

## **Notes to the Consolidated Financial Statements**

*For the years ended March 31, 2021 and 2020*

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### **1. Basis of Presenting the Consolidated Financial Statements**

The accompanying consolidated financial statements of THE NIPPON ROAD CO., LTD. (the “Company”) and its consolidated subsidiaries (hereinafter referred to collectively as 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 from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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### **2. Summary of Significant Accounting Policies**

#### **(1) Principles of Consolidation**

At March 31, 2021, the consolidated financial statements included the accounts of the Company and its 43 (43 at March 31, 2020) subsidiaries (40 domestic subsidiaries and 3 overseas subsidiaries). During the year ended March 31, 2021, one subsidiary was excluded from consolidation due to sale and one subsidiary was included in consolidation due to establishment of a new subsidiary. All assets and liabilities of consolidated subsidiaries were revalued to fair market value as of the date of establishment of control. Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in the net assets of the subsidiary, if any at the date of establishment of control, were expensed when incurred, as any such difference was insignificant. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unconsolidated subsidiaries and affiliates did not have a material effect on the consolidated financial statements of the Companies and therefore they were excluded from consolidation. They were not accounted for using the equity method for the reason described above.

Overseas consolidated subsidiaries adopted accounting principles generally accepted in their respective countries and no adjustments were made to their financial statements in consolidation, as allowed under accounting principles and practices generally accepted in Japan. In addition, the financial statements of three overseas subsidiaries (Nippon Road (M) Sdn. Bhd., Thai Nippon Road Co., Ltd. and Thai Nippon Holding Ltd.) were prepared on a calendar-year basis. Significant transactions that occurred between January 1 and March 31 were reflected in the accompanying consolidated financial statements.

#### **(2) Valuation of Securities**

Securities held by the Companies are classified into two categories:

- a) Held-to-maturity debt securities that the Companies intend to hold to maturity are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.
- b) Marketable equity securities for which market quotations are available are stated at fair value. Net unrealized gains and losses, net of the related tax effect, on these securities are reported as a separate component of "Shareholders' Equity".

Non-marketable equity securities for which it is not practicable to estimate the fair value because of a lack of market prices and difficulty in estimating fair value without incurring excessive cost are valued at cost, cost being determined by the moving average method.

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### **(3) Inventory Valuation**

Inventories are classified into three categories:

- a) Merchandise and b) the cost of uncompleted construction contracts, are valued at cost as determined by the job order costing method. (The balance sheet amounts of the inventories are calculated at the reduced book values reflecting potential decline in profitability.)
- c) Raw materials are valued at cost as determined by the moving average method. (The balance sheet amounts of the inventories are calculated at the reduced book values reflecting potential decline in profitability.)

### **(4) Tangible Fixed Assets**

Tangible fixed assets of the Company and its domestic subsidiaries, excluding leased assets, are principally depreciated using the declining-balance method over the estimated useful lives of the assets. However, the straight-line method has been applied to buildings, excluding building fixtures, acquired after April 1, 1998, and building fixtures and structures acquired after April 1, 2016, over the estimated useful lives of the assets.

Leased assets are depreciated using the straight-line method over the lease term.

Tangible fixed assets of overseas subsidiaries are principally depreciated using the straight-line method over the estimated useful lives of the assets.

Normal repairs and maintenance, including minor renewals and improvements, are charged to expense as incurred.

Estimated useful lives range from 2 to 50 years for buildings and structures, and from 2 to 20 years for machinery, equipment, and leased assets.

### **(5) Intangible Assets**

Amortization of intangible assets and long-term prepaid expenses included in "Other investments" are computed using the straight-line method, over the estimated useful lives.

Software for internal use is amortized over the expected useful life of the software (5 years) on a straight-line basis.

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### **(6) Reserves and Allowances**

#### **(i) Allowance for doubtful accounts**

The Company and its domestic subsidiaries provide an allowance for doubtful accounts based on a historical default ratio, in addition to the amount of potential losses from uncollectible receivables based on management's estimate.

The foreign consolidated subsidiaries provide for potential losses from uncollectible receivables based on management's estimate.

#### **(ii) Warranty provision for completed construction contracts**

A warranty reserve for completed construction contracts is provided at an estimated amount, based on the actual level of defects and the related warranty costs specified in the completed construction contracts.

#### **(iii) Provision for loss on construction contracts**

The Company provides a reasonable estimated amount for future loss on construction contracts outstanding at the year-end.

#### **(iv) Accrued bonus to directors and statutory auditors**

To prepare for payment of bonuses to directors and statutory auditors, a reserve for bonus is provided based on the estimated amount of bonus to be paid.

#### **(v) Allowance for loss related to Anti-Monopoly Act**

To prepare for payments related to the Anti-Monopoly Act for items such as surcharges and breach of contract, the Company provides for possible loss to be incurred in the future based on facts and circumstances known as of the balance sheet date.

### **(7) Method for Accounting for Retirement Benefits**

#### **(i) Method of attributing expected retirement benefits to periods**

When calculating retirement benefit obligations, the benefit formula method was used for attributing expected retirement benefits for the periods through March 31, 2021.

#### **(ii) Method of expenses for actuarial differences and prior service costs**

Unrecognized prior service costs are amortized on a straight-line basis over 12 years from the year in which they occur.

Unrecognized actuarial differences are amortized on a straight-line basis over 12 years from the next year in which they occur.

### **(8) Translation of Foreign Currency**

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

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Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for shareholder's equity which is translated into Japanese yen at the historical rate. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate prevailing for the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity.

### **(9) Revenue Recognition**

#### **(i) Construction Contracts**

The Company and its domestic consolidated subsidiaries recognize construction contract revenue using the percentage-of-completion method if the outcome of the construction activity is certain during the course of activity, otherwise using the completed contract method.

#### **(ii) Revenue from finance lease transactions**

Lease fees are recognized in sales and cost of sales at time of receipt.

### **(10) Hedge Accounting**

The derivatives designated as hedging instruments by the Companies are principally interest rate swaps.

The Companies have a policy to utilize hedging instruments in order to reduce the Companies' risk of fluctuations in interest rates. Therefore, the Companies' purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

Unrealized gains or losses from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability until gains or losses relating to the hedge items are recognized. However, interest rate swaps, if they meet the conditions for hedge accounting and their nominal amount, terms of interest and contract period are substantially the same as those of hedged items, are not valued at fair value, but are accrued net of the swap interest paid and received.

The Companies evaluate the effectiveness of their hedging activities, except for interest rate swaps which meet the conditions described above, with reference to the correlation between fluctuation in the market value of hedged items and hedging instruments accumulated from the commencement of the hedges.

### **(11) Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

## **Notes to the Consolidated Financial Statements**

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### **(12) Accounting for Consumption Tax**

Consumption tax is imposed at the flat rate of 10% on all domestic consumption of goods and services (with certain exemptions). The accounting treatment of the consumption tax is based on the tax exclusion method.

The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services are not included in the amounts of respective revenue and cost or expense items in the accompanying consolidated statements of income. The consumption tax withheld and consumption tax paid is recorded as assets or liabilities and the net balance is included in "Accounts payable - other" in the consolidated balance sheets.

