

# NON-CONSOLIDATED BALANCE SHEET

TOA CORPORATION

As of 31 March 2022 and 2023

ASSETS	Millions of Japanese Yen		Thousands of
	31 March 2022	31 March 2023	U.S. Dollars 31 March 2023
<b>Current assets:</b>			
Cash and bank deposits	¥ 29,004	¥ 26,148	\$ 196,604
Notes receivable (Note 6)	2,634	1,014	7,630
Accounts receivable, trade (Note 6)	103,712	120,490	905,946
Accounts receivable, other (Note 6)	2,925	2,652	19,942
Securities	42	-	-
Cost on construction contracts in progress	2,315	2,781	20,911
Cost on other contracts	102	61	464
Real estate for sale	1,513	1,270	9,551
Advanced money	8,181	7,904	59,432
Other (Note6)	5,355	6,725	50,566
Allowance for doubtful accounts	(1)	(3)	(24)
Total current assets	155,788	169,046	1,271,026
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings	7,536	7,560	56,845
Structures	1,892	1,889	14,210
Machinery and equipment	3,336	4,069	30,600
Vessels	9,486	10,011	75,271
Vehicles	304	421	3,172
Tools and furniture and fixtures	2,598	2,627	19,757
Land	15,589	15,229	114,505
Leased assets	2,854	2,668	20,065
Construction in progress	6,016	6,429	48,344
Total property, plant and equipment	49,613	50,908	382,773
Less: Accumulated depreciation	(20,751)	(21,674)	(162,966)
Property, plant and equipment - net	28,862	29,234	219,806
<b>Intangible assets:</b>	927	767	5,771
<b>Investments and other assets:</b>			
Investments in securities (Note 6)	9,852	9,655	72,601
Stock of subsidiaries and affiliates (Note 6 and 8)	2,396	2,366	17,792
Long-term loans to subsidiaries and affiliates (Note 6)	1,485	1,357	10,207
Prepaid Pension Cost	-	244	1,840
Deferred tax assets (Note 2 and 9)	2,582	1,928	14,499
Other (Note 6)	1,625	1,537	11,561
Allowance for doubtful accounts	(539)	(531)	(3,992)
Total investments and other assets	17,403	16,559	124,510
Total fixed assets	47,193	46,561	350,089
Total assets	¥ 202,981	¥ 215,608	\$ 1,621,116

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

# NON-CONSOLIDATED BALANCE SHEET

TOA CORPORATION

As of 31 March 2022 and 2023

LIABILITIES	Millions of Japanese Yen		Thousands of U.S. Dollars
	31 March 2022	31 March 2023	31 March 2023
<b>Current liabilities:</b>			
Notes payable (Note 6)	¥ 2,135	¥ 1,674	\$ 12,590
Electronically recorded obligations, operating (Note 6)	9,221	8,563	64,385
Accounts payable, trade (Note 6)	29,618	31,538	237,132
Short-term borrowings (Note 6)	18,592	30,602	230,090
Commercial papers	-	6,000	45,112
Lease obligation	515	514	3,867
Accrued income taxes	1,478	1,494	11,237
Advances received on construction contracts in progress	15,395	10,313	77,544
Advances received on other contracts	125	310	2,332
Deposits received	22,000	24,917	187,351
Reserve for indemnity on completed contracts	859	894	6,724
Reserve for loss on construction works	1,804	1,321	9,932
Reserve for director's bonuses (Note 1)	63	28	215
Other current liabilities	8,798	6,797	51,111
Total current liabilities	110,608	124,970	939,628
<b>Long-term liabilities:</b>			
Convertible bonds with share options	1,050	-	-
Long-term debt	10,917	10,321	77,603
Lease obligation	1,560	1,050	7,901
Deferred tax liabilities on revaluation of land (Note 9)	2,320	2,232	16,785
Liability for retirement benefits (Note 1)	911	-	-
Provision for board benefit trust (Note 1)	106	111	837
Other long-term liabilities	255	189	1,424
Total long-term liabilities	17,120	13,905	104,554
Total liabilities	127,729	138,876	1,044,181
<b>NET ASSETS:</b>			
<b>Shareholders' equity:</b>			
Common stock	18,976	18,976	142,681
Capital surplus			
Legal capital surplus	4,744	4,744	35,670
Other capital surplus	14,349	14,274	107,326
Total capital surplus	19,094	19,018	142,996
Retained earnings			
Other retained earnings			
General reserves	14,000	14,000	105,263
Retained earnings brought forward	18,448	21,098	158,638
Total retained earnings	32,448	35,098	263,902
Treasury stock	(1,040)	(1,741)	(13,092)
Total shareholders' equity	69,478	71,352	536,487
<b>Valuation and translation adjustments:</b>			
Net unrealized gains (losses) on securities	2,108	1,922	14,454
Net deferred gains (losses) on hedges	5	(3)	(24)
Revaluation reserve for land	3,659	3,460	26,017
Total valuation and translation adjustments	5,774	5,379	40,447
Total net assets	75,252	76,732	576,934
Total liabilities and net assets	¥ 202,981	¥ 215,608	\$ 1,621,116

