Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021

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.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2022, the consolidated financial statements included the accounts of the Company and its 43 (43 at March 31, 2021) subsidiaries (40 domestic subsidiaries and 3 overseas subsidiaries). During the year ended March 31, 2022, 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.

Non-marketable equity securities other than stocks etc. 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”, and the cost of sales is determined by the moving average method.

Non–marketable stocks etc. are stated at cost, cost being determined by the moving average method.

(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.

(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 to cover expenses for defects claimed concerning completed work of liability for non-conformity of the contract 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.

(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, 2022.

(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.

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) Standard of revenue recognition for construction business

In the construction business, the Company is primarily engaged as a contractor for all construction work such as paving, civil engineering, building and others, and the Company is obliged to undertake construction work based on the contract with customers such as government entities, common consumers and private companies.

Revenue is recognized based on the percentage of progress of the construction work as the performance obligations are satisfied over time in accordance with the contract with the customer, and the asset (work in progress) is generated or its value is increased as the performance obligations are satisfied with control of such asset held by the customer. The input method is applied to measure the progress over time based on the percentage of incurred cost up to the end to the fiscal year compared with the estimated total cost for each contract.

If progress toward satisfaction of a performance obligation cannot be reasonably estimated, revenue is recognized on a cost recovery basis.

(ii) Standard of revenue recognition for manufacture and sales business

In the manufacture and sales business, the Company manufactures asphalt mixture material which is mainly used for paving construction and sales to customers (Paving contractors). Products are sold in accordance with product sales contract. For the sale of these goods and products, revenue is recognized at the point in time when the respective goods and products are delivered to the customer as it is deemed obligation of the Company is fulfilled when control of such products is transferred to the customer as the time of delivery.

.

(iii)Revenue from finance lease transactions

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

(10) 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.

(11) 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.

(12) 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.

(13) 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.

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.

(14) 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.

(15) Other significant accounting policies in the preparation of consolidated financial statements

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 ¥122.41=U.S. $1, the approximate rate of exchange prevailing at March 31, 2022 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.

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

(Significant Accounting Estimates)

Previous Fiscal Year (April 1, 2020 to March 31, 2021)

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

①The amount recorded for the current fiscal year

¥108,360 million

②The 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

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

①Calculation 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).

②Major 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.

③Impact 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.

Current Fiscal Year (April 1, 2021 to March 31, 2022)

Estimate of the total construction revenue and the total construction costs in applying the method of satisfying performance obligations and recognizing revenue over time

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

Revenues from construction based on the method to recognize revenue by satisfying performance obligations over a certain period of time

①The amount recorded for the current fiscal year

¥112,518 million ($919,196 thousand)

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

¥38,203 million ($312,091 thousand)

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

①Calculation method

For contracts in which performance obligations are satisfied over a certain period of time, the Company recognize revenue is recognized based on the percentage of progress of the construction work. The input method is applied to measure the progress over time based on the percentage of incurred cost up to the end to the fiscal year compared with the estimated total cost for each contract.

②Major 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 assumed 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.

③Impact 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.

（Changes in Accounting Policies）

（Application of Accounting Standard for Revenue Recognition, etc.)

The Companies applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. As a result, in the construction contracts, in the case the performance obligations satisfied over time until the progress toward satisfying the performance obligation can be reasonably estimated, revenue is recognized the by progress for each construction contract. If progress toward satisfaction of a performance obligation cannot be reasonably estimated, but the Company expects to recover all costs incurred in satisfying the performance obligation, revenue is recognized on a cost recovery basis. In addition, for transactions related to providing applicable good or

services through the Company group (The Company and its consolidated subsidiaries, hereinafter referred as “the Group”) as an agent in the transaction, previously the full transaction price received from customer was recognized as revenue. However, it has been changed and is now based on the net amount of consideration received from the customer after deducting the amount payable to the other party.
In accordance with the transitional treatment prescribed in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. However, as provided for in Paragraph 86 of the Revenue Recognition Standard, the new accounting policies have not been retroactively adopted for contracts in which substantially all revenue amounts have been recognized prior to the beginning of the current fiscal year in accordance with the previous treatment. In addition, as provided for in Paragraph 86 (1) of the Revenue Recognition Standard, contract changes made prior to the beginning of the current fiscal year have been accounted for based on the contract terms after reflecting all contract changes, and the cumulative effects have been reflected in retained earnings at the beginning of the current fiscal year.
As a result, the balance of retained earnings as at the beginning of the fiscal year increased by ¥50 million ($414 thousand).
In the current fiscal year, net sales and cost of sales decreased by ¥274 million ($2,245 thousand) and ¥269 million ($2,199 thousand), respectively, and operating income, ordinary income, and income before income taxes decreased by ¥5 million ($46 thousand), respectively.
In accordance with a transitional treatment prescribed in Paragraph 89-3 of the “Accounting Standard for Revenue Recognition”, notes regarding revenue recognition for the previous fiscal year are not provided.

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc., were applied from the beginning of the current fiscal year, In applying the “Accounting Standard for Fair Value Measurement”, etc., the transitional treatment prescribed in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) were followed. The new accounting policies prescribed by the “Accounting Standard for Fair Value Measurement”, etc., will be applied prospectively. This change has no impact on the consolidated financial statements.
In addition, in the notes to "Financial Instruments," the Companies provide notes on items such as the breakdown of the fair value of financial instruments by level of fair value. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), no such notes are presented for the previous fiscal year.