### **(13) Income Taxes**

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

The Company and its subsidiaries adopt deferred tax accounting in accordance with the amended regulations for the preparation of consolidated financial statements. Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

### **(14) Appropriation of Retained Earnings**

Until the year ended March 31, 2006, under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors was subject to approval by the shareholders at a meeting, which must be held within three months of the end of each financial year. The appropriations of retained earnings reflected in the accompanying consolidated financial statements included the results of such appropriations applicable to the immediately preceding financial year as approved at the shareholders' meeting and effected during the relevant year. Dividends were paid to shareholders on the shareholders' register as of the end of each financial year. As was customary practice in Japan, the payment of bonuses to directors and corporate auditors was made out of retained earnings through an appropriation, instead of being charged to the expense of the year.

The Japanese Commercial Code provided that interim cash dividends may be paid as a part of the annual dividend upon approval by the Board of Directors. The Company did not pay such interim dividends to its shareholders.

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Effective from May 1, 2007, under the Japanese Corporate Law, such cash dividends are able to be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

### **(15) Legal Reserves**

Under the Japanese Corporate Law, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Japanese Corporate Law requires that an amount equal to at least 10% of cash dividends and other cash appropriations are appropriated and set aside as legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. If the total amount of the legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, the legal reserve and additional paid-in capital are available for dividends by resolution of the shareholders' meeting. In the accompanying financial statements, the legal reserve is included in retained earnings and additional paid-in capital is included in capital surplus.

The maximum amount the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Corporate Law.

### **(16) Other significant accounting policies in the preparation of consolidated financial statements**

(i) Accounting principles and procedures adopted when the related accounting standards, etc., are unclear.

The accounting method for joint ventures in construction business and material sales business is mainly based on the accounting method for recognizing assets, liabilities, income and expenses in proportion to the investment of the members.

## **3. United States Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥110.72=U.S. \$1, the approximate rate of exchange prevailing at March 31, 2021 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

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### 4. Changes in Accounting Policies, Presentation of Financial Statements and Additional Information

(Significant Accounting Estimates)

Estimate of the total construction revenue and the total construction costs in applying the percentage-of-completion method

(1) The amounts recorded in the consolidated financial statements for the current fiscal year

Revenue from construction contracts recognized based on the percentage-of-completion method

① The amount recorded for the current fiscal year

¥108,360 million (\$978,692 thousand)

② The amount recorded for the works in progress as at the end of current fiscal year out of the figure stated in "①" above.

¥40,990 million (\$370,214 thousand)

(2) Information about the content of significant accounting estimate relating to the items recognized

① Calculation method

The Company records revenue corresponding to the total construction revenue and the total construction costs applying the percentage-of-completion method (the cost-to-cost method is used to estimate progress).

② Major Assumptions

The Company estimates the total construction costs based on the execution budget which is formulated based on the work program, construction period, material used and quantity according to the client's specification and standard.

The Company estimates the total construction revenue based on the estimate of the construction costs taking into account of the process of negotiation with the client.

③ Impact on the consolidated financial statements for the following fiscal year

The review of the total construction revenue and the total construction costs caused by the fluctuation of major assumptions due to various factors during the construction period such as fluctuations in material prices, changes in construction method or scope, negotiation on changes to the contract amount and unexpected events such as natural disaster etc. may affect the revenue from construction contracts in the following fiscal year.

(Accounting Standard and Implementation Guidance on Revenue Recognition)

On March 31, 2020, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19).

On March 26, 2021, the ASBJ issued "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).



## **Notes to the Consolidated Financial Statements**

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### **(i) Overview**

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

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

### **(ii) Scheduled date of adoption**

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

### **(iii) Impact of the adoption of accounting standard and implementation guidance**

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

### **(Accounting Standard for Fair Value Measurement and Related Implementation Guidance)**

On July 4, 2019, the ASBJ issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30), and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31), along with related updates to “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9), and “Accounting Standard for Financial Instruments” (ASBJ Statement No.10).

On March 31, 2020, the ASBJ issued “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19).

### **(i) Overview**

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

1. Financial instruments defined in “Accounting Standard for Financial Instruments”
2. Inventories held for trading purposes defined in “Accounting Standard for Measurement of Inventories”

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised requiring disclosure of financial instruments broken down by level in the fair value hierarchy.

## **Notes to the Consolidated Financial Statements**

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(ii) Scheduled date of adoption

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

(iii) Impact of adoption of revised accounting standard and related implementation guidance

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

(Changes in presentation of account items due to adoption of the “Accounting Standard for Disclosures about Accounting Estimates”)

The “Accounting Standard for Disclosures about Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) is applied from the beginning of the fiscal year ended March 31, 2021 and notes regarding significant accounting estimates are included in the consolidated financial statements. However, in such notes, information for the previous fiscal year is not disclosed in accordance with the transitional treatment prescribed in the proviso of paragraph 11 of the accounting standard.).

(Additional Information)

(1) Application of Accounting Standard for Disclosures of Accounting Policies, Accounting Changes and Error Corrections

“Accounting Standard for Disclosures of Accounting Policies, Accounting Changes and Error Corrections” (Accounting Standards Board of Japan No.24, March 31, 2020) has been applied to the consolidated financial statements and “Accounting principles and procedures adopted when provisions of relevant accounting standards are unclear” has been disclosed since the fiscal year ended March 31, 2021.

(2) Impact of the spread of the novel coronavirus disease (COVID-19)

The Company makes accounting estimates in applying the percentage of completion method etc. for preparation of the financial statements.

These accounting estimates are made based on certain assumptions in the future but they may change significantly if an unexpected event, such as a natural disaster, etc., occurs, which may affect domestic and foreign economic activities.

The Company still could not foresee the time to contain the new coronavirus infection. But the effects that the spread of the new coronavirus infection had on the Company’s business performance for the fiscal year ended March 31, 2021 was immaterial and the Company had a sufficient amount of work volume on hand at the end of the fiscal year therefore the Company expects the impacts of the new coronavirus infection will have only a limited effect on its performance forecasts in the future.

The Company does not consider the impacts of the new coronavirus infection on the current accounting estimates but in the event the pandemic is prolonged further, financial status and management condition may worsen and the current accounting estimates may change significantly.

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## 5. Notes to the Consolidated Balance Sheets

### (1) Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Investment securities (corporate stock) .....	<b>¥129</b>	¥129	<b>\$1,163</b>

### (2) Pledged Assets

For the loans payable of the business company of the PFI business that we finance, the Company provided collateral.

The assets pledged as collateral are as follows:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Short-term Loans			
(Current Assets "Other") .....	<b>¥25</b>	¥25	<b>\$231</b>
Investment securities .....	<b>50</b>	50	<b>447</b>
Long-term Loans			
(Investments and Other Assets "Other") .....	<b>87</b>	112	<b>783</b>
	<b>¥162</b>	¥187	<b>\$1,461</b>

The business securities deposits pledged as collateral under the Building Lots and Buildings Transaction Business Act Laws are as follows:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Long Term Guarantee Deposit (Investment and Other Assets "Other") .....	<b>¥40</b>	¥40	<b>\$361</b>

### (3) Commitments

The Company had a total of ¥4,300 million (\$38,837 thousand) of overdraft contracts and credit lines from two banks to facilitate the availability of efficient funds as of March 31, 2021 and 2020, respectively. The unutilized portion was ¥4,300 million (\$38,837 thousand) as of March 31, 2021 and 2020, respectively.