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

# NON-CONSOLIDATED STATEMENT OF INCOME

TOA CORPORATION

For the years ended 31 March 2022 and 2023

	Millions of Japanese Yen		Thousands of U.S. Dollars
	From 1 April 2021 To 31 March 2022	From 1 April 2022 To 31 March 2023	From 1 April 2022 To 31 March 2023
<b>Net sales</b>			
Net sales of completed construction contracts (Note 7)	¥ 205,939	¥ 198,496	\$ 1,492,457
Net sales in development business and other	3,977	3,541	26,624
Net sales in real estate business and other	804	1,198	9,013
Total net sales	210,721	203,236	1,528,096
<b>Cost of sales</b>			
Cost of sales of completed construction contracts	187,771	183,583	1,380,328
Cost of sales in development business and other	3,261	2,712	20,397
Cost of sales in real estate business and other	392	622	4,677
Total cost of sales	191,425	186,918	1,405,404
<b>Gross profit</b>			
Gross profit on completed construction contracts	18,167	14,913	112,129
Gross profit on development business and other	715	828	6,227
Gross profit on real estate business and other	412	576	4,335
Total gross profit	19,295	16,318	122,692
<b>Selling, general and administrative expenses</b>			
Remuneration for directors	259	263	1,982
Employees' salaries and allowances	4,632	4,323	32,509
Retirement benefit expenses	236	125	943
Legal welfare expenses	671	635	4,781
Welfare expenses	438	455	3,422
Stationery expenses	530	492	3,702
Communication and transportation expenses	287	382	2,873
Research study expenses	871	1,006	7,568
Advertising expenses	121	139	1,045
Provision of allowance for doubtful accounts	0	0	1
Bad debt losses	—	0	5
Entertainment expenses	111	148	1,115
Donations	12	30	228
Rent expenses on land and buildings	692	717	5,397
Depreciation	370	395	2,974
Taxes and dues	567	483	3,631
Miscellaneous expenses	808	945	7,106
Total selling, general and administrative expenses	10,611	10,545	79,291
<b>Operating income</b>	8,683	5,772	43,400
<b>Non-operating income:</b>			
Interest income (Note 7)	42	40	303
Interest on securities	0	0	3
Dividend income	259	390	2,936
Exchange gain	372	134	1,011
Other	70	36	272
Total non-operating income	745	601	4,525
<b>Non-operating expenses:</b>			
Interest expense	249	310	2,331
Guarantee fee	142	138	1,038
Commission fee	66	59	444
Other	22	8	66
Total non-operating expenses	481	516	3,882
<b>Ordinary profit</b>	8,948	5,857	44,043