(Accounting Standards Issued but not yet Effective)

On June 17, 2021, the ASBJ issued “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31).

(i) Overview

The June 17, 2021 amendment to the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” is a revision and publication of the “Accounting Standard for Measurement of Fair Value" which, at the time of its release on July 4, 2019, was to be reviewed approximately one year after the release of the "Accounting Standard for Measurement of Fair Value" because a certain period of consultation with relevant parties is considered necessary for the review regarding "calculation of the fair value of investment trusts” and certain consideration should also be given to the note on the fair value of "Investments in partnerships, etc., in which the net amount of equity interest is recorded on the balance sheet.”

(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, 2023.

(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.

(Changes in Presentation of Account Items Due to Adoption of the “Accounting Standard for Disclosures about Accounting Estimates”)

(Consolidated Statement of Income)

“Gains on recovery of written-off debts” in “Non-operating income” has been listed separately in the prior fiscal year. As its quantitative materiality ceased to be significant, “Gains on recovery of written-off debts” in “Non-operating income” was included in “Other” under non-operating expenses in the current fiscal year.

To reflect this change in presentation, the consolidated financial statements for the prior fiscal year have been reclassified. As a result, ¥7 million of “Gains on recovery of written-off debts” in “Non-operating income” under non-operating expenses of the consolidated statement of income for the prior fiscal year has been reclassified into “Other.”

“Loss on valuation of investment securities” in “Extraordinary loss” has been listed separately in the prior fiscal year. As its quantitative materiality ceased to be significant, “Loss on valuation of investment securities” in “Extraordinary loss” was included in “Other” under non-operating expenses in the current fiscal year.

To reflect this change in presentation, the consolidated financial statements for the prior fiscal year have been reclassified. As a result, ¥0 million of “Loss on valuation of investment securities” in “Extraordinary loss” under non-operating expenses of the consolidated statement of income for the prior fiscal year has been reclassified into “Other.”

(Consolidated Statement of Cash Flows)

“Gain / (Loss) on valuation of investment securities” in “Net Cash Provided by Operating Activities” has been listed separately in the prior fiscal year. As its quantitative materiality ceased to be significant, “Gain / (Loss) on valuation of investment securities” in “Net Cash Provided by Operating Activities” was included in “Other” under non-operating expenses in the current fiscal year.

To reflect this change in presentation, the consolidated financial statements for the prior fiscal year have been reclassified. As a result, ¥0 million of “Gain / (Loss) on valuation of investment securities” in “Net Cash Provided by Operating Activities” under non-operating expenses of the consolidated statement of income for the prior fiscal year has been reclassified into “Other.”

(Additional Information)

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

The Company makes accounting estimates in applying the performance obligations satisfied over time until the progress toward satisfying the performance obligation 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. However, the effects of the spread of the new coronavirus infection on the Company's business performance for the year ended March 31, 2022 were 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.

5. Notes to the Consolidated Balance Sheets

(1) Receivables from contracts with customers and contract assets accounted under notes receivable, accounts receivable from completed construction contracts and other

	Millions of yen	Thousands of U.S. dollars (Note 3)
March 31	**2022**	**2022**
Receivables from contracts with customers…………	**¥36,026**	**$294,307**
Contract assets……………...	**17,796**	**145,380**

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Investment securities (corporate stock) ……………...	**¥123**	¥129	**$1,003**

(3) 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:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Short-term Loans			
(Current Assets “Other”) ……………………………	**¥26**	¥25	**$213**
Investment securities ………………………………...	**4**	50	**29**
Long-term Loans			
(Investments and Other Assets “Other”) ……………	**61**	87	**495**
	¥91	¥162	**$737**

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Long Term Guarantee Deposit (Investment and Other Assets “Other”) ………………………………...	**¥40**	¥40	**$327**

(4) Commitments

The Company had a total of ¥4,300 million ($35,128 thousand) of overdraft contracts and credit lines from two banks to facilitate the availability of efficient funds as of March 31, 2022 and 2021, respectively. The unutilized portion was ¥4,300 million ($35,128 thousand) as of March 31, 2022 and 2021, respectively.

(5) 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.

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 ($0 thousand) and ¥0 million at March 31, 2022 and 2021, respectively.

(6) Contract liabilities accounted under advances received on uncompleted construction contracts

	Millions of yen	Thousands of U.S. dollars (Note 3)
March 31	**2022**	**2022**
Contract liabilities………………………………...	**¥1,832**	**$14,963**

6. Notes to the Consolidated Statements of Income

(1) Revenue from Contracts with Customers

"Net Sales" includes revenue recognized from contracts with customers and other sources. Amount of revenue recognized from contracts with customers is noted under Note 15. Revenue Recognition (1).

(2) 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	**2022**	2021	**2022**
	¥-	¥108,361	**$-**

(3) Revenue from construction contracts by satisfying performance obligations over a certain period of time

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2022**	2021	**2022**
	¥112,519	¥-	**$919,196**

(4) 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	**2022**	2021	**2022**
	¥67	¥218	**$547**

(5) 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	**2022**	2021	**2022**
Employees' salaries and allowances …………	**¥4,081**	¥4,111	**$33,336**
Net periodic pension expense …………………	**82**	138	**669**
Accrued bonus to directors ……………………	**78**	87	**641**
Provision of allowance for doubtful accounts …	**6**	4	**52**

(6) Research and Development Expenses

Research and development expenses, which were included in general and administrative expenses, amounted to ¥478 million ($3,906 thousand) for the year ended March 31, 2022 and ¥452 million for the year ended March 31, 2021.