### (4) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for the amount equivalent to cover future loss by evaluating individual construction from which loss is expected and reasonably estimated.

## **Notes to the Consolidated Financial Statements**

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Cost of contracts in progress and provision account in relation to the construction works, which the expected loss becomes probable are represented in current assets and liabilities, respectively without netting.

Among cost of contracts in progress, the aggregate amount corresponding to provision for loss on construction contracts is ¥0 million (\$4 thousand) and ¥0 million at March 31, 2021 and 2020, respectively.

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

### 6. Notes to the Consolidated Statements of Income

(1) Revenues from construction contracts recognized by the percentage-of-completion method

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2021	2020	2021
	<b>¥108,361</b>	¥98,383	<b>\$978,692</b>

(2) Provision for loss on construction contracts included in cost of sales for completed construction contracts

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2021	2020	2021
	<b>¥218</b>	¥106	<b>\$1,972</b>

(3) The major components of “Selling, General and Administrative Expenses”

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2021	2020	2021
Employees’ salaries and allowances .....	<b>¥4,111</b>	¥3,820	<b>\$37,126</b>
Net periodic pension expense .....	<b>138</b>	158	<b>1,246</b>
Accrued bonus to directors .....	<b>87</b>	57	<b>785</b>
Provision of allowance for doubtful accounts ...	<b>4</b>	6	<b>37</b>

(4) Research and Development Expenses

Research and development expenses, which were included in general and administrative expenses, amounted to ¥452 million (\$4,080 thousand) for the year ended March 31, 2021 and ¥483 million for the year ended March 31, 2020.

(5) Components of gain on sale of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2021	2020	2021
Buildings.....	<b>¥36</b>	¥ -	<b>\$323</b>
Machinery and equipment .....	<b>8</b>	11	<b>78</b>
Land... ..	<b>180</b>	73	<b>1,627</b>
Others.....	<b>1</b>	0	<b>6</b>
	<b>¥225</b>	¥84	<b>\$2,034</b>

## Notes to the Consolidated Financial Statements

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### (6) Components of loss on disposal of tangible fixed assets

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Buildings.....	<b>¥98</b>	¥62	<b>\$883</b>
Structures.....	<b>54</b>	12	<b>491</b>
Machinery and equipment .....	<b>68</b>	52	<b>611</b>
Others .....	<b>4</b>	17	<b>39</b>
	<b>¥224</b>	¥131	<b>\$2,024</b>

### (7) Impairment loss on tangible fixed assets

For the year ended March 31, 2021, the Companies recognized an impairment loss for the following group of assets:

Location	Use	Category	Millions of yen	Thousands of U.S. dollars (Note 3)
Tokyo Metropolis and other	Assets used for business, Idle assets and other	Land, Buildings and other	¥107	<b>\$965</b>
Niigata Prefecture	Assets used for business	Land	122	<b>1,100</b>
Mie Prefecture	Assets used for business	Land, Buildings and other	14	<b>132</b>
Total			¥243	<b>\$2,197</b>

The Companies assessed impairment for each group of assets, which were grouped on the basis of managerial accounting, branch and segment, and for idle assets, individually.

As a result of a worsening operating profitability, the Companies reduced the book value of the above assets to the recoverable value for assets used for business and estimated sale value for the idle assets. The total impairment loss was ¥243 million (\$2,197 thousand) under extraordinary losses.

The recoverable value was measured by its fair value less costs of disposal. The fair value of land was based on valuation of property tax or appraisal value of the land less estimated disposal costs.

For the year ended March 31, 2020, the Companies recognized an impairment loss for the following group of assets:

None

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## 7. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2020.

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amount recognized in the period .....	<b>¥650</b>	¥(775)	<b>\$5,868</b>
Amount of recycling .....	<b>(87)</b>	87	<b>(780)</b>
Before income tax effect adjustment .....	<b>563</b>	¥(688)	<b>5,088</b>
Amount of income tax effect.. .....	<b>(173)</b>	211	<b>(1,562)</b>
Valuation difference on available-for-sale securities.....	<b>390</b>	¥(477)	<b>3,526</b>
Foreign currency translation adjustments:			
Amount recognized in the period.... ..	<b>(167)</b>	102	<b>(1,511)</b>
Retirement benefits liability adjustments:			
Amount arising during the year.....	<b>577</b>	(436)	<b>5,208</b>
Reclassification adjustments for gains and losses included in net income.....	<b>143</b>	194	<b>1,293</b>
Amount before tax effect.. .....	<b>720</b>	(242)	<b>6,500</b>
Tax effect .....	<b>(221)</b>	74	<b>(1,990)</b>
Retirement benefits liability adjustments.....	<b>499</b>	(168)	<b>4,510</b>
Total other comprehensive income .....	<b>¥722</b>	¥(543)	<b>6,525</b>

## 8. Notes to the Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2021

### (1) Type and number of outstanding shares

Type of shares	Thousands of shares			Balance at March 31, 2021
	Balance at March 31, 2020	Increase in shares during the year	Decrease in shares during the year	
Issued stock:				
Common stock .....	9,762	-	-	9,762
Treasury stock:				
Common stock .....				
(note 1)	972	0	-	972

### Notes

- Increase in numbers of treasury stock by 0 thousand is due to purchasing shares constituting less than one unit.

# Notes to the Consolidated Financial Statements

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## (2) Dividends

### (i) Dividends paid to shareholders

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Source	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 21, 2020)	Common stock	¥1,582	\$14,538	Retained earnings	¥180	\$1.7	March 31, 2020	June 9, 2020

### (ii) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Source	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 14, 2021)	Common stock	¥2,285	\$20,640	Retained earnings	¥260	\$2.4	March 31, 2021	June 4, 2021

For the year ended March 31, 2020

### (1) Type and number of outstanding shares

Type of shares	Thousands of shares			
	Balance at March 31, 2019	Increase in shares during the year	Decrease in shares during the year	Balance at March 31, 2020
Issued stock:				
Common stock .....	9,762	-	-	9,762
Treasury stock:				
Common stock .....	971	0	-	972

## (2) Dividends

### (i) Dividends paid to shareholders

Resolution	Type of shares	Amount (Millions of yen)	Source	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (May 14, 2019)	Common stock	¥1,758	Retained earnings	¥200	March 31, 2019	June 6, 2019

### (ii) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution	Type of shares	Amount (Millions of yen)	Source	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (May 21, 2020)	Common stock	¥1,582	Retained earnings	¥180	March 31, 2020	June 9, 2020



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### 9. Notes to the Consolidated Statements of Cash Flows

Cash and Cash Equivalents at March 31, 2021 and 2020 consisted of:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Cash and deposits .....	<b>¥36,692</b>	¥31,053	<b>\$331,391</b>
Certificates of deposit (Short-term investment securities) .....	-	4,000	-
Cash and cash equivalents .....	<b>¥36,692</b>	¥35,053	<b>\$331,391</b>