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

# NON-CONSOLIDATED STATEMENT OF INCOME

TOA CORPORATION

For the years ended 31 March 2022 and 2023

	Millions of Japanese Yen		Thousands of
	From 1 April 2021 To 31 March 2022	From 1 April 2022 To 31 March 2023	From 1 April 2022 To 31 March 2023 U.S. Dollars
<b>Extraordinary income:</b>			
Gain on sale of fixed assets (Note 5)	¥ 0	¥ 27	\$ 209
Gain on sale of investment in securities	201	478	3,598
Subsidy income/Government grant income (Note 6)	—	14	106
Other	4	0	7
Total extraordinary income	205	521	3,922
<b>Extraordinary losses:</b>			
Loss on sale of fixed assets (Note 7)	0	0	0
Loss on disposal of fixed assets (Note 7)	6	4	33
Loss on reduction of fixed assets	—	14	106
Loss on valuation of stocks of subsidiaries and affiliates	—	10	77
Loss on impairment of fixed assets (Note 2)	80	3	23
Other	2	—	0
Total extraordinary losses	89	32	241
<b>Profit before income taxes</b>	<b>9,064</b>	<b>6,347</b>	<b>47,724</b>
<b>Income taxes:</b>			
Current	1,311	1,281	9,638
Deferred	1,215	640	4,818
Total income taxes	2,526	1,922	14,456
<b>Profit</b>	<b>¥ 6,537</b>	<b>¥ 4,424</b>	<b>\$ 33,267</b>

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

# STATEMENT OF COST OF COMPLETED CONTRACTS

TOA CORPORATION

For the years ended March 31, 2022 and 2023

	Notes No	Millions of Japanese Yen				Thousands of U.S. Dollars
		31 March 2022		31 March 2023		31 March 2023
		Amount	Composition Ratio %	Amount	Composition Ratio %	Amount
Material cost		33,132	17.6	<b>32,576</b>	<b>17.7</b>	<b>244,939</b>
Labor cost		430	0.2	<b>702</b>	<b>0.4</b>	<b>5,285</b>
(Subcontract labor cost included)		(2)	(0.0)	<b>(0)</b>	<b>(0.0)</b>	<b>-2</b>
Subcontract cost		117,248	62.4	<b>111,624</b>	<b>60.8</b>	<b>839,279</b>
Expenses		36,959	19.8	<b>38,679</b>	<b>21.1</b>	<b>290,823</b>
(Personnel expenses included)		(11,603)	(6.2)	<b>(12,670)</b>	<b>(6.9)</b>	<b>-95,266</b>
<b>Total</b>		<b>¥187,771</b>	<b>100.0</b>	<b>¥183,583</b>	<b>100.0</b>	<b>\$1,380,328</b>

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

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

TOA CORPORATION

For the years ended March 31, 2022 and 2023

	Notes No	Millions of Japanese Yen				Thousands of U.S. Dollars
		31 March 2022		31 March 2023		31 March 2023
		Amount	Composition Ratio %	Amount	Composition Ratio %	Amount
Cost of sales in development business and other						
Cost of sales in design services and other		3,252	99.7	<b>2,712</b>	<b>100.0</b>	<b>20,397</b>
Cost of sales in development business		8	0.3	—	—	—
<b>Total</b>		<b>¥3,261</b>	<b>100.0</b>	<b>¥2,712</b>	<b>100.0</b>	<b>\$20,397</b>
Cost of sales in real estate business and other						
Cost of sales in real estate for sale		185	47.1	<b>305</b>	<b>49.2</b>	<b>2,300</b>
Cost of sales in rentals		207	52.9	<b>316</b>	<b>50.8</b>	<b>2,377</b>
<b>Total</b>		<b>¥392</b>	<b>100.0</b>	<b>¥622</b>	<b>100.0</b>	<b>\$4,677</b>