(7) 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	**2022**	2021	**2022**
Buildings……………………………………	**¥ -**	¥36	**¥ -**
Machinery and equipment ……………………	**18**	8	**149**
Land… …………………………………….	**9**	180	**75**
Others………………………………………	**3**	1	**26**
	¥30	¥225	**$250**

(8) Components of loss on disposal of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2022**	2021	**2022**
Buildings……………………………………	**¥49**	¥98	**$400**
Structures……………………………………	**16**	54	**131**
Machinery and equipment ……………………	**16**	68	**129**
Others ………………………………………	**3**	4	**28**
	¥84	¥224	**$688**

(**9**) Impairment loss on tangible fixed assets

For the year ended March 31, 2022, the Companies recognized an impairment loss for the following group of assets:

None

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
Tokyo Metropolis and other	Assets used for business, Idle assets and other	Land, Buildings and other	¥107
Niigata Prefecture	Assets used for business	Land	122
Mie Prefecture	Assets used for business	Land, Buildings and other	14
Total			¥243

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 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.

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, 2022 and 2021.

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	**2022**	2021	**2022**
Valuation difference on available-for-sale securities:			
Amount recognized in the period …………………	**¥(947)**	¥650	**$(7,734)**
Amount of recycling ………………………………	**(5)**	(87)	**(42)**
Before income tax effect adjustment ……………	**(952)**	563	**(7,776)**
Amount of income tax effect.. ……………………	**291**	(173)	**2,379**
Valuation difference on available-for-sale securities..	**(661)**	390	**(5,397)**
Foreign currency translation adjustments:			
Amount recognized in the period…. ……………	**53**	(167)	**434**
Retirement benefits liability adjustments:			
Amount arising during the year………………….	**(52)**	577	**(429)**
Reclassification adjustments for gains and losses included in net income……..…………………	**(29)**	143	**(238)**
Amount before tax effect.. ………………………	**(81)**	720	**(667)**
Tax effect …..……………………………………	**25**	(221)	**204**
Retirement benefits liability adjustments….. ……	**(56)**	499	**(463)**
Total other comprehensive income ………….……	**¥(664)**	¥722	**(5,426)**

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

For the year ended March 31, 2022

(1) Type and number of outstanding shares

Type of shares	Thousands of shares			
	Balance at March 31, 2021	Increase in shares during the year	Decrease in shares during the year	Balance at March 31, 2022
Issued stock:				
Common stock …………………… (note 1)	9,762	-	973	8,789
Treasury stock:				
Common stock …………………… (note 1,2)	972	0	972	-

Notes

1. Decrease in 973 thousand shares of treasury stock and issued stock is due to the cancellation of treasury stock.
2. Increase in numbers of treasury stock by 0 thousand is due to purchasing shares constituting less than one unit.

(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 14, 2021)	Common stock	¥2,285	$20,640	Retained earnings	¥260	$2.4	March 31, 2021	June 4,2021

(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 12, 2022)	Common stock	¥1,846	$15,078	Retained earnings	¥210	$1.72	March 31, 2022	June 3,2022

For the year ended March 31, 2021

(1) Type and number of outstanding shares

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

Notes

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

(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 21, 2020)	Common stock	¥1,582	Retained earnings	¥180	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)	Source	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (May 14, 2021)	Common stock	¥2,285	Retained earnings	¥260	March 31, 2021	June 4, 2021

9. Notes to the Consolidated Statements of Cash Flows

Cash and Cash Equivalents at March 31, 2022 and 2021 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Cash and deposits ……………………………………	**¥30,158**	¥36,692	**$246,373**
Cash equivalents……………………………………	**-**	-	**-**
Cash and cash equivalents …………………………	**¥30,158**	¥36,692	**$246,373**

10. Leases

Information regarding finance leases as lessor for the years ended March 31, 2022 and 2021 was as follows:

(1) Details of lease investment assets

Current assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Lease receivables ……………………………………	**¥8,311**	¥8,266	**$67,891**
Estimated salvage value ……………………………..	**1,064**	1,092	**8,695**
Receipt interest equivalent value ……………………	**(649)**	(671)	**(5,298)**
Lease investment assets ……………… ……………	**¥8,726**	¥8,687	**$71,288**

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

Lease receivables (Current assets)

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Due within one year………………………………	**¥-**	¥-	**$-**
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 ………………………………	**-**	-	**-**

Lease investment assets (Current assets)

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Due within one year	**¥2,654**	¥2,650	**$21,683**
Due after one to two years	**2,178**	2,090	**17,791**
Due after two to three years	**1,656**	1,612	**13,531**
Due after three to four years	**1,086**	1,114	**8,873**
Due after four to five years	**516**	561	**4,213**
Due after five years	**220**	239	**1,799**

Information regarding operating lease transactions for the years ended March 31, 2022 and 2021 was as follows:

Future minimum lease payments on noncancellable leases

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Due within one year	**¥830**	¥827	**$6,784**
Due over one year	**738**	800	**6,030**
	¥1,568	¥1,627	**$12,814**

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.

(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.

The Companies have loans payable up to five years from the date of the closing of accounts.

(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.

b. 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.

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

Since factors that may result in fluctuations in value are taken into account in estimating the price of financial instruments, it may fluctuate when different assumptions are used.