### 10. Leases

Information regarding finance leases as lessor for the years ended March 31, 2021 and 2020 was as follows:

#### (1) Details of lease investment assets

Current assets

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Lease receivables .....	<b>¥8,266</b>	¥7,384	<b>\$74,655</b>
Estimated salvage value .....	<b>1,092</b>	1,089	<b>9,863</b>
Receipt interest equivalent value .....	<b>(671)</b>	(563)	<b>(6,061)</b>
Lease investment assets .....	<b>¥8,687</b>	¥7,910	<b>\$78,457</b>

(2) The collection schedule after the balance sheet date of lease receivables and lease investment assets was as follows:

Lease receivables (Current assets)

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Due within one year.....	<b>¥-</b>	¥-	<b>\$-</b>
Due after one to two years .....	-	-	-
Due after two to three years .....	-	-	-
Due after three to four years .....	-	-	-
Due after four to five years .....	-	-	-
Due after five years .....	-	-	-

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

### Lease investment assets (Current assets)

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2021	2020	2021
Due within one year .....	<b>¥2,650</b>	¥2,485	<b>\$23,936</b>
Due after one to two years .....	<b>2,090</b>	1,950	<b>18,874</b>
Due after two to three years .....	<b>1,612</b>	1,396	<b>14,562</b>
Due after three to four years .....	<b>1,114</b>	931	<b>10,058</b>
Due after four to five years .....	<b>561</b>	459	<b>5,070</b>
Due after five years .....	<b>239</b>	164	<b>2,155</b>

Information regarding operating lease transactions for the years ended March 31, 2021 and 2020 was as follows:

#### Future minimum lease payments on noncancellable leases

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2021	2020	2021
Due within one year .....	<b>¥827</b>	¥813	<b>\$7,465</b>
Due over one year .....	<b>800</b>	802	<b>7,228</b>
	<b>¥1,627</b>	¥1,615	<b>\$14,693</b>

## 11. Financial Instruments

### (1) Status of Financial Instruments

#### (i) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits, and have a policy of relying principally on bank borrowings.

The Companies utilize hedging instruments in order to reduce the companies' risk of fluctuations in interest rates, and have a policy of not engaging in derivative transactions for speculative purposes.

#### (ii) Type of financial instruments and related risk

In the course of their business activities, the Companies are exposed to credit risk arising from notes receivable, accounts receivable from construction contracts, electronically recorded monetary claims and other that are outstanding from their customers.

The Companies are exposed to market price risk for short-term investment securities and investment securities because of short-term maturities, commercial papers, held-to-maturity debt securities and stocks of other companies with which the Companies have business relationship.

In the course of their business activities, the Companies notes payable, accounts payable for construction contracts, electrically recorded obligations and others are mostly payable within four months.

## **Notes to the Consolidated Financial Statements**

*For the years ended March 31, 2021 and 2020*

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The Companies have loans payable up to five years from the date of the closing of accounts. Although the Companies are exposed to liquidity risk from the portion of the loans payable, the Companies use interest rate swap transactions in order to minimize the risk of fluctuation in interest rates on such borrowings.

Please note that further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities may be found in the section “2. Summary of Significant Accounting Policies, (10) Hedge Accounting”.

(iii) System for management of financial instruments

a. Credit risk management (the risk that counterparties may default on their obligations to the Companies)

The Companies have prepared an official policy for managing credit exposures. The Companies establish a payment term and credit limit for each customer in every branch and every business office. Credit risk management section of head office monitors the outstanding balances of customers on a regular basis and changes collection terms or credit limits in case based on the financial performance of each customer. These procedures are also performed by the consolidated subsidiaries to reduce credit risk.

Credit risk related to held-to-maturity debt securities and derivative transactions, the Companies believe the credit risk is minimal as they hold government bonds only as well as the fact that they only have derivative transactions with highly rated financial institutions.

b. Market risk management (the risks arising from fluctuations in interest rates, prices and other indicators)

The Companies use interest rate swap transactions in order to minimize the risk of fluctuation in interest rates on borrowings.

For marketable securities and investment securities, the Companies periodically confirm the market value of such financial instruments and the financial position of the issuers. The Companies review the status of these investments on a continuing basis in order to take into consideration of the market conditions and relationship with the client.

The execution and management of the derivative transactions follow the official rules that determine authority and the ceiling of the transactions, and the approval of the director in charge.

c. Liquidity risk management (the risk that the Companies may not be able to meet their payment obligations on the scheduled date)

The Companies plan capital requirements based on reviewing each branch's section report and manage liquidity risk by maintaining fluidity of their capital. These procedures are also performed by the consolidated subsidiaries to manage liquidity risk. When a group company faces shortage of operating funds, the Companies use group financing.

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

(iv) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is based on their market prices and other indicators. When there is no market price available, the Companies use reasonable assumptions to estimate the fair value. Since factors that may result in fluctuations in value are taken into account in estimating the price, this price may fluctuate when different assumptions are used.

The contract (notional) amount of derivatives in the section “Estimated Fair Value and Other Matters Related to Financial Instruments” is not an indicator of the actual risk involved in derivative transactions.

(2) Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheet as of March 31, 2021 and unrealized gains (losses) are shown in the following table. Please note that for those items of which obtaining an estimated fair value is deemed to be extremely difficult, such differences are not stated (Please refer to note 2).

	Millions of yen					
	2021			2020		
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
(1) Cash and deposits .....	¥36,692	¥36,692	¥ -	¥31,053	¥31,053	¥ -
(2) Notes receivable, accounts receivable from completed construction contracts and other .....	57,878	57,878	-	53,187	53,187	-
(3) Electronically recorded monetary claims.....	3,101	3,101	-	3,773	3,773	-
(4) Short-term investment securities .....	-	-	-	4,000	4,000	-
(5) Investment securities ...	6,231	6,231	-	5,692	5,692	-
<b>Total assets</b>	<b>¥103,902</b>	<b>¥103,902</b>	<b>¥ -</b>	<b>¥97,705</b>	<b>¥97,705</b>	<b>¥ -</b>
(6) Notes payable, accounts payable for construction contracts and other .....	¥31,190	¥31,190	¥ -	¥31,294	¥31,294	¥ -
(7) Electronically recorded obligations .....	7,414	7,414	-	8,139	8,139	-
(8) Accounts payable-other ...	2,251	2,251	-	2,241	2,241	-
(9) Long-term loans payable(*) .....	9,700	9,724	24	9,700	9,783	83
<b>Total liabilities</b>	<b>¥50,555</b>	<b>¥50,579</b>	<b>¥24</b>	<b>¥51,374</b>	<b>¥51,457</b>	<b>¥83</b>
<b>Derivatives transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