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

# NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

TOA CORPORATION

For the years ended March 31, 2022 and 2023

Millions of Japanese Yen

	Shareholders' equity								Valuation and translation adjustments				Total Net Assets	
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land		Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total Retained Earnings							
					General Reserves	Retained earnings brought forward								
<b>Balance at March 31, 2021</b>	¥18,976	¥4,744	¥13,431	¥18,176	¥14,000	¥13,399	¥27,399	(¥4,763)	¥59,788	¥2,596	(¥8)	¥3,659	¥6,247	¥66,036
Cumulative effect of accounting change						48	48		48					48
Cash dividends						(1,537)	(1,537)		(1,537)					(1,537)
Profit						6,537	6,537		6,537					6,537
Acquisition of treasury stock								(1,306)	(1,306)					(1,306)
Sale of treasury stock								7	7					7
Conversion of convertible bond			917	917				5,022	5,940					5,940
Net changes in items other than shareholders' equity										(487)	14	—	(473)	(473)
<b>Balance at March 31, 2022</b>	¥18,976	¥4,744	¥14,349	¥19,094	¥14,000	¥18,448	¥32,448	(¥1,040)	¥69,478	¥2,108	¥5	¥3,659	¥5,774	¥75,252
Cumulative effect of accounting change														
Cash dividends						(1,973)	(1,973)		(1,973)					(1,973)
Profit						4,424	4,424		4,424					4,424
Acquisition of treasury stock								(3,042)	(3,042)					(3,042)
Sale of treasury stock			152	152				1,063	1,216					1,216
Revaluation reserve for land						199	199		199					199
Conversion of convertible bond			(228)	(228)				1,278	1,050					1,050
Net changes in items other than shareholders' equity										(185)	(9)	(199)	(394)	(394)
<b>Balance at March 31, 2023</b>	¥18,976	¥4,744	¥14,274	¥19,018	¥14,000	¥21,098	¥35,098	(¥1,741)	¥71,352	¥1,922	(¥3)	¥3,460	¥5,379	¥76,732

Thousands of U.S. Dollars (Note1)

	Shareholders' equity								Valuation and translation adjustments				Total Net Assets	
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land		Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total Retained Earnings							
					General Reserves	Retained earnings brought forward								
<b>Balance at March 31, 2022</b>	\$142,681	\$35,670	\$107,894	\$143,564	\$105,263	\$138,708	\$243,971	(\$7,826)	\$522,391	\$15,851	\$44	\$27,517	\$43,413	\$565,805
Cumulative effect of accounting change														—
Cash dividends						(14,837)	(14,837)		(14,837)					(14,837)
Profit						33,267	33,267		33,267					33,267
Acquisition of treasury stock								(22,873)	(22,873)					(22,873)
Sale of treasury stock			1,150	1,150				7,994	9,144					9,144
Revaluation reserve for land						1,500	1,500		1,500					1,500
Conversion of convertible bond			(1,718)	(1,718)				9,612	7,894					7,894
Net changes in items other than shareholders' equity										(1,397)	(68)	(1,500)	(2,966)	(2,966)
<b>Balance at March 31, 2023</b>	\$142,681	\$35,670	\$107,326	\$142,996	\$105,263	\$158,638	\$263,902	(\$13,092)	\$536,487	\$14,454	(\$24)	\$26,017	\$40,447	\$576,934

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

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 1. Significant accounting policies

### I. Basis of valuation for securities

- 1) Held-to-maturity debt securities  
Held-to-maturity debt securities are carried at amortized cost.
- 2) Stock of subsidiaries and affiliates  
Stock of subsidiaries and affiliates is stated at moving average cost method.
- 3) Other securities  
Other non-marketable securities other than shares, etc. are stated at fair value. Net unrealized gains or losses on these securities are included directly in the net assets and cost of securities sold is computed by the moving average method.  
Other non-marketable shares, etc. are stated at moving average cost method.

### II. Basis of valuation for derivatives

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

### III. Basis of valuation for inventories

- 1) Cost on construction contracts in progress and cost on other contracts are stated at specific cost method for each contract.
- 2) Real estate for sale are stated at specific cost method for each contract.
- 3) Materials and supplies are stated at moving average cost method.  
However, in the case that net selling value falls below the acquisition cost at the end of the period, inventories except for cost on construction contracts in progress are carried at the net selling value on the balance sheet, regarded as decreased profitability of assets.