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

Carrying value on the consolidated balance sheet as of March 31, 2022 and 2021 unrealized gains (losses) are shown in the following table.

For the year ended March 31, 2022

	Millions of yen			Thousands of U.S. dollars (Note 3)		
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
Investment securities(*2)….	5,331	5,331	-	43,553	43,553	-
Total assets	¥5,331	¥5,331	¥ -	$43,553	$43,553	$ -
Long-term loans payable(*3)...........................	8,200	8,187	13	66,989	66,884	105
Total liabilities	¥8,200	¥8,187	¥13	$66,989	$66,884	$105

Note

(*1) "Cash" is omitted. "Bank deposit," "Trade notes and accounts receivable," " Electronically recorded monetary claim," "Trade notes and accounts payable," "Electronically recorded obligations," and "Account payable" are omitted because these are cash items and their fair values approximate their carrying values due to their short maturities.

(*2) Below items were not included in "(5) Investment securities", because they were not publicly traded.

Items	Book value Millions of yen	Thousands of U.S. dollars (Note 3)
	2022	2022
Unlisted shares	**¥754**	**$6,164**

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

For the year ended March 31, 2021

	Millions of yen		
	Book value	Fair market value	Difference
Investment securities(*2)….	6,231	6,231	-
Total assets	¥6,231	¥6,231	¥ -
Long-term loans payable(*3)...........................	9,700	9,724	24
Total liabilities	¥9,700	¥9,724	¥24

Note

(*1) "Cash" is omitted. "Bank deposit," "Trade notes and accounts receivable," " Electronically recorded monetary claim," "Trade notes and accounts payable," "Electronically recorded obligations," and "Account payable" are omitted because these are cash items and their fair values approximate their carrying values due to their short maturities.

(*2) Below items were not included in "(5) Investment securities", because they were not publicly traded, and obtaining an estimated fair value is deemed to be extremely difficult.

Items	Book value Millions of yen
	2021
Unlisted shares	**¥758**

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

Note)1. Redemption schedule after the balance sheet date for monetary claims and securities with maturity dates

	Millions of yen							
	March 31, 2022				March 31, 2021			
	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	**¥30,138**	**¥ -**	**¥ -**	**¥ -**	¥36,679	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other ……………………..	**64,389**	**-**	**-**	**-**	57,877	-	-	-
Electronically recorded monetary claims …………	**3,509**	**-**	**-**	**-**	3,101	-	-	-
Total assets	**¥98,036**	**¥ -**	**¥ -**	**¥ -**	¥97,657	¥ -	¥ -	¥ -

	Thousands of U.S. dollars (Note 3)			
	March 31, 2022			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**$246,204**	**$ -**	**$ -**	**$ -**
Notes receivable, accounts receivable from completed construction contracts and other ……………………..	**526,011**	**-**	**-**	**-**
Electronically recorded monetary claims ………….	**28,667**	**-**	**-**	**-**
Total assets	**$800,882**	**$ -**	**$ -**	**$ -**

Note)2. Repayment schedule after the balance sheet date for long-term loans and short-term loans.

	Millions of yen	
	March 31, 2022	March 31, 2021
	Long-term loans	Long-term loans
Due within one year …………....	**¥3,000**	¥5,500
Due after one to two years …….	**100**	3,000
Due after two to three years …...	**1,000**	100
Due after three to four years …...	**100**	1,000
Due after four to five years …...	**4,000**	100
Due after five years ……………	**-**	-

	Thousands of U.S. dollars (Note 3)
	March 31, 2022
	Long-term loans
Due within one year …………....	**$24,508**
Due after one to two years …….	**817**
Due after two to three years …...	**8,169**
Due after three to four years …...	**817**
Due after four to five years …....	**32,677**
Due after five years ……………	**-**

(3)Breakdown by fair value level of financial instruments

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1: Fair value calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value calculated using unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

(i) Financial instruments with fair value as carrying value

For the year ended March 31, 2022

	Fair value							
	Millions of yen				Thousands of U.S. dollars (Note 3)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities........								
Other securities………								
Stocks……. ……	¥5,331	-	-	¥5,331	$43,552	-	-	$43,552
Total assets	¥5,331	-	-	¥5,331	$43,552	-	-	$43,552

(ii) Financial instruments other than those with fair value as carrying value

For the year ended March 31, 2022

	Fair value							
	Millions of yen				Thousands of U.S. dollars (Note 3)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term loans payable………………	-	¥8,187	-	¥8,187	-	$66,884	-	$66,884
Total liabilities	-	¥8,187	-	¥8,187	-	$66,884	-	$66,884

Notes: Description of valuation techniques and inputs used in calculating fair value

Investment securities

The fair value of listed shares is estimated using quoted prices and classified as Level 1, because they are traded in active markets.

Long-term loans payable

The fair value of these borrowings is estimated using the discounted present value method based on the interest rate that would be applicable to similar new borrowings, and is classified as Level 2.

12. Investment Securities

Investment securities as of March 31, 2022 and 2021 were as follows:

(1) Held-to-maturity debt securities with market quotations are not applicable for the year ended March 31, 2022.