	Thousands of U.S. dollars (Note 3)		
	2021		
	Book value	Fair market value	Difference
(1) Cash and deposits .....	<b>\$331,391</b>	\$331,391	<b>\$ -</b>
(2) Notes receivable, accounts receivable from completed construction contracts and other .....	<b>522,738</b>	522,738	-
(3) Electronically recorded monetary claims .....	<b>28,010</b>	28,010	-
(4) Short-term investment securities .....	-	-	-
(5) Investment securities ...	<b>56,279</b>	56,279	-
<b>Total assets</b>	<b>\$938,418</b>	\$938,418	<b>\$ -</b>
(6) Notes payable, accounts payable for construction contracts and other .....	<b>\$281,703</b>	\$281,703	<b>\$ -</b>
(7) Electronically recorded obligations	<b>66,960</b>	66,960	-
(8) Accounts payable-other ...	<b>20,330</b>	20,330	
(9) Long-term loans payable(*) .....	<b>87,609</b>	87,827	<b>218</b>
<b>Total liabilities</b>	<b>\$456,602</b>	\$456,820	<b>\$218</b>
<b>Derivatives transactions</b>	-	-	-

(\*) Current portion of long-term loans payable were included in Long-term loans payable

## Note

### 1. Valuation method of fair value of financial instruments

#### Assets

- (1) Cash and deposits, and (2) Notes receivable, accounts receivable from completed construction contracts and other, (3) Electronically recorded monetary claims.

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's book, the book value has been used.

- (4) Short-term investment securities

Since these items are the certificates of deposits and commercial papers that are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's book, the book value has been used.

- (5) Investment securities

The estimated fair values of these items are as follows. Stocks are valued at quoted price in active markets. Bonds are valued at the price provided by the financial institutions.

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## Liabilities

(6) Notes payable, accounts payable for construction contracts and other, (7) Electronically recorded obligations, (8) accounts payable-other

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's book, the book value has been used.

(9) Long-term loans payable

Fair values of long-term loans payable are calculated by discounting the total amount of the principal and interest of such borrowed money at the interest rates considered to be applicable to new borrowings.

The long-term loans payable with variable interest rates hedged by interest rate swaps, subject to the special treatment are calculated by discounting the total amount of the principal and interest of such borrowed money processed the same as the interest swap rate at the rational estimate interest rates to be applicable to similar borrowings.

## Derivative transactions

The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loan. (Note 1 (8))

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

Items	Book value Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Unlisted shares	<b>¥758</b>	¥763	<b>\$6,846</b>

The items were not included in "(5) Investment securities" at March 31, 2021 and 2020, because they were not publicly traded, and obtaining an estimated fair value is deemed to be extremely difficult.

3.Redemption schedule after the balance sheet date for monetary claims and securities with maturity dates

	Millions of yen							
	March 31, 2021				March 31, 2020			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits .....	<b>¥36,679</b>	¥ -	¥ -	¥ -	¥31,027	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other .....	<b>57,877</b>	-	-	-	53,187	-	-	-
Electronically recorded monetary claims .....	<b>3,101</b>	-	-	-	3,773	-	-	-
Short-term investment securities .....	-	-	-	-	4,000	-	-	-
<b>Asset total</b>	<b>¥97,657</b>	¥ -	¥ -	¥ -	¥91,987	¥ -	¥ -	¥ -

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

	Thousands of U.S. dollars (Note 3)			
	<b>March 31, 2021</b>			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits .....	<b>\$331,274</b>	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other .....	<b>522,738</b>	-	-	-
Electronically recorded monetary claims .....	<b>28,010</b>	-	-	-
Short-term investment securities .....	-	-	-	-
<b>Asset total</b>	<b>\$882,022</b>	\$ -	\$ -	\$ -

4. Repayment schedule after the balance sheet date for long-term loans and short-term loans.

	Millions of yen	
	<b>March 31, 2021</b>	March 31, 2020
	Long-term loans	Long-term loans
Due within one year .....	<b>¥5,500</b>	¥200
Due after one to two years .....	<b>3,000</b>	5,500
Due after two to three years .....	<b>100</b>	3,000
Due after three to four years .....	<b>1,000</b>	-
Due after four to five years .....	<b>100</b>	1,000
Due after five years .....	-	-

	Thousands of U.S. dollars (Note 3)	
	<b>March 31, 2021</b>	
	Long-term loans	
Due within one year .....	<b>\$49,675</b>	
Due after one to two years .....	<b>27,095</b>	
Due after two to three years .....	<b>903</b>	
Due after three to four years .....	<b>9,032</b>	
Due after four to five years .....	<b>903</b>	
Due after five years .....	-	

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## 12. Investment Securities

Investment securities as of March 31, 2021 and 2020 were as follows:

(1) Held-to-maturity debt securities with market quotations are not applicable for the year ended March 31, 2021.

(2) Marketable securities

	Millions of yen					
	2021			2020		
	Acquisition cost	Fair market value	Difference	Acquisition cost	Fair market value	Difference
<b>Marketable securities with unrealized gains</b>						
Equity securities .....	¥2,387	¥6,231	¥3,844	¥1,859	¥5,198	¥3,340
Debt securities:						
Convertible bonds ...	-	-	-	-	-	-
Others .....	-	-	-	-	-	-
<b>Sub total</b>	<b>¥2,387</b>	<b>¥6,231</b>	<b>¥3,844</b>	<b>¥1,859</b>	<b>¥5,198</b>	<b>¥3,340</b>
<b>Marketable securities with unrealized losses</b>						
Equity securities .....	-	-	-	¥553	¥494	¥(60)
Debt securities:						
Convertible bonds ...	-	-	-	-	-	-
Others .....	-	-	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>¥553</b>	<b>¥494</b>	<b>¥(60)</b>
<b>Total</b>	<b>¥2,387</b>	<b>¥6,231</b>	<b>¥3,844</b>	<b>¥2,412</b>	<b>¥5,692</b>	<b>¥3,280</b>

	Thousands of U.S. dollars (Note 3)		
	2021		
	Acquisition cost	Fair market value	Difference
<b>Marketable securities with unrealized gains</b>			
Equity securities .....	\$21,563	\$56,278	\$34,715
Debt securities:			
Convertible bonds ...	-	-	-
Others .....	-	-	-
<b>Sub total</b>	<b>\$21,563</b>	<b>\$56,278</b>	<b>\$34,715</b>
<b>Marketable securities with unrealized losses</b>			
Equity securities .....	-	-	-
Debt securities:			
Convertible bonds ...	-	-	-
Others .....	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$21,563</b>	<b>\$56,278</b>	<b>\$34,715</b>



## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

Non-marketable securities book value ¥629 million (\$5,683 thousand) were not included in “Marketable securities” at March 31, 2021, because it is not practicable to estimate the fair value because of a lack of market prices and difficulty in estimating fair value without incurring excessive cost.