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

- 1) Property, plant and equipment and other excluding leased assets  
Except for leased assets, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives. However, depreciation of buildings which the Company acquired on or after April 1, 1998, and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 are computed on a straight-line basis over the estimated period. Useful lives and residual value are in conformity with the provisions of the Corporation Tax Law of Japan.
- 2) Intangible fixed assets excluding leased assets and long-term prepaid expenses  
As for intangible fixed assets excluding leased assets and long-term prepaid expenses, amortization is computed by the straight-line method and the useful lives are in conformity with the provisions of the Corporation Tax Law of Japan.
- 3) Leased assets  
As for leased assets related to finance lease, other than those which are deemed to transfer ownership of the leased assets to the lessee, depreciation is principally computed by the straight-line method over the useful lives equivalent to lease term and residual value is equal to zero.

### V. Reserve and allowance

- 1) Allowance for doubtful accounts  
Allowance for general receivables are established in amounts considered to be appropriate based upon credit loss experience. For specific receivables such as doubtful accounts, allowance for these are established in amounts considered to be uncollectible based upon an evaluation of possibility of collection in each outstanding receivable.
- 2) Reserve for indemnity on completed contracts  
Reserve for indemnity on completed contracts is provided for the future defect expenses based upon the estimated indemnity amount for net sales for the year.
- 3) Reserve for loss on construction works  
Reserve for loss on construction works is provided for the amount equivalent to cover future loss by evaluating individual construction from which loss is assumed and estimated.
- 4) 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.
- 5) Liability for retirement benefits  
Retirement benefits is provided for the amount equivalent to cover future retirement benefits expenses based upon the estimate of retirement benefit obligations and employee's pension plan assets.
  - a) Liabilities for retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets.  
To calculate projected benefit obligation, the benefit formula method is used to allocate expected retirement benefit payments to the each period through current fiscal year-end.
  - b) Actuarial gain or loss is amortized by the straight-line method over a defined period (11 years), not exceeding the average remaining service period of the employees from the next fiscal year after the incurrence.
- 6) Provision for board benefit trust  
Provision for board benefit trust is provided for the amount equivalent to cover future benefit obligations for members of the Board of Directors and the Executive Officers in accordance with the regulations of the board benefit trust.

### VI. Recognition of revenue and expenses

The Company is primarily engaged in construction work in three segments: Domestic civil engineering businesses, domestic building businesses, and overseas construction businesses.  
The revenue from each contract is recognized by estimating the fulfillment of the performance obligations over a certain period of time. The progress in the fulfillment of the performance obligations is estimated by the ratio of the costs incurred to the estimated total costs for each contract. However, the cost recovery method is applied where the progress cannot be estimated but the costs incurred are expected to be recovered. For the contracts completed within a short period of time, the revenue is recognized when the performance obligations are fully satisfied.

### VII. Deferred assets

Bond issuance costs are expensed in full when incurred.

## VIII. Hedge accounting

- 1) Method  
Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as a component of net assets and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.  
For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values but an alternative (short-cut) method under Japanese accounting standards is applied by which the amounts received or paid for such interest swap arrangements are recognized as interest over the life of each of the arrangements.
- 2) Hedging instruments and hedged items
  - a) Hedging instruments  
The derivatives designated as hedging instruments by the Company are principally interest swaps and forward exchange contracts.
  - b) Hedged items  
The related hedged items are bank loans, foreign currency monetary liabilities and forecasted transactions.
- 3) Hedge policy  
The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation and foreign exchange fluctuation.

## IX. Retirement benefits

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

## X. Accounting principles and procedures adopted when the relevant accounting standards are not clearly defined.

Accounting methods used for joint ventures (JV) in construction projects  
The Company recognizes assets, liabilities, income and expenses mainly in proportion to the percentage of investment by the JV members.

## XI. U.S. Dollar amounts

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate of ¥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.

## 2. Significant accounting estimates

### I. Accounting Standard for Revenue Recognition

- 1) Amount recorded in the consolidated financial statements for the current fiscal year  
The amount of contract revenue accounted for by estimating the progress in the fulfillment of

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

the performance obligation over a certain period of time:

Previous Fiscal Year

¥203,913 million

Current Fiscal Year

¥196,295 million (US\$1,475,903 thousand)

2) Information on significant accounting estimates for identified items

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

## II. Impairment loss on fixed assets

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

Previous Fiscal Year

¥80 million

Current Fiscal Year

¥3 million (US\$23 thousand)

2) Information on significant accounting estimates for identified items

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

## III. Recoverability of deferred tax assets

1) Amounts recognized in the consolidated financial statements for the current fiscal year Deferred tax assets:

Previous Fiscal Year

¥2,582 million

Current Fiscal Year

¥1,928 million (US\$14,499 thousand)

2) Information on significant accounting estimates for identified items

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

## 3. Changes in accounting policies

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."

