
Consolidated Financial Statements

Consolidated Five-Year Summary

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2018	2019	2020	2021	2022	2022
Net sales	¥526,902	¥541,949	¥573,843	¥471,059	¥458,232	\$3,743,418
Construction	517,526	531,851	564,136	464,214	447,888	3,658,913
Other	9,376	10,098	9,707	6,845	10,344	84,505
Total assets	418,423	383,840	428,875	452,248	467,364	3,818,022
Net assets excluding non-controlling interests	111,971	126,517	141,175	158,287	159,600	1,303,812
Ordinary income	25,683	26,569	32,546	30,546	15,659	127,924
Income before income taxes	25,290	26,560	32,455	30,166	16,074	131,310
Net income attributable to owners of parent	17,826	18,899	23,353	20,994	10,754	87,850
Cash dividends	4,003	5,430	6,859	8,002	6,573	53,700
Per share of common stock:						
	Yen					U.S. dollars
Net assets excluding non-controlling interests	¥392.27	¥443.36	¥494.70	¥555.32	¥559.85	\$4.57
Net income attributable to owners of parent	62.41	66.22	81.83	73.62	37.72	0.31
Cash dividends	14.00	19.00	24.00	28.00	23.00	0.19
Number of employees	3,175	3,319	3,416	3,565	3,667	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥122.41 per U.S.\$1, prevailing on March 31, 2022.

2. Cash dividends for shares held by BBT amounted to ¥17 million (\$136 thousand) are included in cash dividends above.

3. "Development business" presented as an item in net sales is included in "Other" in the year ended March 31, 2019 and thereafter, since its materiality has decreased. The above amounts in the previous years have been reclassified from "Development business" to "Other" in order to reflect the change in presentation.

Business Performance

As our group's business results in the current consolidated fiscal year, we posted sales of ¥458.2 billion (US\$3,743.4 million) (down 2.7% from the previous consolidated fiscal year), an operating profit of ¥15.9 billion (US\$130.2 million) (down 47.7% from the previous consolidated fiscal year), an ordinary income of ¥15.7 billion (US\$127.9 million) (down 48.7% from the previous consolidated fiscal year), and a net income attributable to owners of parent of ¥10.8 billion (US\$87.9 million) (down 48.8% from the previous consolidated fiscal year).

The decrease in sales was mainly caused by the completion of a large civil engineering construction project related to the Tokyo Olympic and Paralympic Games in Japan in the previous year, and the completion or near completion of large-scale harbor constructions related to ODA overseas.

In terms of profit, Provision for loss on construction contracts of around ¥9 billion (US\$74 million) was recorded, firstly because construction costs were expected to rise due to mismatch about site conditions in a large-scale civil engineering construction project in Singapore, as well as the effect of the prolonged COVID-19 pandemic, and secondly due to unsuccessful negotiations for design changes to the completed construction. In addition, the decrease in gross profit from the completed construction caused by the decrease in sales of completed construction contracts from domestic civil engineering construction projects affected our performance. Consequently, operating profit, ordinary income and net income attributable to owners of parent all decreased significantly.

Segment Information

(Domestic Civil Engineering Business)

In our Domestic Civil Engineering Business, orders amounted to ¥179.4 billion (US\$1,465.9 million), down ¥18.8 billion (US\$153.4 million) from the previous fiscal year (down 9.5%

from the previous consolidated fiscal year), due to an impact by the receipt of the order for a large-scale harbor construction project in the previous year, and the decrease of governmental onshore constructions. Sales amounted to ¥176.9 billion (US\$1,445.5 million) (down 11.1% from the previous consolidated fiscal year), and segment income was ¥17.5 billion (US\$142.7 million) (down 23.6% from the previous consolidated fiscal year), due to the decrease in gross profit from the completed construction caused by the decrease in sales.

(Domestic Building Construction Business)

In our Domestic Building Construction Business, orders amounted to ¥162.2 billion (US\$1,324.9 million), down ¥17.7 billion (US\$144.8 million) (down 9.9% from the previous consolidated fiscal year). Sales amounted to ¥153.4 billion (US\$1,253.5 million) (up 6.2% from the previous consolidated fiscal year), and segment income was ¥3.6 billion (US\$29.8 million) (down 9.9% from the previous consolidated fiscal year).

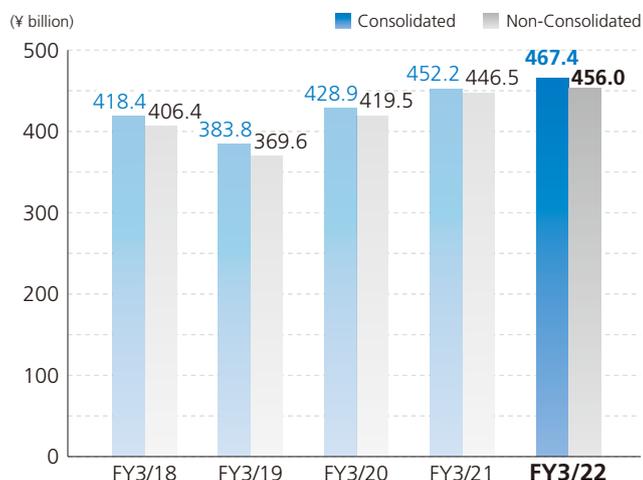
(Overseas Construction Business)

In our Overseas Construction Business, only 1 order for a large-scale construction was received, so orders decreased to ¥56 billion (US\$457.7 million), down ¥94.9 billion (US\$775.5 million) from the previous term (down 62.9% from the previous consolidated fiscal year). Sales amounted to ¥120.3 billion (US\$982.4 million) (down 1.4% from the previous consolidated fiscal year), and segment loss was ¥6 billion (US\$48.8 million) (a segment income of ¥2.9 billion (US\$23.4 million) in the previous consolidated fiscal year).

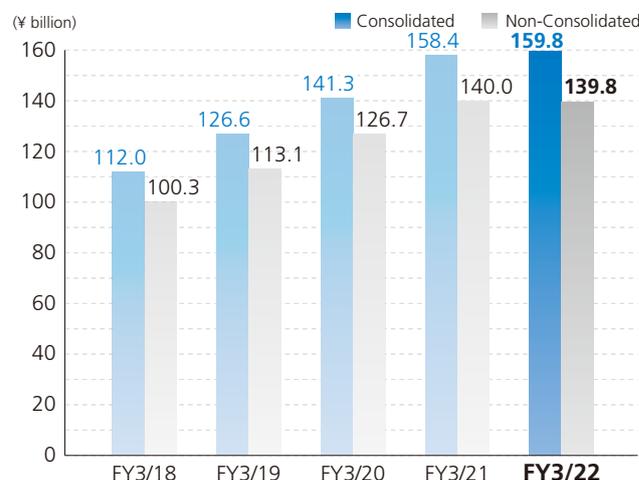
(Other)

In our Other Businesses, which mainly consists of the domestic real estate development, shipbuilding and environment business, sales amounted to ¥7.6 billion (US\$62.0 million) (up 33.2% from the previous consolidated fiscal year), and segment

Total Assets



Total Net Assets



income was ¥0.8 billion (US\$6.5 million)(up 16.5% from the previous consolidated fiscal year).

