—	—	961,422	112	—	—
<b>Total</b>	<b>¥156,158</b>	<b>¥14</b>	<b>¥—</b>	<b>¥—</b>	<b>\$1,174,121</b>	<b>\$112</b>	<b>\$—</b>	<b>\$—</b>

## b) 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
<b>Total</b>	<b>¥19,378</b>	<b>¥4,993</b>	<b>¥3,746</b>	<b>¥2,380</b>	<b>¥1,171</b>	<b>¥170</b>

The projected repayment of short-term borrowings, long-term debt and lease obligation as of March 31, 2023 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	¥26,146	¥—	¥—	¥—	¥—	¥—
Long-term debt	4,561	4,240	3,163	1,957	974	¥—
Lease obligation	503	481	192	188	171	0
<b>Total</b>	<b>¥31,212</b>	<b>¥4,721</b>	<b>¥3,355</b>	<b>¥2,146</b>	<b>¥1,146</b>	<b>¥0</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

	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	\$196,589	\$—	\$—	\$—	\$—	\$—
Long-term debt	34,299	31,880	23,783	14,721	7,324	\$—
Lease obligation	3,788	3,617	1,446	1,419	1,292	5
Total	\$234,676	\$35,497	\$25,229	\$16,140	\$8,616	\$5

### 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

As of March 31, 2023

	Millions of Japanese Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities and investment in securities				
Other securities	¥8,553	¥—	¥—	¥8,553
Total assets	¥8,553	¥—	¥—	¥8,553
Derivatives				
Currency	¥—	(¥2)	¥—	(¥2)
Interest rate	—	(2)	—	(2)
Total liabilities	¥—	(¥4)	¥—	(¥4)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities and investment in securities				
Other securities	\$64,310	\$—	\$—	\$64,310
Assets Total	\$64,310	\$—	\$—	\$64,310
Derivatives				
Currency	\$—	(\$17)	\$—	(\$17)
Interest rate	—	(17)	—	(17)
Liabilities Total	\$—	(\$35)	\$—	(\$35)

## 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

As of March 31, 2023

	Millions of Japanese Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥—	¥14,911	¥—	¥14,911
Total liabilities	¥—	¥14,911	¥—	¥14,911

	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Long-term debt	\$—	\$112,119	\$—	\$112,119
Total liabilities	\$—	\$112,119	\$—	\$112,119

(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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 12. Securities

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

At March 31, 2022

	Millions of Japanese Yen		
	Fair value (Carrying value)	Acquisition cost	Unrealized gain (loss)
Other securities whose fair value amount exceeds their acquisition cost			
Stock	¥7,969	¥4,738	¥3,230
Government bond	42	42	0
Sub total	8,012	4,781	3,230
Other securities whose fair value does not exceed their acquisition cost			
Stock	771	861	(90)
Government bond	—	—	—
Sub total	771	861	(90)
Total	¥8,783	¥5,642	¥3,140

At March 31, 2023

	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	¥6,984	¥3,915	¥3,069	\$52,517	\$29,441	\$23,075
Sub total	6,984	3,915	3,069	52,517	29,441	23,075
Other securities whose fair value does not exceed their acquisition cost						
Stock	1,568	1,754	(186)	11,792	13,191	(1,399)
Sub total	1,568	1,754	(186)	11,792	13,191	(1,399)
Total	¥8,553	¥5,670	¥2,883	\$64,309	\$42,632	\$21,676

(2) Other securities sold during the years ended March 31, 2022 and 2023 were as follows:

At March 31, 2022

	Millions of Japanese Yen		
	Sales proceeds	Gain on sales	Loss on sales
Stock	¥292	¥221	¥0
Total	¥292	¥221	¥0

At March 31, 2023

	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	¥741	¥489	—	\$5,577	\$3,682	—
Total	¥741	¥489	—	\$5,577	\$3,682	—

(3) Impairment loss on securities of ¥10 million (¥10 million of stocks of subsidiaries) was recognized for the current fiscal year.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 13. Derivative Transactions

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		
			Notional amount	Maturing over one year	Fair value
Accounting in principle	Forward foreign exchange contracts Buying U.S. Dollars	Accounts payable	¥139	—	¥18

#### (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	¥1,627	¥982	(¥9)

Derivative transactions for the year ended March 31, 2023 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	¥1,289	—	(¥2)	\$9,697	—	(\$17)

#### (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	¥675	¥337	(¥2)	\$5,075	\$2,537	(\$17)

## 14. Reserve for Retirement Benefits and Pension Plan

The Company and some of its consolidated subsidiaries have the funded/unfunded defined benefit retirement plans and defined contribution 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 and the Smaller Enterprise Retirement Allowance Mutual Aid System.