## 4. 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 statement of income for the previous fiscal year, is included in "Other" under "Extraordinary losses" in the statement of income for the current fiscal year because the amount is immaterial. To reflect this change in presentation, the 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 "Extraordinary losses" in the statement of income for the previous fiscal year have been reclassified as "Other" of ¥2 million.

The Company has changed the accounting estimates in the statement of income as follows:

(Changes in the period for charging expenses for amortization of actuarial loss in accounting of retirement benefits)

With regard to the period for charging expenses for amortization of actuarial loss in accounting of retirement benefits, the Company in the past amortized actuarial loss by charging expenses over a defined period of 12 years. 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

## 5. Additional information

Impact of the spread of COVID-19 on Accounting Estimates

With regard to the current fiscal year, the Company has 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 FINANCIAL STATEMENTS

TOA CORPORATION

## 6. Notes to Balance Sheet

### I. Receivables and payables

The aggregate amounts corresponding to affiliates as of March 31, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Notes receivable, accounts receivable, trade and accounts receivable, other	¥3,136	¥2,211	\$16,627
Notes payable, electronically recorded obligations, operating and accounts payable, trade	5,727	4,671	35,124

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

Assets pledged as collateral and secured liabilities as of March 31, 2022 and 2023 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Assets pledged as collateral:			
Current assets			
Other current assets	¥18	¥18	\$140
Investment and other assets			
Investment in securities	2,131	1,864	14,021
Stock of subsidiaries and affiliates	328	273	2,055
Long-term loans to subsidiaries and affiliates	125	107	808
Total	¥2,603	¥2,264	\$17,026

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 affiliated companies including PFI projects and financial institutions.

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 as follows:

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

### III. 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

### IV. Commitments and contingent liabilities

The Company is 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		
Total	¥646	¥23	\$178

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## V . 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	—	—	—
Balance	¥25,000	¥25,000	\$187,969

## 7. Notes to Statement of Income

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
	¥22	¥18	\$141

### II . Gain on sale of fixed assets

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Land and buildings	0	27	209
Total	¥0	¥27	\$209

### III . 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
Buildings	¥0	—	—
Machinery, vehicles and tools, furniture and fixtures	—	0	0
Total	¥0	¥0	\$0

### IV . Loss on disposal of fixed assets

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Buildings	¥3	¥4	\$32
Leased assets	2	—	—
Equipment	0	0	0
Others	0	0	1
Total	¥6	¥4	\$33

## 8. Securities

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

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2023	2023
Stock of subsidiaries	¥2,123	¥2,074	\$15,599
Stock of affiliates	272	291	2,193
Total	¥2,396	¥2,366	\$17,792

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 9. Tax Effect Accounting

I. 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
Deferred Tax Assets:			
Net liability for retirement benefits	¥1,150	¥848	\$6,378
Reserve for loss on construction works	552	404	3,041
Accrued bonus to employees	846	691	5,201
Loss on valuation of utility rights	230	228	1,718
Loss on valuation of investment in securities	132	129	971
Loss on impairment of fixed assets	326	265	1,994
Deferred gains (losses) on hedges	—	1	10
Others	1,000	889	6,685
Total gross deferred tax assets	¥4,239	¥3,458	\$26,002
Valuation allowance for tax loss carried forward	—	—	—
Valuation allowance for deductible temporary differences	(¥813)	(¥759)	(5,710)
Total valuation allowance	(¥813)	(¥759)	(5,710)
Total deferred tax assets	¥3,426	¥2,698	\$20,291
Deferred Tax Liabilities:			
Unrealized gains on securities	(841)	(770)	(5,792)
Deferred gains (losses) on hedges	(2)	—	—
Total deferred tax liabilities	(843)	(770)	(5,792)
Net Deferred Tax Assets	¥2,582	¥1,928	\$14,499

II. 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 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	1.2	—
Change in valuation allowance	(1.0)	—
Other	(3.8)	—
Actual effective tax rates	27.9%	—

The reconciliation for 2023 is omitted, because the difference between the statutory tax rate and the effective tax rate after the adoption of tax-effect accounting is less than 5% of the statutory tax rate.