(2) Marketable securities

	Millions of yen					
	2022			2021		
	Acquisition cost	Fair market value	Difference	Acquisition cost	Fair market value	Difference
Marketable securities with unrealized gains						
Equity securities ……	**¥2,439**	**¥5,331**	**¥2,892**	¥2,387	¥6,231	¥3,844
Debt securities:						
Convertible bonds …	**-**	**-**	**-**	-	-	-
Others ………………	**-**	**-**	**-**	-	-	-
Sub total	**¥2,439**	**¥5,331**	**¥2,892**	¥2,387	¥6,231	¥3,844
Marketable securities with unrealized losses						
Equity securities ……	**-**	**-**	**-**	-	-	-
Debt securities:						
Convertible bonds …	**-**	**-**	**-**	-	-	-
Others ………………	**-**	**-**	**-**	-	-	-
Sub total	**-**	**-**	**-**	-	-	-
Total	**¥2,439**	**¥5,331**	**¥2,892**	¥2,387	¥6,231	¥3,844

	Thousands of U.S. dollars (Note 3)		
	2022		
	Acquisition cost	Fair market value	Difference
Marketable securities with unrealized gains			
Equity securities ……	**$19,928**	**$43,552**	**$23,624**
Debt securities:			
Convertible bonds …	-	-	-
Others ………………	-	-	-
Sub total	**$19,928**	**$43,552**	**$23,624**
Marketable securities with unrealized losses			
Equity securities ……	-	-	-
Debt securities:			
Convertible bonds …	-	-	-
Others ………………	-	-	-
Sub total	-	-	-
Total	**$19,928**	**$43,552**	**$23,624**

Non-marketable securities book value ¥632 million ($5,161 thousand) were not included in “Marketable securities” at March 31, 2022, 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, 2022 and 2021.

	Millions of yen					
	2022			2021		
	Proceeds from sales	Total gain	Total loss	Proceeds from sales	Total gain	Total loss
Equity securities ……	**¥6**	**¥5**	**¥-**	¥195	¥86	¥-
Debt securities:						
Convertible bonds …	**-**	**-**	**-**	-	-	-
Others ………………	**-**	**-**	**-**	-	-	-
Total	**¥6**	**¥5**	**¥-**	¥195	¥86	¥-

	Thousands of U.S. dollars (Note 3)		
	2022		
	Proceeds from sales	Total gain	Total loss
Equity securities ……	**$51**	**$42**	**$-**
Debt securities:			
Convertible bonds …	-	-	-
Others ………………	-	-	-
Total	**$51**	**$42**	**$-**

(4) Impairment of investment in securities

For the year ended March 31, 2022

The Company recorded impairment losses of ¥0 million ($2 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, 2021

The Company recorded impairment losses of ¥1 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.

13. 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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Balance at the beginning of the year…………………	**¥10,025**	¥10,047	**$81,900**
Service costs …………………………………………	**462**	465	**3,774**
Interest costs …………………………………………	**109**	109	**889**
Actuarial gain or loss ………………..........................	**(46)**	10	**(374)**
Payment of retirement benefits ………………………	**(602)**	(606)	**(4,916)**
Balance at the end of the year…………………………	**¥9,948**	¥10,025	**$81,273**

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

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Balance at the beginning of the year…………………	**¥9,477**	¥8,848	**$77,418**
Expected return on plan assets ………………………	**237**	221	**1,935**
Actuarial gain or loss ……………….........................	**(98)**	587	**(804)**
Contributions by the Company ……………………...	**394**	398	**3,215**
Payment of retirement benefits ………………………	**(583)**	(577)	**(4,761)**
Balance at the end of the year ………………………	**¥9,427**	¥9,477	**$77,003**

3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2022 and 2021 for the Company's and consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Funded retirement benefit obligations ………………	**¥9,833**	¥9,925	**$80,328**
Plan assets at fair value………………………………	**(9,426)**	(9,477)	**(77,004)**
	407	448	**3,324**
Unfunded retirement benefit obligations ……………	**116**	101	**945**
Net liability in the consolidated balance sheet……….	**523**	549	**4,269**
Liability for retirement benefits………………………	**523**	549	**4,269**
Net defined benefit liability in the consolidated balance sheet ………….……….……….…………...	**¥523**	¥549	**$4,269**

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Service costs …………………………………………	**¥462**	¥465	**$3,774**
Interest costs …………………………………………	**109**	109	**889**
Expected return on plan assets ………………………	**(237)**	(221)	**(1,935)**
Amortization of actuarial gain (loss)…………………	**(29)**	145	**(238)**
Amortization of prior service costs …….…………...	**-**	(2)	**-**
Retirement benefit expense …………………………	**¥305**	¥496	**$2,490**

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

5) The components of retirement benefits liability adjustments included in other comprehensive income (before the tax effect) for the years ended March 31, 2022 and 2021 are as follows;

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Prior service cost ……………………………………	**¥-**	¥2	**$-**
Actuarial gain and loss ………………. …………….	**82**	(722)	**668**
Total	**¥82**	¥(720)	**$668**

6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before the tax effect) as of March 31, 2022 and 2021 are as follows;

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2022**	2021	**2022**
Unrecognized prior service costs ……………………	**-**	-	**-**
Unrecognized actuarial differences …………………...	**¥ (245)**	¥ (326)	**$(1,999)**
Total	**¥ (245)**	¥ (326)	**$(1,999)**

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, 2022 and 2021 are as follows:

March 31	**2022**	2021
Bonds …………………………………………	**49%**	53%
Stocks …………………………………………	**25**	27
General accounts……………………………….	**11**	11
Cash and deposits……………………	**8**	2
Others ……..…………...	**7**	7
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	**2022**	2021
Discount rate ………………………………………	**1.1%**	1.1%
Long-term expected rate of return………………	**2.5**	2.5
Expected rates of salary increase ………………	**6.1**	6.5