Furthermore, additional severance payment covering substantially all employees.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(1)The changes in the retirement benefit obligation during the years ended March 31, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Retirement benefit obligation balance at the beginning of the year	¥20,968	¥20,390	\$153,309
Service cost	789	766	5,759
Interest cost	102	126	949
Actuarial gain	(340)	(774)	(5,823)
Retirement benefit paid	(1,129)	(1,298)	(9,763)
Retirement benefit obligation balance at the end of the year	¥20,390	¥19,209	\$144,431

(2)The changes in plan assets during the years ended March 31, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Plan assets balance at the beginning of the year	¥18,463	¥19,050	\$143,234
Expected return on plan assets	267	284	2,136
Actuarial gain (loss)	75	340	2,558
Contributions by the Company	1,372	1,613	12,129
Retirement benefits paid	(1,128)	(1,271)	(9,557)
Plan assets balance at the end of the year	¥19,050	¥20,016	\$150,501

(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, 2022 and 2023 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Funded retirement benefit obligation	¥19,832	¥18,612	\$139,943
Plan assets at fair value	(19,050)	(20,016)	(150,501)
	781	(1,404)	(10,557)
Unfunded retirement benefit obligation	558	596	4,487
Net liability and asset for retirement benefits in the balance sheet	1,339	(807)	(6,070)
Liability for retirement benefits	1,339	596	4,487
Asset for retirement benefits	—	(1,404)	(10,557)
Net liability and asset for retirement benefits in the balance sheet	¥1,339	(¥807)	(\$6,070)

(4)The components of retirement benefit expense for the years ended March 31, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Service cost	¥789	¥766	\$5,759
Interest cost	102	126	949
Expected return on plan assets	(267)	(284)	(2,136)
Amortization of actuarial loss	258	(124)	(936)
Past service costs	39	39	297
Other	8	1	10
Retirement benefit expense	¥931	¥524	\$3,943

(5)Unrecognized actuarial gain (loss) included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2023 is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Past service costs	¥39	¥39	\$297
Actuarial gain (loss)	674	990	7,445
Total	¥714	¥1,029	\$7,742

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(6) Unrecognized actuarial gain (loss) included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2023 is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Unrecognized past service costs	¥158	¥118	\$892
Unrecognized actuarial gain (loss)	(287)	(1,277)	(9,609)
Total	(¥129)	(¥1,159)	(\$8,716)

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2023 is as follows:

	2022	2023
Stocks	37%	37%
Bonds	29%	29%
General account assets	16%	16%
Other	17%	18%
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, 2022 and 2023 were as follows:

	(Weighted average)	
	2022	2023
Discount rate	0.6%	1.1%
Expected rate of return on plan assets	2.0%	2.0%
Expected rate of future salary increase	2.2%~7.2%	2.0%~7.5%

(B) Retirement Lump Sum Plans

Some consolidated subsidiaries have required contributions of ¥2 million for retirement lump sum plans, such as the Smaller Enterprise Retirement Allowance Mutual Aid System.