Financial Position

The total assets of our group at the end of the current consolidated fiscal year stood at ¥467.4 billion (US\$3,818.0 million), up ¥15.1 billion (US\$123.5 million) from the end of the previous consolidated fiscal year, because of the increase in notes receivable and accounts receivable from completed construction contracts, despite the decrease in cash and deposits. Liabilities totaled ¥307.6 billion (US\$2,512.7 million), up ¥13.7 billion (US\$112.2 million) from the end of the previous consolidated fiscal year, owing to the increase of commercial papers. Total net assets stood at ¥159.8 billion (US\$1,305.3 million), up ¥1.4 billion (US\$11.3 million) from the end of the previous consolidated fiscal year, because of the increase in retained earnings caused by the posting of net income attributable to owners of parent.

Cash Flows

Cash and cash equivalents as of the end of the current consolidated fiscal year stood at ¥43.6 billion (US\$355.9 million), down ¥15.6 billion (US\$127.7 million) (26.4%) from the end of the previous consolidated fiscal year. The status of cash flows for the current consolidated fiscal year and their factors are as follows.

(Cash flow from operations)

There was a cash outflow of ¥7.7 billion (US\$62.8 million) (a cash inflow of ¥30.7 billion (US\$250.7 million) in the previous consolidated fiscal year), as net income before taxes and other adjustments was ¥16.1 billion (US\$131.3 million), but accounts receivable increased.

(Cash flow from investments)

There was a cash outflow of ¥11.8 billion (US\$96.6 million) (a

cash outflow of ¥12.8 billion (US\$104.6 million) in the previous consolidated fiscal year), due to the purchase of shares of equity-method affiliates as well as the purchase of tangible fixed assets.

(Cash flow from financial activities)

There was a cash inflow of ¥1.4 billion (US\$11.1 million) (a cash outflow of ¥3.1 billion (US\$25.4 million) in the previous consolidated fiscal year) due to revenues from the issuance of commercial paper, etc..

Dividends

Our basic policies are to improve profitability and increase corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute continuous and stable dividends to shareholders.

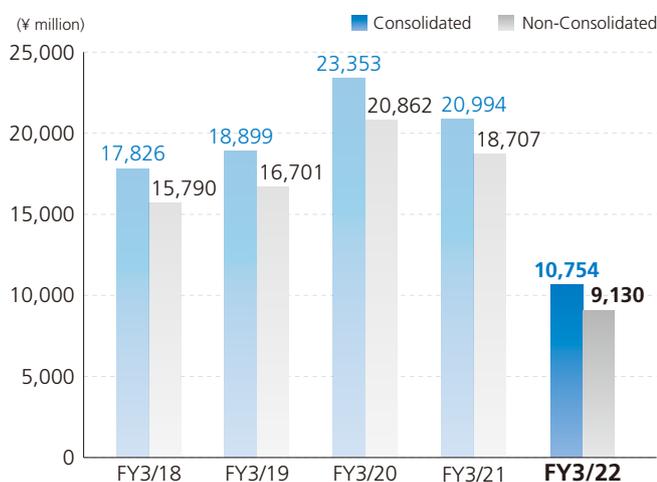
Under these policies, we have been aiming to achieve a (consolidated) dividend payout ratio of 30% or higher, however, from the fiscal year 2022, we have set a target (consolidated) total return ratio, including the acquisition of treasury shares, as a goal for shareholder returns, in addition to a target dividend payout ratio. In order to carry out our carbon-neutral initiatives, we plan to actively implement the investment in workboats for construction of offshore wind power generation plants, etc., and set the target (consolidated) total return ratio at 40%.

With regard to the dividend payment in the current fiscal year, based on the above policies and performance in the current fiscal year, it was set at ¥23 per common share.

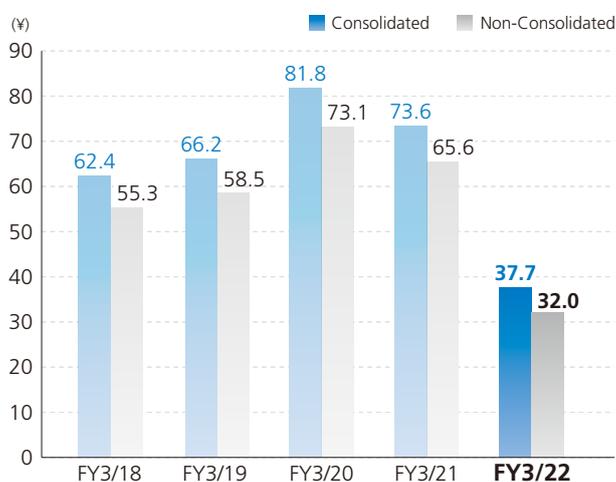
In addition, it is our policy to distribute an annual dividend at the end of each fiscal year, and its amount is determined at a general meeting of shareholders.