### (3) Marketable securities sold for the years ended March 31, 2021 and 2020.

	Millions of yen					
	2021			2020		
	Proceeds from sales	Total gain	Total loss	Proceeds from sales	Total gain	Total loss
Equity securities .....	¥195	¥86	¥-	¥39	¥8	¥-
Debt securities:						
Convertible bonds ...	-	-	-	-	-	-
Others .....	-	-	-	-	-	-
<b>Total</b>	<b>¥195</b>	<b>¥86</b>	<b>¥-</b>	<b>¥39</b>	<b>¥8</b>	<b>¥-</b>

  

	Thousands of U.S. dollars (Note 3)		
	2021		
	Proceeds from sales	Total gain	Total loss
Equity securities .....	\$1,761	\$780	\$-
Debt securities:			
Convertible bonds ...	-	-	-
Others .....	-	-	-
<b>Total</b>	<b>\$1,761</b>	<b>\$780</b>	<b>\$-</b>

### (4) Impairment of investment in securities

For the year ended March 31, 2021

The Company recorded impairment losses of ¥1 million (\$5 thousand) on other securities.

For securities whose fair values at the end of the fiscal year have declined by 50% or more compared with their acquisition cost, loss on impairment is recorded without exception. For securities whose fair values at the end of the fiscal year have declined by 30% or more but less than 50% compared with their acquisition cost, loss on impairment is recorded as deemed necessary in consideration of the possibility of their recoverability.

For the year ended March 31, 2020

The Company recorded impairment losses of ¥95 million on other securities.

For securities whose fair values at the end of the fiscal year have declined by 50% or more compared with their acquisition cost, loss on impairment is recorded without exception. For securities whose fair values at the end of the fiscal year have declined by 30% or more but less than 50% compared with their acquisition cost, loss on impairment is recorded as deemed necessary in consideration of the possibility of their recoverability.

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## 13. Derivative and Hedging Activities

For the years ended March 31, 2021 and 2020

1. Derivatives transactions for which hedge accounting does not apply

None

2. Derivatives transactions for which hedge accounting applies

None

## 14. Retirement Benefits

- (1) Summary of a retirement benefit scheme

The Company and its domestic consolidated subsidiaries operate funded and unfunded defined retirement benefit plans covering substantially all employees. On October 1, 2008, the Company and its domestic consolidated subsidiaries have transferred from the qualified pension plan to the defined benefit pension plan.

All defined retirement benefit pension plan provide a lump sum or pension based on salaries and terms. The lump sum payment plans provide a lump sum based on salaries, years of service and rank as retirement benefit.

There are 38 domestic consolidated subsidiaries that participate in another type of retirement benefit plan, which is operated by two independent pension plans.

- (2) Defined benefit plan

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Balance at the beginning of the year.....	<b>¥10,047</b>	¥10,226	<b>\$90,743</b>
Service costs .....	<b>465</b>	482	<b>4,197</b>
Interest costs .....	<b>109</b>	111	<b>989</b>
Actuarial gain or loss .....	<b>10</b>	(5)	<b>92</b>
Payment of retirement benefits .....	<b>(606)</b>	(767)	<b>(5,474)</b>
Balance at the end of the year.....	<b>¥10,025</b>	¥10,047	<b>\$90,547</b>

Note) Domestic consolidated subsidiaries calculate the projected benefit obligation by the simplified method permitted under the Japanese accounting standard.

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Balance at the beginning of the year .....	<b>¥8,848</b>	¥9,379	<b>\$79,916</b>
Expected return on plan assets .....	<b>221</b>	234	<b>1,998</b>
Actuarial gain or loss .....	<b>587</b>	(441)	<b>5,299</b>
Contributions by the Company .....	<b>398</b>	401	<b>3,590</b>
Payment of retirement benefits .....	<b>(577)</b>	(725)	<b>(5,211)</b>
Balance at the end of the year .....	<b>¥9,477</b>	¥8,848	<b>\$85,592</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2021	2020	2021
Funded retirement benefit obligations .....	<b>¥9,925</b>	¥9,952	<b>\$89,636</b>
Plan assets at fair value.....	<b>(9,477)</b>	(8,848)	<b>(85,592)</b>
	<b>448</b>	1,104	<b>4,044</b>
Unfunded retirement benefit obligations .....	<b>101</b>	95	<b>910</b>
Net liability in the consolidated balance sheet.....	<b>549</b>	1,199	<b>4,954</b>
Liability for retirement benefits.....	<b>549</b>	1,199	<b>4,954</b>
Net defined benefit liability in the consolidated balance sheet .....	<b>¥549</b>	¥1,199	<b>\$4,954</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2021	2020	2021
Service costs .....	<b>¥465</b>	¥482	<b>\$4,197</b>
Interest costs .....	<b>109</b>	111	<b>989</b>
Expected return on plan assets .....	<b>(221)</b>	(234)	<b>(1,998)</b>
Amortization of actuarial gain (loss).....	<b>145</b>	196	<b>1,307</b>
Amortization of prior service costs .....	<b>(2)</b>	(2)	<b>(15)</b>
Retirement benefit expense .....	<b>¥496</b>	¥553	<b>\$4,480</b>

Note) Domestic consolidated subsidiaries calculate the projected benefit obligation by the simplified method permitted under the Japanese accounting standard.

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

5) The components of retirement benefits liability adjustments included in other comprehensive income (before the tax effect) for the years ended March 31, 2021 and 2020 are as follows;

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Prior service cost .....	¥2	¥2	\$15
Actuarial gain and loss .....	(722)	240	(6,515)
Total	¥(720)	¥242	\$(6,500)

6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before the tax effect) as of March 31, 2021 and 2020 are as follows;

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Unrecognized prior service costs .....	-	¥(2)	-
Unrecognized actuarial differences .....	¥ (326)	395	\$(2,948)
Total	¥ (326)	¥393	\$(2,948)

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## 7) Plan assets

### i) The breakdown of plan assets

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

March 31	2021	2020
Bonds .....	53%	58%
Stocks .....	27	17
General accounts.....	11	12
Cash and deposits.....	2	8
Others .....	7	5
Total	100	100

### ii) Estimation method of the long-term expected rate of return

The expected long-term return rate on plan assets is determined based on the current and expected future distribution of plan assets and the current and expected future long-term return rate on various assets of which plan assets are composed.

## 8) The assumptions used in the actuarial computation (weighted average);

March 31	2021	2020
Discount rate .....	1.1%	1.1%
Long-term expected rate of return.....	2.5	2.5
Expected rates of salary increase .....	6.5	6.0

## (3) Defined contribution plans

Annual contributions to the defined contribution plans for the years ended March 31, 2021 and 2020 are as follows;

March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	¥104	¥107	\$935

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## 15. Accounting for Income Taxes

### (1) Significant components of deferred tax assets and liabilities

At March 31, 2021 and 2020, significant components of deferred tax assets and liabilities were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Deferred tax assets:			
Accrued expenses .....	<b>¥847</b>	¥619	<b>\$7,648</b>
Impairment loss on fixed assets .....	<b>511</b>	497	<b>4,616</b>
Valuation loss on merchandise .....	-	196	-
Net defined benefit liability.....	<b>188</b>	385	<b>1,699</b>
Reserve for corporate tax.....	<b>181</b>	150	<b>1,636</b>
Others .....	<b>332</b>	397	<b>3,000</b>
Sub total of deferred tax assets .....	<b>2,059</b>	2,244	<b>18,599</b>
Less valuation allowance .....	<b>(598)</b>	(717)	<b>(5,404)</b>
Total of deferred tax assets .....	<b>1,461</b>	1,527	<b>13,195</b>
Deferred tax liabilities			
Accelerated depreciation of fixed assets .....	<b>(321)</b>	(321)	<b>(2,897)</b>
Valuation difference on available-for-sale securities .....	<b>(1,176)</b>	(1,004)	<b>(10,624)</b>
Others .....	<b>(4)</b>	(4)	<b>(34)</b>
Total of deferred tax liabilities .....	<b>(1,501)</b>	(1,329)	<b>(13,555)</b>
Net deferred tax assets (liabilities).....	<b>¥(40)</b>	¥198	<b>\$(360)</b>

## **Notes to the Consolidated Financial Statements**

*For the years ended March 31, 2021 and 2020*

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For the years ended March 31, 2021 and 2020, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

For the year ended March 31, 2021

Note is omitted as the difference between the statutory tax rate and the effective income tax rate is 5% or less than the statutory tax rate.