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## 15. Tax Effect Accounting

1. The significant components of deferred tax assets and liabilities at March 31, 2022 and 2023 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
<b>Deferred Tax Assets:</b>			
Net liability for retirement benefits	¥1,299	¥695	\$5,227
Loss carried forward	255	214	1,661
Reserve for loss on construction works	554	404	3,041
Accrued bonus to employees	943	788	5,926
Loss on valuation of utility rights	231	229	1,726
Loss on valuation of investment in securities	127	119	897
Loss on impairment of fixed assets	331	269	2,028
Others	1,568	1,231	9,263
Total gross deferred tax assets	¥5,311	¥3,953	\$29,723
Valuation allowance for tax loss carried forward	(233)	(199)	(1,501)
Valuation allowance for deductible temporary differences	(820)	(766)	(5,759)
Total valuation allowance	(¥1,054)	(¥965)	(\$7,261)
Total deferred tax assets	¥4,256	¥2,987	\$22,462
<b>Deferred Tax Liabilities:</b>			
Unrealized gains on securities	(¥905)	(¥834)	(6,273)
Revaluation reserve for land	(548)	(548)	(4,121)
Other	(422)	(221)	(1,665)
Total deferred tax liabilities	(¥1,876)	(¥1,604)	(\$12,060)
<b>Net deferred tax assets</b>	<b>¥2,380</b>	<b>¥1,383</b>	<b>\$10,401</b>

(Note) A breakdown of tax loss carried forward and valuation allowance by expiry date as of March 31, 2023 is as follows:

At March 31, 2023

	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)	¥—	¥—	¥—	¥26	—	¥187	¥214
Valuation allowance	—	—	—	(18)	—	(181)	(199)
Deferred tax assets	—	—	—	8	—	6	14 (*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)	\$—	\$—	\$—	\$200	—	\$1,411	\$1,611
Valuation allowance	—	—	—	(137)	—	(1,364)	(1,501)
Deferred tax assets	—	—	—	63	—	47	110 (*2)

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

(\*2) Deferred tax assets of ¥14 million (US\$110 thousand) for the tax loss carried forward of ¥214 million (US\$1,611 thousand) (the amount is determined by multiplying the corresponding effective statutory tax rate) were recorded.

Deferred tax assets of ¥14 million (US\$110 thousand) mainly consist of the balance of tax loss carried forward of ¥214 million (the amount is determined by multiplying the corresponding effective statutory tax rate).

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2022	2023
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	1.1	—
Change in valuation allowance	(1.2)	—
Other-net	(2.9)	—
Actual effective tax rates	28.5%	—

(Note) As the difference between the effective statutory tax rates and the actual effective tax rates is less than the effective statutory tax rate of 5/100th, the rates have been omitted for this consolidated fiscal year.

## 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, 2022 and 2023.

## 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, 2022 and 2023.

## 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, 2023

Millions of Japanese Yen						
	Reportable Segments				Others (Note 1)	Total
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total		
Domestic government	¥78,125	¥9,406	¥—	¥87,531	¥4,639	¥92,171
Domestic private	24,168	43,721	—	67,889	6,237	74,127
Overseas	—	—	46,538	46,538	—	46,538
Revenue from contracts with customers	102,293	53,128	46,538	201,959	10,876	212,836
Other revenue	—	—	—	—	733	733
Net sales: External customers	¥102,293	¥53,128	¥46,538	¥201,959	¥11,610	¥213,569

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For the year ended March 31, 2023

Thousands of U.S. Dollars						
	Reportable Segments			Total	Others (Note 1)	Total
	Domestic Civil Engineering	Domestic Architectural Building	Overseas			
Domestic government	\$587,406	\$70,728	\$—	\$658,135	\$34,880	\$693,015
Domestic private	181,716	328,731	—	510,447	46,899	557,346
Overseas	—	—	349,911	349,911	—	349,911
Revenue from contracts with customers	769,122	399,460	349,911	1,518,495	81,779	1,600,273
Other revenue	—	—	—	—	5,514	5,514
Net sales: External customers	\$769,122	\$399,460	\$349,911	\$1,518,495	\$87,293	\$1,605,787

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

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 and electronically recorded monetary claims are 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	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
<b>Total</b>	<b>¥300,834</b>	<b>\$2,465,853</b>

(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
Overseas business	Within 3years
Others	Within 1year

## (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	<b>¥49,701</b>	<b>¥59,980</b>	<b>\$373,695</b>	<b>\$450,982</b>
Contract assets	<b>58,995</b>	<b>66,475</b>	<b>443,572</b>	<b>499,818</b>
Contract liabilities	<b>15,715</b>	<b>10,586</b>	<b>118,160</b>	<b>79,600</b>