* Exchange rate at the term end: US\$1 = ¥122.41

Net Income



Net Income per Share



Consolidated Balance Sheets

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
As of March 31

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Current assets:			
Cash and deposits (Note 20)	¥ 59,782	¥ 44,838	\$ 366,296
Securities (Notes 3(3), 7, 8 and 20)	9	18	151
Trade receivables: (Notes 11 and 20)			
Notes	7,231	6,105	49,876
Accounts	250,606	269,436	2,201,092
Inventories: (Note 3(5))			
Costs on uncompleted construction contracts	9,258	11,453	93,562
Real estate for sale and development projects in progress	1,898	1,228	10,031
Other	3,137	3,443	28,128
Other	3,525	8,202	66,999
Allowance for doubtful accounts (Note 3(9))	(358)	(346)	(2,825)
Total current assets	335,088	344,377	2,813,310
Non-current assets:			
Property, plant and equipment: (Notes 3(6) and 3(8))			
Land	33,492	33,501	273,679
Buildings and structures	38,121	37,943	309,969
Machinery, equipment and vehicles	20,855	20,787	169,817
Dredgers and vessels	84,960	89,067	727,612
Construction in progress	11,963	16,341	133,493
Total property, plant and equipment	189,391	197,639	1,614,570
Less: accumulated depreciation	(104,984)	(110,132)	(899,698)
Property, plant and equipment - net	84,407	87,507	714,872
Intangible assets (Notes 3(7) and 3(17))	3,932	3,762	30,729
Investments and other assets:			
Investment securities (Notes 3(3), 7, 8 and 20)	19,485	21,057	172,018
Deferred tax assets (Note 18)	3,110	4,249	34,710
Net defined benefit asset (Note 19)	3,190	3,477	28,404
Other (Note 8)	6,298	6,434	52,559
Allowance for doubtful accounts (Note 3(9))	(3,262)	(3,499)	(28,580)
Total investments and other assets	28,821	31,718	259,111
Total non-current assets	117,160	122,987	1,004,712
Total assets	¥452,248	¥467,364	\$3,818,022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Current liabilities:			
Short-term loans payable (Note 9)	¥ 20,919	¥ 21,188	\$ 173,087
Commercial papers (Note 9)	—	10,000	81,693
Current portion of long-term loans payable and bonds payable (Note 9)	17,922	7,922	64,717
Trade payable:			
Accounts	124,867	124,473	1,016,856
Advance received on uncompleted construction contracts (Note 11)	24,586	30,900	252,433
Deposits received	42,150	38,735	316,436
Income taxes payable	4,806	2,839	23,189
Provision for loss on construction contracts (Note 3(12))	1,375	3,868	31,596
Provision for warranties for completed construction (Note 3(10))	993	792	6,469
Provision for bonuses (Note 3(11))	2,980	3,123	25,511
Other	4,241	3,925	32,066
Total current liabilities	244,839	247,765	2,024,053
Non-current liabilities:			
Bonds payable (Notes 9 and 20)	20,000	30,000	245,078
Long-term loans payable (Notes 9 and 20)	23,372	23,447	191,548
Provision for board benefit trust (Note 3(13))	299	348	2,847
Net defined benefit liability (Notes 3(14) and 19)	1,118	1,847	15,090
Deferred tax liabilities for land revaluation (Note 10(2))	3,680	3,680	30,059
Other	536	491	4,009
Total non-current liabilities	49,005	59,813	488,631
Total liabilities	293,844	307,578	2,512,684
Commitments and contingent liabilities (Note 17)			
Net assets:			
Shareholders' equity:			
Capital stock	30,450	30,450	248,754
Authorized - 599,135,000 shares			
Issued shares - 286,013,910 shares 2021 and 2022			
Capital surplus (Note 10(1))	18,387	18,387	150,206
Retained earnings (Note 10(1))	101,199	103,985	849,480
Less: Treasury shares (Note 6(1))	(591)	(565)	(4,609)
Total shareholders' equity	149,445	152,257	1,243,831
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3(3) and 10(3))	4,584	3,228	26,367
Deferred gains or losses on hedges (Note 3(16))	(175)	(162)	(1,325)
Revaluation reserve for land (Note 10(2))	3,913	3,913	31,963
Foreign currency translation adjustment (Note 3(2))	(15)	512	4,193
Remeasurements of defined benefit plans (Notes 3(14) and 19)	536	(149)	(1,217)
Total accumulated other comprehensive income	8,843	7,342	59,981
Non-controlling interests	116	187	1,526
Total net assets	158,404	159,786	1,305,338
Total liabilities and net assets	¥452,248	¥467,364	\$3,818,022

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Construction business: (Notes 3(15), 4 and 11)			
Net sales	¥464,214	¥447,888	\$3,658,913
Cost of sales	416,484	413,458	3,377,641
Gross profit	47,730	34,430	281,272
Other:			
Net sales	6,845	10,344	84,505
Cost of sales	4,536	7,538	61,590
Gross profit	2,309	2,806	22,915
Total:			
Total net sales	471,059	458,232	3,743,418
Total cost of sales	421,020	420,996	3,439,231
Total gross profit	50,039	37,236	304,187
Selling, general and administrative expenses	19,578	21,296	173,973
Operating profit	30,461	15,940	130,214
Non-operating income:			
Interest and dividends income	449	391	3,196
Foreign exchange gains	10	177	1,443
Other	732	377	3,080
	1,191	945	7,719
Non-operating expenses:			
Interest expenses	667	636	5,197
Provision of allowance for doubtful accounts	259	266	2,173
Other	180	324	2,639
	1,106	1,226	10,009
Ordinary income	30,546	15,659	127,924
Extraordinary income (Note 12)	139	878	7,176
Extraordinary losses (Note 13)	519	463	3,790
Income before income taxes	30,166	16,074	131,310
Income taxes : (Notes 3(19) and 18)			
Current	7,450	5,621	45,916
Deferred	1,735	(267)	(2,184)
	9,185	5,354	43,732
Net income attributable to:	20,981	10,720	87,578
Non-controlling interests	(13)	(34)	(272)
Owners of parent	¥ 20,994	¥ 10,754	\$ 87,850
	Yen		U.S. dollars
Net income attributable to owners of parent per share of common stock (Note 23)			
Basic	¥73.62	¥37.72	\$0.31

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net income	¥20,981	¥10,720	\$87,578
Valuation difference on available-for-sale securities	1,911	(1,356)	(11,080)
Deferred gains or losses on hedges	(219)	13	106
Foreign currency translation adjustments	155	619	5,057
Remeasurements of defined benefit plans	1,351	(685)	(5,596)
Share of other comprehensive income of associates accounted for using the equity method	—	(85)	(692)
Total other comprehensive income (Note 15)	3,198	(1,494)	(12,205)
Comprehensive income	¥24,179	¥ 9,226	\$75,373
(Breakdown)			
Comprehensive income attributable to owners of parent	¥24,188	¥ 9,254	\$75,596
Comprehensive income attributable to non-controlling interests	(9)	(27)	(223)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries

For the year ended March 31, 2021

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥ 87,066	¥(374)	¥135,529
Cumulative effects of changes in accounting policies					—
Restated balance	30,450	18,387	87,066	(374)	135,529
Changes of items during period					
Dividends of surplus			(6,858)		(6,858)
Net income attributable to owners of parent			20,994		20,994
Reversal of revaluation reserve for land			(3)		(3)
Purchase of treasury shares				(229)	(229)
Disposal of treasury shares				12	12
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	14,133	(217)	13,916
Balance at the end of current period	¥30,450	¥18,387	¥101,199	¥(591)	¥149,445