(3) Defined contribution plans

Annual contributions to the defined contribution plans for the years ended March 31, 2022 and 2021 are as follows;

	Millions of yen		Thousands of U.S. dollars
March 31	**2022**	2021	**2022**
	¥105	¥104	**$861**

14. Accounting for Income Taxes

(1) Significant components of deferred tax assets and liabilities

At March 31, 2022 and 2021, significant components of deferred tax assets and liabilities were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Deferred tax assets:			
Accrued expenses …………………………………	**¥672**	¥847	**$5,492**
Impairment loss on fixed assets …………………	**503**	511	**4,109**
Net defined benefit liability………………….…..	**185**	188	**1,507**
Reserve for corporate tax………………….……..	**149**	181	**1,216**
Others ……………………………………………..	**320**	332	**2,613**
Sub total of deferred tax assets ………………………	**1,829**	2,059	**14,937**
Less valuation allowance ……………………………	**(594)**	(598)	**(4,856)**
Total of deferred tax assets …………………………..	**1,235**	1,461	**10,081**
Deferred tax liabilities			
Accelerated depreciation of fixed assets …………	**(320)**	(321)	**(2,616)**
Valuation difference on available-for-sale securities …………………………………………	**(885)**	(1,176)	**(7,230)**
Others …………………………………………….	**(27)**	(4)	**(216)**
Total of deferred tax liabilities ………………………	**(1,232)**	(1,501)	**(10,062)**
Net deferred tax assets (liabilities)…………………	**¥2**	¥(40)	**$19**

For the years ended March 31, 2022 and 2021, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

For the year ended March 31, 2022
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, 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.

15. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers for the year ended March 31, 2022

	Millions of yen					
	Reporting Segment				Other (Note1)	Total
For the year ended March 31, 2022	Construction	Material sales	Leasing business	Total		
Type of works						
Paving work………….. …	**¥89,692**	**-**	**-**	**¥89,692**	**-**	**¥89,692**
Civil engineering work..…	**39,040**	**-**	**-**	**39,040**	**-**	**39,040**
Building work……………..	**801**	**-**	**-**	**801**	**-**	**801**
Others……………………...	**-**	**¥20,217**	**¥354**	**¥20,571**	**¥1,319**	**¥21,890**
Revenue from contracts with customers……………………..	**¥129,533**	**¥20,217**	**¥354**	**¥150,104**	**¥1,319**	**¥151,423**
Other revenue…………………	**-**	**-**	**¥4,957**	**¥4,957**		**¥4,957**
Sales to external customers.…	**¥129,533**	**¥20,217**	**¥5,311**	**¥155,061**	**¥1,319**	**¥156,380**

	Thousands of U.S. dollars (Note 3)					
	Reporting Segment				Other (Note1)	Consolidated total
For the year ended March 31, 2022	Construction	Material sales	Leasing business	Total		
Type of works						
Paving work………….. …	**$732,715**	**-**	**-**	**$732,715**	**-**	**$732,715**
Civil engineering work..…	**318,929**	**-**	**-**	**318,929**	**-**	**318,929**
Building work……………..	**6,539**	**-**	**-**	**6,539**	**-**	**6,539**
Others……………………...	**-**	**$165,160**	**$2,893**	**$168,053**	**$10,776**	**$178,829**
Revenue from contracts with customers……………………..	**$1,058,183**	**$165,160**	**$2,893**	**$1,226,236**	**$10,776**	**$1,237,012**
Other revenue…………………	**-**	**-**	**$40,497**	**$40,497**		**$40,497**
Sales to external customers.…	**$1,058,183**	**$165,160**	**$43,390**	**$1,266,733**	**$10,776**	**$1,277,509**

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

(2) Basic information for understanding revenue from contracts with customers is noted under 2.Summary of Significant Accounting Policies (9).

(3) Information to understand amount of revenue for the year ended March 31, 2022

(i)Balances of receivables, contract assets and contract liabilities

For the year ended March 31, 2022

	Millions of yen	Thousands of U.S. dollars (Note 3)
Receivables arising from contracts with customers (balance at the beginning of the year)………………………………………………	**¥27,410**	**$223,920**
Receivables arising from contracts with customers (balance at the end of the year)……………………………………………………...	**36,026**	**294,307**
Contract assets (balance at the beginning of the year)…………….....	**19,189**	**156,758**
Contract assets (balance at the end of the year)……………………..	**17,796**	**145,380**
Contract liabilities (balance at the beginning of the year)…………..	**1,413**	**11,540**
Contract liabilities (balance at the end of the year)…………………	**1,832**	**14,963**

The revenue recognized during the fiscal year that was included in the balance of contract liabilities at the beginning of the year was ¥1,349 million ($11,016 thousand).

(ii) The amount of revenue recognized in the fiscal year from performance obligations that were satisfied (or partially satisfied) in prior years was ¥1,379 million ($11,266 thousand).

(iii) Transaction price allocated to remaining performance obligations

Total amount of transaction price allocated to remaining performance obligations was ¥65,062 million ($531,507 thousand), and will be recognized as revenue approximately within one year.

In addition, although the transaction price allocated to the remaining performance obligations of the Company is the unrecorded revenue at the end of the term of construction contracts for paving work, civil engineering work, building work, and other construction work in general, contracts with an initially expected contract period of 3 months or less are not included in the notes.