For the year ended March 31, 2020	<u>2020</u>
Statutory tax rate .....	<b>30.62%</b>
Adjustments	
Permanent non-deductible differences such as entertainment expenses etc. ....	<b>0.61</b>
Reversal of allowance for loss related to Anti-Monopoly Act.....	<b>(5.61)</b>
Inhabitant tax per capita .....	<b>1.33</b>
Valuation allowance for deferred tax assets .....	<b>0.20</b>
Others .....	<b>0.47</b>
Effective income tax rate .....	<u><b>27.62</b></u>

## **Notes to the Consolidated Financial Statements**

*For the years ended March 31, 2021 and 2020*

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### **16. Segment Information**

#### **(1) Outline of Reporting Segments**

The Company has defined its reporting segments to be units composing the Company, for which financial information can be separately obtained. The Company's Board of Directors periodically monitors these business segments in order to determine the allocation of management resources and evaluate business results.

The Companies draw up a comprehensive strategy about construction work and a product and service by each management section of the Companies and the main consolidated subsidiary, and develop operations.

Accordingly, the Companies have categorized its operations by products and services that based on each management section of the Companies and the main consolidated subsidiary. The Reporting Segments are Construction, Material sales and Leasing business.

The Construction segment manufactures pavement and engages in engineering, building and business about the overall other construction. The Material sales segment manufactures asphalt and emulsion and engages in the overall other production and sales business for pavement and materials. The Leasing business segment engages in the leasing business of vehicles and apparatuses for office work.

#### **(2) Calculation Method of Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segments**

The accounting methods used in the accounting for reporting segments are basically the same as the "Summary of Significant Accounting Policies". Please note that the income (loss) figures of the reporting segments are operating income-based figures.

Inter-segment sales and transfers are based on market prices.



# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## (3) Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segments

For the year ended March 31, 2021	Millions of yen					Consolidated total
	Construction	Material sales	Leasing business	Other	Adjustment	
Sales						
Sales to external customers ...	¥128,998	¥21,209	¥5,648	¥1,942	¥ -	¥157,797
Inter-segment sales .....	8	8,402	1,030	526	(9,966)	-
Total .....	129,006	29,611	6,678	2,468	(9,966)	157,797
Segment income .....	¥8,957	¥4,499	¥404	¥98	¥(3,181)	¥10,777
Segment assets .....	¥77,566	¥28,295	¥12,562	¥1,897	¥32,598	¥152,918
Depreciation .....	¥1,350	¥2,038	¥515	¥28	¥87	¥4,018
Increase of tangible fixed assets and intangible assets .....	¥1,734	¥1,950	¥541	¥201	¥231	¥4,657

For the year ended March 31, 2020	Millions of yen					Consolidated total
	Construction	Material sales	Leasing business	Other	Adjustment	
Sales						
Sales to external customers ...	¥120,250	¥20,956	¥5,494	¥2,000	¥ -	¥148,700
Inter-segment sales .....	13	8,151	1,018	828	(10,010)	-
Total .....	120,263	29,107	6,512	2,828	(10,010)	148,700
Segment income .....	¥6,365	¥3,362	¥365	¥390	¥(2,966)	¥7,516
Segment assets .....	¥71,570	¥28,591	¥12,101	¥2,184	¥31,528	¥145,974
Depreciation .....	¥1,366	¥1,741	¥532	¥25	¥94	¥3,758
Increase of tangible fixed assets and intangible assets .....	¥1,786	¥3,705	¥527	¥14	¥87	¥6,119

For the year ended March 31, 2021	Thousands of U.S. dollars (Note 3)					Consolidated total
	Construction	Material sales	Leasing business	Other	Adjustment	
Sales						
Sales to external customers ...	\$1,165,082	\$191,558	\$51,008	\$17,539	\$ -	\$1,425,187
Inter-segment sales .....	70	75,890	9,299	4,751	(90,010)	-
Total .....	1,165,152	267,448	60,307	22,290	(90,010)	1,425,187
Segment income .....	\$80,894	\$40,639	\$3,651	\$884	\$(28,733)	\$97,335
Segment assets .....	\$700,555	\$255,557	\$113,461	\$17,134	\$294,414	\$1,381,121
Depreciation .....	\$12,195	\$18,405	\$4,650	\$252	\$790	\$36,292
Increase of tangible fixed assets and intangible assets .....	\$15,663	\$17,614	\$4,881	\$1,819	\$2,081	\$42,058

Note) 1. "Others" includes the real estate, development and sales of the software, sales of the apparatus for office work, non-life insurance agency, and administration of sports facilities.

2. "Adjustment" is as follows:

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

Segment income	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Elimination of inter segment transactions .....	¥17	¥16	\$155
Corporate expense (*).....	¥(3,198)	¥(2,982)	\$(28,888)
Total .....	¥(3,181)	¥(2,966)	\$(28,733)

\*Corporate expenses mainly comprise headquarters' general and administrative expenses that are not allocable to any reporting segment.

Segment assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Elimination of inter segment transactions.....	¥(734)	¥(799)	\$(6,634)
Corporate assets (*).....	¥33,332	¥32,327	\$301,048
Total .....	¥32,598	¥31,528	\$294,414

\*Corporate assets mainly comprise operative fund (cash and deposits) long-term investment capital and general and administrative assets that are not allocable to any reporting segment.

Depreciation and Increase of tangible fixed assets and intangible assets adjustment of the "Other" category are not allocable to any reporting segment, and represent expenses of the Companies' headquarter reporting.

3. Segment profit is reconciled with operating income on the consolidated financial statements.

## Related information

### (a) Information about products and services

Information about products and services is omitted as the Company classifies such segments in the same way as it does its reporting segments.

### (b) Information about geographic areas

#### (i) Operating revenues

Information about geographic areas is omitted as operating revenues attributable to the third-party customers in Japan exceed 90% of the operating revenues reported in the Consolidated Statements of Income.

#### (ii) Tangible fixed assets

Information about geographic areas is omitted as Tangible fixed assets located in Japan exceed 90% of the Tangible fixed assets reported in the Consolidated Balance Sheets.

### (c) Information about major customers

For the year ended March 31, 2021

Information about major customers is omitted as there are no third-party customers that account for more than 10% of the operating revenues reported in the Consolidated Statements of Income.