	Millions of yen								
	Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	¥2,673	¥ 45	¥3,910	¥(167)	¥(815)	¥5,646	¥125	¥141,300	
Cumulative effects of changes in accounting policies								—	
Restated balance	2,673	45	3,910	(167)	(815)	5,646	125	141,300	
Changes of items during period									
Dividends of surplus								(6,858)	
Net income attributable to owners of parent								20,994	
Reversal of revaluation reserve for land								(3)	
Purchase of treasury shares								(229)	
Disposal of treasury shares								12	
Net changes of items other than shareholders' equity	1,911	(220)	3	152	1,351	3,197	(9)	3,188	
Total changes of items during period	1,911	(220)	3	152	1,351	3,197	(9)	17,104	
Balance at the end of current period	¥4,584	¥(175)	¥3,913	¥ (15)	¥ 536	¥8,843	¥116	¥158,404	

For the year ended March 31, 2022

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥101,199	¥(591)	¥149,445
Cumulative effects of changes in accounting policies			35		35
Restated balance	30,450	18,387	101,234	(591)	149,480
Changes of items during period					
Dividends of surplus			(8,003)		(8,003)
Net income attributable to owners of parent			10,754		10,754
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				26	26
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,751	26	2,777
Balance at the end of current period	¥30,450	¥18,387	¥103,985	¥(565)	¥152,257

Millions of yen								
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	¥4,584	¥(175)	¥3,913	¥ (15)	¥ 536	¥8,843	¥116	¥158,404
Cumulative effects of changes in accounting policies								35
Restated balance	4,584	(175)	3,913	(15)	536	8,843	116	158,439
Changes of items during period								
Dividends of surplus								(8,003)
Net income attributable to owners of parent								10,754
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(0)
Disposal of treasury shares								26
Net changes of items other than shareholders' equity	(1,356)	13	—	527	(685)	(1,501)	71	(1,430)
Total changes of items during period	(1,356)	13	—	527	(685)	(1,501)	71	1,347
Balance at the end of current period	¥3,228	¥(162)	¥3,913	¥512	¥(149)	¥7,342	¥187	¥159,786

For the year ended March 31, 2022

Thousands of U.S. dollars					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	\$248,754	\$150,206	\$826,719	\$(4,821)	\$1,220,858
Cumulative effects of changes in accounting policies			285		285
Restated balance	248,754	150,206	827,004	(4,821)	1,221,143
Changes of items during period					
Dividends of surplus			(65,374)		(65,374)
Net income attributable to owners of parent			87,850		87,850
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				215	215
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	22,476	212	22,688
Balance at the end of current period	\$248,754	\$150,206	\$849,480	\$(4,609)	\$1,243,831

Thousands of U.S. dollars								
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	\$37,448	\$(1,431)	\$31,963	\$(124)	\$ 4,379	\$72,235	\$ 948	\$1,294,041
Cumulative effects of changes in accounting policies								285
Restated balance	37,448	(1,431)	31,963	(124)	4,379	72,235	948	1,294,326
Changes of items during period								
Dividends of surplus								(65,374)
Net income attributable to owners of parent								87,850
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(3)
Disposal of treasury shares								215
Net changes of items other than shareholders' equity	(11,081)	106	—	4,317	(5,596)	(12,254)	578	(11,676)
Total changes of items during period	(11,081)	106	—	4,317	(5,596)	(12,254)	578	11,012
Balance at the end of current period	\$26,367	\$(1,325)	\$31,963	\$4,193	\$(1,217)	\$59,981	\$1,526	\$1,305,338

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from operating activities:			
Income before income taxes	¥30,166	¥16,074	\$131,310
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	7,395	6,488	53,003
Amortization of goodwill	124	261	2,136
Increase (decrease) in allowance for doubtful accounts	(143)	225	1,835
Increase (decrease) in net defined benefit liability	40	(0)	(2)
Decrease (increase) in net defined benefit asset	(276)	(286)	(2,337)
Interest and dividends income	(449)	(391)	(3,196)
Interest expenses	667	636	5,197
Foreign exchange losses (gains)	(1,565)	(2,475)	(20,218)
Equity in (earnings) losses of affiliates	(11)	(45)	(369)
Loss (gain) on sales of property, plant and equipment	(46)	4	31
Loss (gain) on sales of investment securities	(43)	(758)	(6,189)
Loss on valuation of securities and investment securities	413	—	—
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	380	(23,852)	(194,855)
Decrease (increase) in costs on uncompleted construction contracts	985	(2,190)	(17,890)
Decrease (increase) in real estate for sale and development projects in progress and other inventories	(305)	552	4,510
Increase (decrease) in notes and accounts payable-trade	(2,374)	82	672
Increase (decrease) in advances received on uncompleted construction contracts	3,121	6,274	51,257
Increase (decrease) in other provision	(1,660)	2,460	20,096
Other, net	4,294	(2,843)	(23,227)
Subtotal	40,713	216	1,764
Interest and dividends income received	445	382	3,117
Interest expenses paid	(651)	(639)	(5,212)
Income taxes paid	(9,817)	(7,647)	(62,473)
Net cash provided by operating activities	30,690	(7,688)	(62,804)
Cash flows from investing activities:			
Payments into time deposits	(33)	(1,156)	(9,444)
Proceeds from withdrawal of time deposits	43	469	3,832
Purchase of investment securities	(29)	(424)	(3,460)
Proceeds from sales and redemption of short-term and long-term investment securities	68	1,079	8,815
Purchase of property, plant and equipment	(11,041)	(8,657)	(70,725)
Proceeds from sales of property, plant and equipment	511	481	3,926
Collection of loans receivable	6	6	52
Acquisition of shares of subsidiaries resulting in change in scope of consolidation	(1,743)	—	—
Acquisition of shares of an affiliated company accounted for using the equity method	—	(3,251)	(26,561)
Other, net	(582)	(368)	(3,007)
Net cash used in investing activities	¥(12,800)	¥(11,821)	¥(96,572)