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## 10. Revenue Recognition

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

## 11. Significant subsequent events

Not applicable

Supplementary Information

Details of securities

【Stock】			Millions of Japanese Yen	Thousands of U.S. Dollars
	Security name	Number of shares	Amount on balance sheet	Amount on balance sheet
Investments	Other	Keikyu Corporation	¥1,049	\$7,888
in securities	securities	Hulic Company, Limited	868	6,533
		Mizuho Financial Group, Inc.	820	6,170
		Taiheiyō Cement Corporation	588	4,426
		Concordia Financial Group, Ltd.	570	4,287
		NAGAWA CO., Ltd	557	4,190
		Sompo Holdings, Inc.	459	3,455
		The Chiba Bank, Ltd.	431	3,241
		NIPPON HUME CORPORATION	366	2,751
		SAN-AI OBBLI CO., LTD.	305	2,299
		ENEOS Holdings, Inc.	298	2,244
		Fuyo General Lease Co., Ltd.	270	2,030
		TAKACHIHO KOHEKI CO.,LTD.	264	1,989
		The Ehime Bank, Ltd.	231	1,742
		Kansai International Airport Land Company,Ltd.	215	1,616
		MS&AD Insurance Group Holdings, Inc.	203	1,529
		Metropolitan Intercity Railway Company	200	1,503
		Yokohama Bayside Marina Co.,Ltd.	200	1,503
		PORT OF HAKATA DEVELOPMENT CO.,LTD.	189	1,424
		Niigata Bandajima Building Co.,Ltd.	180	1,353
		Other(52 security names)	1,385	10,418
		Total	¥9,655	\$72,601

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## Details of fixed assets

Type of assets	Millions of Japanese Yen						
	Beginning balance	Increase	Decrease	Closing balance	Accumulated depreciation	Depreciation (Current term)	Balance(①-②)
Property, plant and equipment :				①	②		
Buildings	¥7,536	¥997	¥973	¥7,560	¥4,823	¥188	¥2,736
Structures	1,892	42	44	1,889	1,450	38	438
Machinery and equipment	3,336	749	16	4,069	3,456	466	613
Vessels	9,486	524	—	10,011	8,166	669	1,844
Vehicles	304	147	30	421	263	74	158
Tools, furniture and fixtures	2,598	87	58	2,627	2,265	197	362
Land	15,589	—	359	15,229	—	—	15,229
			(3)				
	[5,980]		[287]	[5,692]			
Leased assets	2,854	5	191	2,668	1,247	467	1,421
Construction in progress	6,016	1,858	1,445	6,429	—	—	6,429
Total property, plant and equipment	¥49,613	¥4,415	¥3,120	¥50,908	¥21,674	¥2,103	¥29,234
			(¥3)				
Intangible assets:	—	—	—	3,249	¥2,481	¥299	¥767
Long-term prepaid expenses	¥11	¥0	¥7	¥3	—	—	¥3
Deferred assets	—	—	—	—	—	—	—