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

Payment conditons 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 ¥15,008 million. Furthermore, revenue recognition from satisfaction (or partial satisfaction) of performance obligations in prior periods is ¥442 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
	2023	2023
Domestic civil business	<b>¥172,362</b>	<b>\$1,295,957</b>
Domestic building business	<b>84,014</b>	<b>631,687</b>
Overseas business	<b>137,314</b>	<b>1,032,441</b>
Others	<b>7,852</b>	<b>59,044</b>
<b>Total</b>	<b>¥401,544</b>	<b>\$3,019,131</b>

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(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 2years
Overseas business	Within 2years
Others	Within 2year

## 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, 2022

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	¥110,106	¥56,252	¥43,450	¥209,809	¥10,004	¥219,814	¥ —	¥219,814
Inter-segment	—	106	—	106	16,055	16,162	(16,162)	—
<b>Total</b>	<b>¥110,106</b>	<b>¥56,359</b>	<b>¥43,450</b>	<b>¥209,916</b>	<b>¥26,060</b>	<b>¥235,976</b>	<b>(¥16,162)</b>	<b>¥219,814</b>
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

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 ¥(3,540) million is inclusive of inter-segment elimination amounting to ¥38 million and Selling, General and Administrative Expenses amounting to ¥(3,579) 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

For the year ended March 31, 2023

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	¥102,293	¥53,128	¥46,538	¥201,959	¥11,610	¥213,569	¥ —	¥213,569	
Inter-segment	—	78	—	78	10,942	11,021	(11,021)		
Total	¥102,293	¥53,206	¥46,538	¥202,037	¥22,552	¥224,590	(¥11,021)	¥213,569	
Segment profits or losses	6,983	(337)	2,243	8,888	1,307	10,196	(3,640)	6,555	
Other items Depreciation and amortization	¥1,152	¥0	¥820	¥1,973	¥309	¥2,283	¥429	¥2,712	

For the year ended March 31, 2023

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	\$769,122	\$399,460	\$349,911	\$1,518,493	\$87,294	\$1,605,787	\$ —	\$1,605,787	
Inter-segment	0	588	0	588	82,276	82,865	(82,865)	—	
Total	\$769,122	\$400,049	\$349,911	\$1,519,082	\$169,570	\$1,688,652	(\$82,865)	\$1,605,787	
Segment profits or losses	52,504	(2,538)	16,866	66,833	9,830	76,662	(27,375)	49,287	
Other items Depreciation and amortization	\$8,661	\$5	\$6,170	\$14,838	\$2,327	\$17,166	\$3,228	\$20,394	

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 ¥(3,640) million (US\$(27,375) thousand) is inclusive of inter-segment elimination amounting to ¥52 million (US\$392 thousand) and Selling, General and Administrative Expenses amounting to ¥(3,693) million (US\$(27,767) 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, 2022

Millions of Japanese Yen	
2022	
Japan	¥176,363
Other	43,450
Total	¥219,814

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

For the year ended March 31, 2023

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2023	2023
Japan	¥167,031	\$1,255,876
Other	46,538	349,911
Total	¥213,569	\$1,605,787

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

(Changes in presentation)

Because net sales in South East Asia, which were shown as a separate segment for the previous fiscal year, were less than 10% of net sales on the consolidated statement of income for the current fiscal year, they are included in "Other" for the current fiscal year. To reflect this change in presentation, the Company reclassified this item in the geographical information for the previous fiscal year.

Consequently, the amount of ¥34,815 million shown as South East Asia in the consolidated statement of income for the previous fiscal year was reclassified as Others.

## 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, 2022

Name of Customer	Related segments	Net sales	
		Millions of Japanese Yen	
		2022	
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses, others	¥36,505	

For the year ended March 31, 2023

Name of Customer	Related segments	Net sales	
		Millions of Japanese Yen	Thousands of U.S. Dollars
		2023	2023
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses, others	¥36,497	\$274,418

## 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, 2022 and 2023.

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

Amortization was not applicable for the years ended March 31, 2022 and 2023.