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 1,433	¥ (2,059)	\$(16,822)
Net increase (decrease) in commercial papers	(17,999)	10,000	81,693
Proceeds from long-term loans payable	16,436	9,396	76,757
Repayment of long-term loans payable	(5,750)	(7,922)	(64,717)
Proceeds from issuance of bonds payable	19,899	9,944	81,232
Redemption of bonds	(10,000)	(10,000)	(81,693)
Cash dividends paid	(6,850)	(7,994)	(65,307)
Other, net	(280)	(3)	(13)
Net cash provided by (used in) financing activities	(3,111)	1,362	11,130
Effect of exchange rate change on cash and cash equivalents	1,391	2,516	20,559
Net increase (decrease) in cash and cash equivalents	16,170	(15,631)	(127,687)
Cash and cash equivalents at the beginning of the period (Note 3(18))	43,028	59,198	483,601
Cash and cash equivalents at the end of the period (Note 3(18))	¥59,198	¥43,567	\$355,914
(Note) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥59,782	¥44,838	\$366,296
Less-Time deposits with maturity over three months	(584)	(1,271)	(10,382)
Cash and cash equivalents (Note 3(18))	¥59,198	¥43,567	\$355,914
(2) Breakdown of assets and liabilities of new consolidated subsidiaries by acquisition of its shares			
Breakdown of assets and liabilities of new consolidated subsidiaries at the start of consolidation and reconciliation between the acquisition cost of shares and net payment for acquisition are as follows:			
Current assets	¥ 1,751	¥—	\$—
Non-current assets	44	—	—
Goodwill	2,432	—	—
Current liabilities	(1,595)	—	—
Non-current liabilities	(20)	—	—
Foreign currency translation adjustment	(3)	—	—
Acquisition cost of shares	2,609	—	—
Cash and cash equivalents	(866)	—	—
Payment for acquisition	1,743	—	—

See accompanying Notes to Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Penta-Ocean Construction Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounting principles and practices adopted by the overseas consolidated subsidiaries conform to those adopted by the Company.

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.\$1=¥122.41, the exchange rate prevailing on March 31, 2022. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

2. Consolidation

(1) Scope of consolidation and application of equity method

The Company has 31 subsidiaries and 7 affiliated companies as at March 31, 2022.

The Company consolidated 30 subsidiaries and applied the equity method to 2 affiliated companies.

Japan Offshore Marine Co., Ltd. and Penta-Ocean Construction Vietnam LLC. were established and have been included in the scope of consolidation.

Koh Brothers Eco Engineering Ltd. has been included in the scope of the equity method due to acquisition of shares.

1 subsidiary has not been included in the scope of consolidation because it has a small impact on the consolidated financial statements.

The one unconsolidated subsidiary and the five affiliated

companies have not been included in the scope of equity method, because they have a small impact on the consolidated financial statements and insignificant as a whole.

(2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 12 domestic subsidiaries and 16 overseas subsidiaries including Andromeda Five Pte, Ltd. is March 31.

Closing date for 2 overseas subsidiaries are December 31. The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments are made for any material difference incurred between their closing dates and the consolidated closing date.

3. Summary of significant accounting policies

(1) Conversion method of foreign currency transactions of the Company and its domestic subsidiaries and affiliated companies

Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Monetary receivables and payables denominated in foreign currencies including foreign cash are converted into yen at the exchange rate prevailing on the closing date. Non-monetary items denominated in foreign currencies are converted into yen at the historical rate. Held-to-maturity bonds denominated in foreign currencies are translated into yen at the exchange rate prevailing on the closing date, securities for purpose of sale and investment securities other than the above are converted into yen from the fair value based on foreign currencies at the exchange rate prevailing on the closing date and stock of subsidiaries and affiliated companies at the exchange rate prevailing at the time of acquisition by the Company, and those are written down, when declined remarkably. The valuation amount of derivative financial instruments resulting from derivative transaction denominated in foreign currencies are translated at the exchange rate prevailing on the closing date based on the fair value or the actual value estimated in foreign currencies excluding those applying hedge accounting. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Conversion method of financial statements of overseas subsidiaries stated in foreign currency

Financial statements stated in foreign currency are translated into yen at the exchange rate prevailing on the closing date except for the components of Net assets which are translated at the exchange rate prevailing at the time of acquisition by the Company and at the historical rate to their increase thereafter.

Exchange differences arising from conversion of balance sheet accounts are stated as foreign currency translation adjustments in Net assets.

(3) Securities and investment securities

Held-to-maturity bonds are determined by the amortized cost method.

Other securities other than stocks and other securities with no market price are stated at fair value. Valuation differences are included in net assets as valuation difference on available-for-sale securities and cost of sales are determined by the moving average method.

Other securities of stocks and other securities with no fair value are stated at moving average cost.

(4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.

(5) Inventories

Inventories are stated at identified cost, except for raw materials and supplies which are stated at cost determined by the first-in first-out method.

In the case that the net realizable value falls below the historical cost at the end of the year, inventories except for cost on uncompleted construction contracts are carried at the net realizable value on the closing date.

(6) Property, plant, equipment and Depreciation (excluding leased assets)

Property, plant and equipment are stated at cost and for the Company and its domestic subsidiaries. Depreciation is calculated using the declining-balance method, except for buildings (other than building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016, which are calculated by the straight-line method. The straight-line method is applied to property, plant and equipment of overseas subsidiaries.

The Company and its domestic subsidiaries primarily use the useful lives and the residual value in accordance with the Corporation Tax Law.

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Computer software purchased for internal use is amortized by the straight-line method over 5 years, the estimated useful life.

(8) Leased assets

For leased assets under finance lease transactions that transfer ownership, the depreciation expense is calculated based on the same depreciation method as is applied to fixed assets owned by the Company and its subsidiaries.

For leased assets under finance lease transactions that do not transfer ownership, the depreciation expense is calculated under the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(9) Allowance for doubtful accounts

Allowance for doubtful accounts is accounted for using the estimated doubtful account ratio determined based on the past actual bad debt losses for general receivable and on the individual estimated uncollectible amount for any specific doubtful receivables.

(10) Provision for warranties for completed construction

The Group provide provision for the costs of repairs for damages related to completed construction works based on actual damages in the past and estimated amount of compensation for damages in the future.

(11) Provision for bonuses

To provide provision for the payment of bonuses for employees, the expected payment amount at end of this fiscal year is calculated.

(12) Provision for loss on construction contracts

The Group provide provision for future losses from construction contracts outstanding at the fiscal year end.

(13) Provision for board benefit trust

The provision for board benefit trust is recorded for providing stock for directors and executive officers in the future at the estimated amount calculated based on predetermined stock benefit regulation for directors at the fiscal year end.

(14) Net defined benefit liability

Net defined benefit liability is provided based on the projected benefit obligation and plan assets at end of the fiscal year.

Regarding determination of retirement benefit obligation, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

Prior service costs are recognized as an expense when incurred.

Actuarial gain and loss are equally amortized by the straight-line method over the average remaining employees' service years, which should be over 10 years and the amortization starts in the next fiscal year of the respective accrual years.

Regarding lump-sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method which assumes that the retirement benefit obligation would be the amount to be paid to employees who voluntarily retired at the year-end.

(15) Recognition of major income and expense

In regard to construction business which is the main business, the Group has obligations on completion of projects and delivery to the customers.

These performance obligations are satisfied over time mainly because the control is transferred to the customers with the progress of projects. The revenues are recognized over time in accordance with the progress based on satisfaction of performance obligations.