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 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.

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

	Millions of yen					
For the year ended March 31, 2022	Construction	Material sales	Leasing business	Other	Adjustment	Consolidated total
Sales						
Sales to external customers …	**¥129,532**	**¥20,217**	**¥5,312**	**¥1,319**	**¥ -**	**¥156,380**
Inter-segment sales ………	**5**	**9,039**	**1,043**	**110**	**(10,197)**	**-**
Total …………………………	**129,537**	**29,256**	**6,355**	**1,429**	**(10,197)**	**156,380**
Segment income ……………	**¥8,939**	**¥1,915**	**¥418**	**¥303**	**¥(3,372)**	**¥8,203**
Depreciation …………………	**¥1,278**	**¥1,924**	**¥515**	**¥36**	**¥104**	**¥3,857**
Increase of tangible fixed assets and intangible assets …………	**¥1,045**	**¥1,075**	**¥535**	**¥7**	**¥2,150**	**¥4,812**

	Millions of yen					
For the year ended March 31, 2021	Construction	Material sales	Leasing business	Other	Adjustment	Consolidated total
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
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

	Thousands of U.S. dollars (Note 3)					
For the year ended March 31, 2022	Construction	Material sales	Leasing business	Other	Adjustment	Consolidated total
Sales						
Sales to external customers …	**$1,058,183**	**$165,160**	**$43,390**	**$10,776**	**$ -**	**$1,277,509**
Inter-segment sales …………	**40**	**73,842**	**8,519**	**897**	**(83,298)**	**-**
Total ………………………………	**1,058,223**	**239,002**	**51,909**	**11,673**	**(83,298)**	**1,277,509**
Segment income ……………	**$73,027**	**$15,641**	**$3,413**	**$2,474**	**$(27,545)**	**$67,010**
Depreciation ……………………	**$10,441**	**$15,716**	**$4,211**	**$291**	**$850**	**$31,509**
Increase of tangible fixed assets and intangible assets …………	**$8,537**	**$8,783**	**$4,371**	**$61**	**$17,563**	**$39,315**

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

2. "Adjustment" is as follows:

Segment income	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Elimination of inter segment transactions	**¥17**	¥17	**$137**
Corporate expense (*)	**¥(3,389)**	¥(3,198)	**$(27,682)**
Total	**¥(3,372)**	¥(3,181)	**$(27,545)**

**Corporate expenses mainly comprise headquarters' general and administrative expenses 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.

4. The amounts of business segment assets have not been presented because they were not allocated to business segments

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, 2022

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.

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.

Information on Impairment Loss on Tangible Fixed Assets by reporting segment

For the year ended March 31, 2022

None

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

Note) 1."Others" includes the real estate, development and sales of the software, sales of the apparatus for office work, 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 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, 2021, and not applicable for the year ended March 31, 2022.

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, 2022 and 2021.

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

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, 2022 and 2021 were as follows:

For the year ended March 31, 2022

				Transaction			Resulting accounting balance		
Name of parent company	Paid-in capital	Principal Business	Equity ownership percentage by the company	Description of the company's transactions	Millions of yen	Thousands of U.S. dollars (Note 3)	Account	Millions of yen	Thousands of U.S. dollars (Note 3)
Shimizu Corporation	¥74,365 million	Construction & Development	50.28%	Construction contracts	**¥13,144**	$107,378	Accounts receivable from completed construction contracts	**¥3,582**	$29,261
				Material sales	**¥26**	$210	Electronically recorded monetary claims	**¥1,431**	$11,687
				Construction order	**¥97**	$791	Advances received on uncompleted construction contracts	**¥314**	$2,562
							Accounts receivable -trade	**¥7**	$53
							Accounts receivable -other	**¥3**	$27

Note) 1. Of the above amounts, the resulting accounting balance includes consumption tax, etc.

2. The terms and conditions of transactions with the parent company and policy for determining the terms and conditions of transactions, etc.

(i) Matters to be considered so as not to harm the interests of the Company when conducting such transactions

The terms and conditions of transactions with the parent company for subcontracting orders, receiving orders, and sales of materials are determined in the same manner as general terms and conditions of transactions after negotiations for each transaction, taking into account market prices, total costs, etc.

(ii) The Company's board of directors' judgement and the reason as to whether the transaction will harm the interests of the Company and the reasons therefor;

The Company's board of directors has determined that the above transaction will not harm the interests of the Company, as the Company makes the final decision based on internal standards and independently of the parent company.

(iii) Opinions when the judgment of the Board of Directors is different from the opinions of outside directors

None

3. As a result of a tender offer for the Company's shares by Shimizu Corporation, which was a related company (ownership ratio: 24.93%) until the previous fiscal year, the Company became a subsidiary of Shimizu Corporation on March 29, 2022 as the parent company. The transaction amount indicates the transaction amount for the current fiscal year, and the resulting accounting balance indicates the balance at the end of the current fiscal year.

For the year ended March 31, 2021

Name of related company	Paid-in capital	Principal Business	Equity ownership percentage by the company	Transaction		Resulting accounting balance	
				Description of the company's transactions	Millions of yen	Account	Millions of yen
Shimizu Corporation	¥74,365 million	Construction & Development	24.93%	Construction contracts	**¥13,224**	Accounts receivable from completed construction contracts	**¥3,530**
				Material sales	**¥27**	Electronically recorded monetary claims	**¥1,116**
				Construction order	**¥373**	Advances received on uncompleted construction contracts	**¥324**
				Compensation due to suspension of operations	**¥44**	Accounts receivable -trade	**¥6**
						Accounts receivable -other	**¥4**

Note) 1. Of the above amounts, the transaction amount does not include consumption tax, etc., and the resulting accounting balance includes consumption tax, etc.