## 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, 2022 and 2023.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 21.Per Share Data

	Japanese Yen		U.S. Dollars
	2022	2023	2023
Net assets	¥3,939.69	¥4,071.84	\$30,615
Net income	382.81	224.55	1.688
Diluted net income	326.51	—	—

(Note) 1. Diluted net income per share is not presented for the current fiscal year since the Company has no outstanding dilutive shares.

2. 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
	2022	2023	2023
Profit attributable to owners of parent	¥7,385	¥4,835	\$36,353
Profit attributable to owners of parent not attributable to common stockholders	—	—	—
Profit attributable to owners of parent for common stock	¥7,385	¥4,835	\$36,353

	Thousands of shares	
	2022	2023
Average number of shares of common stock	19,292	21,531

	Thousands of shares	
	2022	2023
Increase in the number of common stock	3,326	—

### 2.Per share data on net assets

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net assets	¥86,725	¥89,361	\$671,888
Net assets amount for common stock	86,028	88,629	666,387
Significant breakdown of differences			
Non-controlling interests	¥697	¥731	\$5,501

	Thousands of Shares	
	2022	2023
Numbers of issued shares of common stock	22,494	22,494
Numbers of shares of treasury stock	658	728
Numbers of shares of common stock which were used for calculation for per share data on net assets	21,836	21,766

## 22.Significant Subsequent Events

Not applicable



# 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	1,050	—	—	Unsecured	December 13, 2024
Total			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	: ¥1,799.2 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.

## 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	¥13,917	¥26,146	\$104,639	\$196,589	0.81	
Current portion of Long-term debt	4,775	4,555	35,904	34,253	1.04	
Current portion of Non-recourse debt	183	6	1,376	45	2.18	
Current portion of lease obligations	503	503	3,783	3,788	—	
Long-term debt (excluding current portion)	10,917	10,321	82,082	77,603	1.17	from 2024 to 2028
Non-recourse debt (excluding current portion)	20	14	151	105	2.18	from 2024 to 2027
Lease obligation (excluding current portion)	1,525	1,034	11,470	7,781	—	from 2024 to 2028
Other debt: commercial paper (scheduled to be repaid within one year)	—	6,000		45,112	0.01	
Total	¥31,841	¥48,582	\$239,405	\$365,276		

Notes :

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

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

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

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term debt	¥4,233	¥3,156	¥1,956	¥973	\$31,833	\$23,736	\$14,712	\$7,321
Non-recourse debt	6	6	1	—	46	47	12	0
Lease obligations	481	192	188	171	3,617	1,446	1,419	1,292

## 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, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### 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	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

the Basis of Preparing 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, 2023 in recording net sales and cost of sales for completed construction work related to construction contracts.

As described in “1 Accounting Standard for Revenue Recognition” under “Significant accounting estimates,” net sales for completed construction work of 200,581 million yen were recorded using the method of recognizing revenue as performance obligations are satisfied over time, accounting for 93.9% of net sales in the amount of 213,569 million yen for the fiscal year ended March 31, 2023.

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.

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

We evaluated the design and operation of the following internal controls relating to estimates of total construction costs.

- 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 management of profit (loss) on construction and timely and appropriate revisions of estimates of total construction costs are carried out 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
- (2) Evaluation of the reasonableness of estimates of total construction costs

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>and indicators such as quotations provided by counterparties, but also on subjective determinations based on factors such as past construction experience and specialized construction knowledge of construction managers. In formulating the aforementioned budgets, estimates are made based on certain assumptions, including changes in construction material and labor prices. 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.</p> <p>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, 2023 and, accordingly, that this is a key audit matter.</p>	<ul style="list-style-type: none"> <li>• 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 progress for each type of work, and whether there are any unreasonable declines in costs.</li> <li>• 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, 2023.</li> <li>• 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.</li> <li>• Regarding significant assumptions included in total construction costs in operating budgets or the latest revised budgets, we reconciled these items to documents such as quotations from subcontractors and considered whether the items were consistent with contract periods, workforce plans, and other information.</li> <li>• 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.</li> </ul>
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### **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, 2023 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

November 21, 2023

/s/ 原 秀敬

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Hidenori Hara  
Designated Engagement Partner  
Certified Public Accountant

/s/ 結城 洋治

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Yoji Yuki  
Designated Engagement Partner  
Certified Public Accountant