The method of measuring progress on the performance obligations satisfied is based on proportion of costs incurred by the end of reporting period to the total estimated costs.

When the progress on the performance obligations satisfied is not reasonably estimable but the cost incurred is recoverable, the cost recovery method is applied. An alternative treatment is applied for the construction contracts for which the period from the commencement date to the date when the performance obligations are expected to be fully satisfied is very short. In this case, revenue is recognized at the time of completion, not over time.

(16) Hedge accounting

1) Hedge accounting method

Derivative transactions are accounted for primarily using deferral hedge accounting. The special method is applied to interest rate swap agreements that meet the requirements for special treatments.

2) Hedging instruments and hedged items

Hedging instruments are interest rate swap agreements and forward exchange contracts.

Hedged items are long-term loans and monetary receivables and payables denominated in foreign currencies.

3) Hedging policy

The Company enters into interest rate swap agreements and forward exchange contracts to hedge risk from fluctuations in interest rate and forward exchange rates, respectively.

4) Evaluation of the effectiveness of hedge accounting

Control procedures for hedge transactions are executed according to the Company's bylaw. The Examination Committee of Derivative Instruments and the Financial Division in the Company periodically evaluates the effectiveness of hedging.

(17) Amortization of goodwill

Goodwill is principally amortized using the straight-line method over a period benefited therefrom but not exceeding 20 years.

(18) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows, consist of cash, deposits which can be drawn out freely and easily converted into cash and short-term investments which have an original maturity of 3 months or less and are not exposed to significant valuation risks.

(19) Income taxes

The Company and its domestic consolidated subsidiaries declare corporation and other taxes on the basis of taxable income calculated under the provisions of the Corporation Tax Law and other tax regulations. Taxable income thus calculated is different from earnings in the account book.

Japanese corporation and other taxes applicable to the Company

and its consolidated domestic subsidiaries comprise (a) corporation tax of 23.2 percent on taxable income, (b) enterprise tax of 3.6 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 10.4 percent of corporation tax, and (d) local corporation tax of 10.3 percent on taxable income.

Enterprise tax paid is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each country. Foreign tax credit related to the amount of income taxes paid to foreign tax offices by the Company directly or indirectly, is subject to certain limitations in accordance with Japanese tax regulations.

(20) Deferred assets

Bond issuance cost is recognized as an expense when incurred.

(21) Accounting principles and procedures adopted when relevant accounting standards are not clear

Accounting for construction contracts by joint ventures
Assets, liabilities, income and expenses generated in joint ventures are shown in the consolidated financial statements mainly according to the ratio of the Company's investment ratio.

(22) Adoption of consolidated taxation system

The Company and some of its domestic consolidated subsidiaries have adopted consolidated taxation system.

4. Notes on accounting estimates

Recognition of major income and expense

In regard to Construction business which is the main business, the Group has obligations on completion of projects and delivery to the customers based on the contracts with customers.

These performance obligations are satisfied over time mainly because the control is transferred to the customer with the progress of projects. The revenues are recognized over time in accordance with the progress based on satisfaction of performance obligations.

Net sales of completed construction contracts using the method of recognizing revenue by satisfying performance obligations over time is measured by multiplying total construction revenue by progress toward completion of construction. Total construction revenue is determined by adding amounts agreed upon in contracts to estimated amounts substantially agreed upon with customers with whom contracts have not yet been entered. The method of estimating progress on the performance obligations satisfied over time is based on cost proportion method to estimate the progress of such construction project.

Net sales of completed construction contracts of ¥ 427,923 million (U.S. \$ 3,495,820 thousand) has been recorded by using the method of recognizing revenue by satisfying performance obligations over time in this consolidated fiscal year ended March 31, 2022. Net sales of completed construction contracts of ¥ 440,321 million were recorded in related to construction contracts of which the outcome of the construction activity is deemed certain by using the percentage-of-completion method (Progress toward completion of constructions is determined based on the ratio of construction costs incurred by the end of the fiscal year compared to the estimated total construction costs.) for the fiscal year ended March 31, 2021.

(1) Total construction revenues

Although construction contracts may potentially be modified due to new agreements with customers in the middle of construction, there are cases where the amounts of such modifications are not determined at

(23) Tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its domestic consolidated subsidiaries plan to shift from the consolidated taxation system to the group tax sharing system from the next consolidated fiscal year. Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan Guidance No. 28, issued February 16, 2018), was not yet effective for the company in terms of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Accounting Standards Board of Japan PITF No.39, issued March 31, 2020).

From the beginning of the next consolidated fiscal year, the Company plans to apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Accounting Standards Board of Japan PITF No.42, issued August 12, 2021), which prescribes the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting when the Group Tax Sharing System is applied.

(24) Reclassifications

Certain amounts in prior year's consolidated financial statements and related footnotes have been reclassified to conform to the presentation in the current year.

the time of the modifications of construction contracts. Accordingly, with regards to changes in consideration, if modifications to construction contracts that have not yet been entered into are to be included in total construction revenue, then it is necessary to reliably estimate the amount of consideration based on substantial agreements among parties and the details of agreements.

Determinations of whether agreements are substantial and estimates of amounts of consideration involve subjectivity since they are based on discussions with customers and thus involve uncertainty.

(2) Total construction costs

Considering that construction contracts are highly individual and carried out in accordance with fundamental specifications and work details instructed by customers, it is difficult to apply a uniform rule for making estimates of total construction costs. Accordingly, estimates of total construction costs involve certain assumptions and judgments that are based on specialized knowledge and experience in construction, and thus involve uncertainty.

Further, given that constructions are generally long-term in nature, there may potential modifications in construction contracts, changes in weather and sea conditions and fluctuations in construction material prices and labor prices in the middle of construction, thus making timely and appropriate revisions of total construction costs complex.

Based on the above, the recording of net sales of completed construction contracts and cost of sales of completed construction contracts for which the method of recognizing revenue by satisfying performance obligations over time is based on various assumptions. If it becomes necessary to revise the estimates and the assumptions due to uncertain future fluctuations in economic conditions, etc., it may have a significant impact on the net sales of completed construction contracts and cost of sales of completed construction contracts, etc. in the consolidated financial statements for the next consolidated fiscal year.

5. Change in accounting policy

(Change in Accounting Standard for Revenue Recognition, etc.)
The Group adopted "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No. 29, issued March 31, 2020) etc. from the beginning of the current consolidated fiscal year. As a result, revenue is now recognized in amounts expected to be received for the exchange of deliverables or services at the time when control over promised deliverables or services are transferred to the customers.