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

For the year ended March 31, 2020

Customers	Net sales Millions of yen	Relevant segment
Shimizu Corporation	¥ 16,667	Construction , Material sales, Leasing business

For the year ended March 31, 2021

	Millions of yen					
March 31, 2021	Construction	Material sales	Leasing business	Other	Adjustment	Total
Impairment loss	¥40	¥122	¥ -	¥36	¥45	¥243

	Thousands of U.S. dollars (Note 3)					
March 31, 2021	Construction	Material sales	Leasing business	Other	Adjustment	Total
Impairment loss	\$365	\$1,099	\$ -	\$328	\$405	\$2,197

Note) 1. "Others" includes the real estate, development and sales of the software, sales of the apparatus for office work, non-life insurance agency, and administration of sports facilities.

2. The amount of "Adjustment" is impairment loss on idle assets that are not allocable to any reporting segment.

### Information on Impairment Loss on Tangible Fixed Assets by reporting segment

For the year ended March 31, 2020

None

### Information on Amortization on Goodwill and Unamortized Balance by reporting segment

Information on Amortization on Goodwill and Unamortized Balance by reporting segments is omitted, as the amount was insignificant as of and for the year ended March 31, 2020, and not applicable for the year ended March 31, 2021.

### Information on Gain on Negative Goodwill by reporting segment

Information on gain on negative goodwill by reporting segments is not applicable for the years ended March 31, 2021 and 2020.

### Geographic Segment Information

Segment information classified by geographic area was omitted because the majority of the Companies' operations were performed in Japan.

### Export Sales and Sales by overseas subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

Segment information for export sales and sales by overseas subsidiaries was omitted since such sales make up less than 10% of consolidated sales and are, thus, immaterial.

### 17. Related Party Transactions

The material transactions of the Company with related companies and individuals, excluding transactions with consolidated subsidiaries which were eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended March 31, 2021 and 2020 were as follows:

Name of related company	Paid-in capital	Principal Business	Equity ownership percentage by the company	Millions of yen / Thousands of U.S. dollars (Note 3)				
				Transaction		Account	Resulting accounting balance	
				Description of the company's transactions	For the year ended March 31		At March 31	
					2021	2020	2021	2020
Shimizu Corporation	¥74,365 million	Construction & Development	24.93%	Construction contracts	¥13,224	¥16,407	Accounts receivable from completed construction contracts	¥3,530
					\$(119,433)			¥5,343
				Material sales	¥27	¥25	Electronically recorded monetary claims	¥1,116
					\$(243)			¥1,781
				Construction order	¥373	¥257	Advances received on uncompleted construction contracts	¥324
					\$(3,367)			\$(2,926)
				Compensation due to suspension of operations	¥44	¥ -	Accounts receivable -trade	¥6
					\$(399)			\$(51)
							Accounts receivable -other	¥4
								\$(37)
								¥7

The terms and conditions of the above transactions are on an arm's-length basis.

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

## 18. Per Share Data

Per Share	Yen		U.S. dollars (Note 3)
	2021	2020	2021
Net assets .....	<b>¥10,478.50</b>	¥9,711.75	<b>\$94.64</b>
Profit attributable to owners of parent :			
Basic .....	<b>¥864.46</b>	¥772.77	<b>\$7.81</b>
Diluted .....	-	-	-
Cash dividends			
Common shares .....	<b>¥260.00</b>	¥180.00	<b>\$2.35</b>

Note) Diluted per share amounts are not shown because no convertible bonds have been issued.

Calculation bases for net assets per share as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Net assets .....	<b>¥92,233</b>	¥85,487	<b>\$833,033</b>
Deduction amount .....	<b>¥131</b>	¥120	<b>\$1,184</b>
(Non-controlling interests) .....	<b>¥(131)</b>	¥(120)	<b>\$(1,184)</b>
Net assets available to common stockholders ....	<b>¥92,102</b>	¥85,366	<b>\$831,849</b>
Common stock outstanding except for treasury stock (in thousands of shares) .....	<b>8,790</b>	8,790	

Calculation bases for profit per share for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Profit attributable to owners of parent .....	<b>¥7,599</b>	¥6,793	<b>\$68,628</b>
Profit not available to common stockholders ....	-	-	-
(Net income appropriated as bonuses to directors) .....	-	-	-
Profit attributable to owners of parent available to common stockholders .....	<b>¥7,599</b>	¥6,793	<b>\$68,628</b>
Average common stock outstanding (in thousands of shares). ....	<b>8,790</b>	8,790	

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

### 19. Short-term Loans Payable and Long-term Loans Payable

	Millions of yen		Thousands of U.S. dollars (Note 3)	Average interest rate (%)	Repayment period
March 31	2021	2020	2021		
Short-term loans payable ...	¥-	¥-	\$-	-	-
Current portion of long-term loans payable .....	5,500	200	49,675	0.80	-
Long-term loans payable (excluding current portion) ...	4,200	9,500	37,933	0.75	2023~ 2025
Total	¥9,700	¥9,700	\$87,608		

Annual maturities of long-term loans payable are as follows:

March 31, 2021	Millions of yen	Thousands of U.S. dollars (Note 3)
Due after one to two years .....	¥3,000	\$ 27,095
Due after two to three years .....	100	903
Due after three to four years .....	1,000	9,032
Due after four to five years .....	100	903
	¥4,200	\$37,933

### 20. Asset Retirement Obligations

In accordance with Article 92, Paragraph 2 of “Regulation for Consolidated Financial Statements” the amount of asset retirement obligations as at April 1, 2020 and March 31, 2021 has not been presented because it represented less than 1% of total liabilities and net assets on the consolidated balance sheets.

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

### 21. Quarterly Information (Unaudited)

	Millions of yen			
	The first quarter Apr. 1 – Jun. 30, 2020	The second quarter Jul. 1 – Sep. 30, 2020	The third quarter Oct. 1 – Dec. 31, 2020	The fourth quarter Jan. 1 – Mar. 31, 2021
Net Sales .....	¥33,807	¥70,411	¥114,693	¥157,797
Profit before income taxes.	¥2,075	¥4,055	¥8,205	¥11,127
Profit attributable to owners of parent .....	¥1,408	¥2,694	¥5,673	¥7,599
Profit attributable to owners of parent of per share (Yen) .....	¥160.15	¥306.54	¥645.36	¥864.46
	Thousands of U.S. dollars (Note 3)			
	The first quarter Apr. 1 – Jun. 30, 2020	The second quarter Jul. 1 – Sep. 30, 2020	The third quarter Oct. 1 – Dec. 31, 2020	The fourth quarter Jan. 1 – Mar. 31, 2021
Net Sales .....	\$305,340	\$635,939	\$1,035,882	\$1,425,187
Profit before income taxes.	\$18,737	\$36,619	\$74,103	\$100,496
Profit attributable to owners of parent .....	\$12,714	\$24,336	\$51,234	\$68,628
Profit attributable to owners of parent of per share (U.S. dollars) .....	\$1.45	\$2.77	\$5.83	\$7.81

Note) Diluted per share amounts are not shown because no convertible bonds have been issued.