2. The terms and conditions of transactions and policy for determining the terms and conditions of transactions, etc.

(i) Contracts for construction work and sales of pavement materials, etc. are determined in the same manner as general terms and conditions of transactions after negotiations for each transaction, taking into account market prices and total costs.

(ii) Order prices for construction work are determined based on quotations from several companies. Payment terms are determined in the same manner as general terms and conditions of transactions.

18. Per Share Data

	Yen		U.S. dollars (Note 3)
Per Share	**2022**	2021	**2022**
Net assets ………………………………………..	**¥10,793.58**	¥10,478.50	**$88.18**
Profit attributable to owners of parent :			
Basic ……………………………………………	**¥644.82**	¥864.46	**$5.27**
Diluted ………………………………………….	**-**	-	-
Cash dividends			
Common shares ………………………………..	**¥210.00**	¥260.00	**$1.72**

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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Net assets ……………………………………..	**¥95,007**	¥92,233	**$776,135**
Deduction amount ………………………………	**¥139**	¥131	**$1,135**
(Non-controlling interests) ……………………	**¥(139)**	¥(131)	**$(1,135)**
Net assets available to common stockholders ….	**¥94,868**	¥92,102	**$774,999**
Common stock outstanding except for treasury stock (in thousands of shares) …………………..	**8,789**	8,790	

Calculation bases for profit per share for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Profit attributable to owners of parent …………	**¥5,668**	¥7,599	**$46,300**
Profit not available to common stockholders ….	**-**	-	**-**
(Net income appropriated as bonuses to directors) ……………………………………..…	**-**	-	**-**
Profit attributable to owners of parent available to common stockholders …………………………	**¥5,668**	¥7,599	**$46,300**
Average common stock outstanding (in thousands of shares). ………………………..	**8,790**	8,790	

19. Subsequent Events

At the meeting of the board of directors held on July 29, 2022, the Company resolved to sell the common stock of the parent company Shimizu Corporation, and the sale was carried out on August 2, 2022.
As the Company became a consolidated subsidiary of Shimizu Corporation on March 29, 2022, the Company sold the shares in accordance with Article 135, Paragraph 3 of the Companies Act.
The gain on the sale of investment securities was recorded as extraordinary income in the second quarter of the fiscal year ending March 31, 2023.

1. Details of the sale

(1) Type of shares to be sold	Shimizu Corporation Common stock
(2) Number of shares sold	5,390,000 shares
(3) Sale date	August 2, 2022
(4) Sale price	¥4,005 million ($32,716 thousand) Amount obtained by multiplying the closing price of the shares on the Tokyo Stock Exchange on August 2, 2022 by 5,390,000 shares
(5) Gain on sale	¥2,304 million ($18,825 thousand)
(6) Buyer and method of sale	Shimizu& Co., Ltd. Sold on the Tokyo Stock Exchange off-Floor trading (ToSTNeT-1)

20. 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	**2022**	2021	**2022**		
Short-term loans payable …	**¥-**	¥-	**$-**	-	-
Current portion of long-term loans payable ………………	**3,000**	5,500	**24,508**	0.90	-
Long-term loans payable (excluding current portion) …	**5,200**	4,200	**42,480**	0.52	2023~ 2027
Total	**¥8,200**	¥9,700	**$66,988**		

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

March 31 , 2022	Millions of yen	Thousands of U.S. dollars (Note 3)
Due after one to two years ………………	¥100	$817
Due after two to three years ………………	1,000	8,169
Due after three to four years ………………	100	817
Due after four to five years ………………	4,000	32,677
	¥5,200	$42,480

21. 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, 2021 and March 31, 2022 has not been presented because it represented less than 1% of total liabilities and net assets on the consolidated balance sheets.

22. Quarterly Information (Unaudited)

	Millions of yen			
	The first quarter Apr. 1 – Jun. 30, 2021	The second quarter Jul. 1 – Sep. 30, 2021	The third quarter Oct. 1 – Dec. 31, 2021	The fourth quarter Jan. 1 – Mar. 31, 2022
Net Sales ……………………	¥34,871	¥71,613	¥115,279	¥156,380
Profit before income taxes.	¥1,007	¥3,126	¥6,507	¥8,533
Profit attributable to owners of parent …………	¥663	¥2,106	¥4,362	¥5,668
Profit attributable to owners of parent of per share (Yen) …………………	¥75.45	¥239.59	¥496.32	¥644.82

	Thousands of U.S. dollars (Note 3)			
	The first quarter Apr. 1 – Jun. 30, 2021	The second quarter Jul. 1 – Sep. 30, 2021	The third quarter Oct. 1 – Dec. 31, 2021	The fourth quarter Jan. 1 – Mar. 31, 2022
Net Sales ……………………	$284,873	$585,022	$941,745	$1,277,509
Profit before income taxes.	$8,227	$25,536	$53,158	$69,704
Profit attributable to owners of parent …………	$5,418	$17,204	$35,638	$46,300
Profit attributable to owners of parent of per share (U.S. dollars) ………	$0.62	$1.96	$4.05	$5.27

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