Previously, for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the year, the percentage-of-completion method (based on cost proportion method to estimate the progress of such construction project) had been applied. For other construction projects, the completed-contract method had been applied. However, in the case the control over promised deliverables or services are transferred to the customer over time, the revenue for the construction contracts over a specific period is now recognized as the performance obligations are satisfied over time. In addition, the method of measuring progress on the performance obligations satisfied over time is based on proportion of costs incurred by the end of reporting period to the total estimated costs. When the progress on the performance obligations satisfied is not reasonably estimable but the cost incurred is recoverable, the cost recovery method is applied. An alternative treatment in paragraph 95 of the Implementation Guidance on Accounting Standard for Revenue Recognition is applied for the construction contracts for which the period from the commencement date to the date when the performance obligations are expected to be fully satisfied is very short. In this case, revenue is recognized at the time of completion, not over time.

The Group adopted the Accounting Standard for Revenue Recognition in accordance with transitional provision of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative

effect of retroactively applying new accounting policies was reflected in the beginning balance of retained earnings. However, the Group applied the method prescribed in provision of paragraph 86 of the Accounting Standard for Revenue Recognition. New accounting policies were not applied retroactively for the contracts for which the revenue had been almost recognized by previous method.

As a result, the balance of retained earnings at the beginning of the current year increased by ¥35 million (U.S. \$285 thousand). The effect of this change on consolidated financial statements for consolidated current fiscal year is insignificant.

Notes regarding revenue recognition in the prior consolidated fiscal year are not disclosed in accordance with transitional provision of paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(Change in Accounting Standard for Fair Value Measurement, etc.)
The Group adopted "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Statement No. 30, issued July 4, 2019) etc. from the beginning of the current consolidated fiscal year.

In accordance with transitional treatment of paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No. 10, issued July 4, 2019), the new policy is applied going forward at the beginning of current consolidated fiscal year.

There is no effect on consolidated financial statements for current consolidated fiscal year.

Matters concerning the breakdown of the fair value of financial instruments by level, etc. are disclosed in Note 20. But the ones in the prior consolidated fiscal year are not disclosed in accordance with transitional provision of paragraph 95 of the Implementation Guidance on Disclosure for Fair Value of Financial Instruments etc.

6. Additional information

(Performance-linked stock compensation plan for directors and executive officers)

(1) Transaction summary

The Company has introduced the Board Benefit Trust (the "BBT"), a performance-linked stock compensation plan for its directors and executive officers (the "Directors") since the fiscal year 2017. The BBT plan clarifies how the company's performance and its stock value influence the Directors' compensation, which enables the Directors to share not only the benefits of the stock price rise, but also the risks of the stock price decline with its shareholders. Thereby, the BBT plan leads the Directors to aim for more contributions to the improvement of the Company's performance and corporate value over the medium to long-term period.

The Shares are acquired through the trust funded by the Company and established based on the BBT (the "Trust"). The BBT plan enables the Directors to be granted the Company's shares and the amount of cash equivalent to the market price of the Company's shares (the "Shares") through the Trust in accordance with the Directors' Stock Compensation Rules stipulated by the Company.

In principle, the Directors are to receive the shares compensation upon their retirement from the position

(2) The Company's own stock in the Trust

The Company's outstanding shares of the Trust are included in the treasury shares of the net assets based on the book value of the Trust (excluding ancillary expenses). The book values of the treasury shares were ¥499 million and ¥472 million (U.S. \$3,859 thousand) and the numbers of the stocks were 767,000 shares and 726,400 shares as of March 31, 2021 and 2022, respectively.

(Accounting estimates relative to COVID-19)

Due to the re-spread of COVID-19, the economy is expected to remain uncertain in the future.

The Group has progressed without being interrupted in Japan, and although there was a temporary suspension in Singapore and Africa, all constructions is currently in operations.

It is difficult to predict an impact of COVID-19 as there is no consensus about spread of COVID-19 in the future and a time when it ends. The Group makes accounting estimates in consideration that stable business continuity will be possible by measures against infectious such as avoidance of the three Cs, and by productivity improvement using ICT.

Impacts to economic activities due to spread of COVID-19 are uncertain, so it is possible that it affects to some extent our financial position and operating results if the above assumption changes.

7. Securities and investment securities

(1) Held-to-maturity debt securities

As of March 31, 2021	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥80	¥81	¥ 1
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥80	¥81	¥ 1
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥—	¥—	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥—	¥—	¥—
Total	¥80	¥81	¥ 1

As of March 31, 2022	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥72	¥72	¥ 0
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥72	¥72	¥ 0
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥—	¥—	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥—	¥—	¥—
Total	¥72	¥72	¥ 0

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	\$587	\$590	\$ 3
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$587	\$590	\$ 3
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	\$ —	\$ —	\$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$ —	\$ —	\$—
Total	\$587	\$590	\$ 3

(2) Other securities

As of March 31, 2021	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥15,797	¥9,279	¥6,518
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥15,797	¥9,279	¥6,518
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 370	¥ 375	¥ (5)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 370	¥ 375	¥ (5)
Total	¥16,167	¥9,654	¥6,513

As of March 31, 2022	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥11,562	¥6,655	¥4,907
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥11,562	¥6,655	¥4,907
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 2,763	¥3,085	¥ (322)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 2,763	¥3,085	¥ (322)
Total	¥14,325	¥9,740	¥4,585

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	\$ 94,454	\$54,362	\$40,092
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 94,454	\$54,362	\$40,092
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	\$ 22,568	\$25,206	\$(2,638)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 22,568	\$25,206	\$(2,638)
Total	\$117,022	\$79,568	\$37,454

(3) Other securities sold during the fiscal year

As of March 31, 2021	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥67	¥44	¥(0)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥67	¥44	¥(0)

As of March 31, 2022	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥1,111	¥758	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥1,111	¥758	¥—

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$9,077	\$6,189	\$—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	\$9,077	\$6,189	\$—

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Other securities			
Stock	¥413	¥ —	\$ —

8. Pledged Assets

The following assets are pledged for guarantee against defect in house constructions and other at March 31, 2021 and 2022.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deposit	¥177	¥ 43	\$ 349
Securities	9	18	151
Investment securities	241	267	2,179
Other (Investment and other assets)	301	311	2,543
Total	¥728	¥639	\$5,222

9. Short-term and long-term loans, commercial papers and bonds payable

Short-term and long-term loans, commercial papers and bonds payable as of March 31, 2021 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.67%.)	¥20,919	¥19,790	\$161,667
Commercial papers	—	10,000	81,693
Long-term loans from banks and insurance companies due through 2026 (The weighted average interest rate is 0.53%.)	31,294	32,767	267,685
0.68% unsecured bonds payable due 2021	10,000	—	—
0.15% unsecured bonds payable due 2023	10,000	10,000	81,693
0.25% unsecured bonds payable due 2025 (Green bonds)	10,000	10,000	81,693
0.14% unsecured bonds payable due 2026	—	10,000	81,693
Total	¥82,213	¥92,557	\$756,124

The aggregate annual maturity of short-term and long-term loans, commercial papers and bonds payable after March 31, 2022 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥39,110	\$319,497
2024	17,958	146,704
2025	6,726	54,946
2026	12,682	103,603
2027 and after	16,081	131,374
Total	¥92,557	\$756,124

10. Net assets

(1) Legal retained earnings and legal capital surplus

The Japanese Corporate Law requires to provide a legal retained earnings equal to 10 percent of cash out flow, that is, payment of dividends approved by the Shareholders' meeting every fiscal years, until the total amounts of legal retained earnings plus legal capital surplus or either of them reach 25 percent of capital stock.