Type of assets	Thousands of U.S. Dollars						
	Beginning balance	Increase	Decrease	Closing balance	Accumulated depreciation	Depreciation (Current term)	Balance(①-②)
Property, plant and equipment :				①	②		
Buildings	\$56,663	\$7,502	\$7,320	\$56,845	\$36,266	\$1,418	\$20,578
Structures	14,225	321	337	14,210	10,909	289	3,300
Machinery and equipment	25,088	5,638	126	30,600	25,991	3,508	4,609
Vessels	71,326	3,945	0	75,271	61,400	5,033	13,870
Vehicles	2,291	1,111	230	3,172	1,983	563	1,188
Tools, furniture and fixtures	19,535	661	439	19,757	17,034	1,482	2,723
Land	117,211	0	2,705	114,505	—	—	114,505
	(44,965)		(2,162)	(42,802)			
Leased assets	21,459	42	1,436	20,065	9,379	3,516	10,686
Construction in progress	45,235	13,977	10,868	48,344	—	—	48,344
Total property, plant and equipment	\$373,036	\$33,201	\$23,464	\$382,773	\$162,966	\$15,812	\$219,806
			(\$23)				
Intangible assets:	—	—	—	—	\$18,659	\$2,252	\$5,771
Long-term prepaid expenses	\$87	\$1	\$59	\$29	—	—	\$29
Deferred assets	—	—	—	—	—	—	—

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

2. The amount in square brackets of "Beginning balance", "Decrease" and "Closing balance" is the amount of "Revaluation reserve for land" revalued in accordance with the "Act on Revaluation of Land" (Act No.34 promulgated on March 31, 1998) and the "Act on Partial Revision of the Act on Revaluation of Land" (Act No.19 promulgated on March 31, 2001)

3. The main items in the "Increase" are as follows.  
Building ¥871 million Yen

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

# NOTES TO FINANCIAL STATEMENTS

TOA CORPORATION

## Details of allowances or reserves

Description	Millions of Japanese Yen				
	Beginning balance	Increase	Decrease (Intended use)	Decrease (Other)	Closing balance
Allowance for doubtful accounts (Note 1)	¥540	¥2	—	¥8	¥534
Reserve for indemnity on completed contracts (Note 2)	859	894	—	859	894
Reserve for loss on construction works	1,804	867	1,350	—	1,321
Reserve for director's bonuses	63	28	63	—	28
Provision for board benefit trust	106	36	31	—	111

Description	Thousands of U.S. Dollars				
	Beginning balance	Increase	Decrease (Intended use)	Decrease (Other)	Closing balance
Allowance for doubtful accounts (Note 1)	\$4,063	\$19	—	\$65	\$4,016
Reserve for indemnity on completed contracts (Note 2)	6,462	6,724	—	6,462	6,724
Reserve for loss on construction works	13,563	6,518	10,150	—	9,932
Reserve for director's bonuses	479	215	479	—	215
Provision for board benefit trust	799	275	237	—	837

- Notes: 1. The "Decrease(Other)" of the allowance for doubtful accounts amounting to ¥8 million is reduced the amount because of the collection of credits.  
 2. The "Decrease(Other)" of the reserve for indemnity on completed contracts amounting to ¥859 million is the reversal of the reserve for indemnity.

(2) Details of main assets and liabilities

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

(3) Other

N/A

## Independent Auditor's Report

The Board of Directors  
TOA CORPORATION.

### Opinion

We have audited the accompanying non-consolidated financial statements of TOA CORPORATION (the Company), which comprise the non-consolidated balance sheet as at March 31, 2023, and the non-consolidated statements of income, changes in net assets, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of TOA CORPORATION as at March 31, 2023, and its non-consolidated financial performance and in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Key Audit Matters

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

Recognition of revenue as performance obligations are satisfied over time in construction contracts

TOA CORPORATION (the "Company") is engaged in the construction business and other businesses related to construction. The Company recorded net sales for completed construction work of 196,295 million yen using the method of recognizing revenue as performance obligations are satisfied over time, which accounted for 96.6% of net sales. Related disclosures are included in "6 Recognition of revenue and expenses" under "1. Significant accounting policies" and "1 Accounting Standard for Revenue Recognition" under "2. Significant accounting estimates."

The "Description of Key Audit Matter" and "Auditor's Response" for this matter are omitted because they are the same as those stated in the independent auditor's report for the consolidated financial statements.

### **Other Information**

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

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

### **Responsibilities of Management, the Audit and Supervisory Committee for the Non-Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

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

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

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

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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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



### **Convenience Translation**

The U.S. dollar amounts in the accompanying non-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 non-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