In the consolidated financial statements, those are included in retained earnings and capital surplus, respectively.

(2) Revaluation reserve for land

Lands used for business purposes has been revaluated on March 31, 2000 based on the "Law Concerning Land Revaluation (Law No.34, promulgated on March 31, 1998)" and the "Partial Revision of the Law Concerning Land Revaluation (Law No.24, promulgated on March 31, 1999)". Relating to revaluation excess, the deferred tax on the revaluation is accounted for as a long-term deferred tax liabilities and the remaining revaluation difference is accounted for as revaluation reserve for land in net assets.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥5,360	¥4,525	\$36,966

Fair values were determined on the basis of Article 2 No.4 and 5 of an Enforcement ordinance No.119 of the Law concerning Land Revaluation promulgated on March 31, 1998.

(3) Valuation difference on available-for-sale securities

Valuation difference on available-for-sale securities is based on the difference between fair market value and book value at March 31.

This amounted to ¥3,228 million (U.S. \$26,367 thousand) gain as of March 31, 2022.

11. Revenue Recognition

(1) Information of disaggregation on the revenue from contracts with customers

Information of disaggregation on the revenue from contracts with customers is disclosed in Note 21.

(2) Basic information for understanding the revenue from contracts with customers

In regard to Construction Business which is the main business, the information of contracts and performance obligation and the information at the timing of the performance obligation is satisfied are described in Note 3(15).

Transaction prices are calculated based on contract amount adjusted by contract modification and variable consideration. In accordance with the estimation for contract modification and variable consideration, the Group applies the single most likely amount method. In addition, contract modification and variable consideration are included in the transaction prices only to the extent that it is

Balances of contract asset and contract liability for the fiscal years ended March 31, 2022 is as follows:

	Millions of yen	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Notes receivable	¥ 7,231	¥ 6,105
Accounts receivable from completed construction contracts and other	61,767	91,129
Total	68,998	97,234
Contract assets	¥170,949	¥164,961

	Thousands of U.S. dollars	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Notes receivable	\$ 59,074	\$ 49,876
Accounts receivable from completed construction contracts and other	504,590	744,459
Total	563,664	794,335
Contract assets	\$1,396,528	\$1,347,612

Conditions of payment terms are different among each contract and the relation with the performance obligation is insignificant. The payment is mainly more than once during construction period or with the progress of construction project over time.

Contract asset is the amount of consideration that performance obligation is satisfied at the end of the fiscal year but due date of claim is not arrived. It increases with revenue recognition and is transferred to a receivable from contracts with customers at the timing of the claim is issued to customer. And it increases or decreases with revising the estimation of total construction revenue and total construction costs.

Contract liability is the amount of consideration that is mainly related to the advance received on uncompleted construction works. It increases with claiming the advance received on uncompleted construction works to customer and is transferred to net sales with revenue recognition.

The amount included at the balance of beginning on contract

highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In the case fluctuation provisions is stated in the contract with customer, transaction prices are adjusted by the estimated consideration.

The group receive transaction considerations mainly more than once during construction period or with the progress of construction project over time and there are no significant financing components.

Transaction prices are allocated to performance obligation by the ratio of stand-alone selling price estimated based on cost which is required to satisfy each performance obligation.

(3) Information for understanding the amount of revenue for both current consolidated fiscal year and next consolidated fiscal year onwards

• Balances of contract asset and contract liability

liability and recognized as revenue in this consolidated fiscal year is ¥18,965 million (U.S.\$154,933 thousand).

Contract asset and receivable from contracts with customers are included in "Notes" and "Accounts" of "Trade receivables" and contract liability is included in "Advance received on uncompleted construction contracts" in the consolidated balance sheet.

• Transaction prices allocated to residual performance obligation
The balance of total transaction prices allocated to residual performance obligation related to construction is ¥837,706 million (U.S.\$6,843,446 thousand) as of March 31, 2022.

Almost of it is expected to recognize as revenue within 1 to 3 years with satisfying performance obligation.

The balance of total transaction prices allocated to residual performance obligation includes the estimated amount of both contract modification and variable consideration.

12. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Gain on sales of non-current assets	¥ 92	¥ 120	\$ 986
Gain on sales of investment securities	44	757	6,189
Other	3	1	1
Total	¥139	¥ 878	\$7,176

13. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Loss on sales of non-current assets	¥ 46	¥125	\$1,018
Loss on retirement of non-current assets	45	305	2,493
Loss on valuation of investment securities	413	—	—
Other	15	33	279
Total	¥519	¥463	\$3,790

14. Research and development costs

Research and development costs charged to income are ¥2,348 million for the fiscal year 2021 and ¥2,405 million (U.S. \$19,650 thousand) for the fiscal year 2022, respectively.

15. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Valuation difference on available-for-sale securities			
Amount arising during the year	¥2,560	¥(1,170)	\$ (9,563)
Reclassification adjustment for gains and losses realized in net income	179	(758)	(6,189)
Amount before tax effect	2,739	(1,928)	(15,752)
Tax effect	(828)	572	4,672
Valuation difference on available-for-sale securities	1,911	(1,356)	(11,080)
Deferred gains or losses on hedges			
Amount arising during the year	(3,103)	(3,988)	(32,579)
Reclassification adjustment for gains and losses realized in net income	2,676	4,260	34,798
Acquisition cost adjustment of assets	111	(253)	(2,067)
Amount before tax effect	(316)	19	152
Tax effect	97	(6)	(46)
Deferred gains or losses on hedges	(219)	13	106
Foreign currency translation adjustments			
Amount arising during the year	155	619	5,057
Reclassification adjustment for gains and losses realized in net income	—	—	—
Amount before tax effect	155	619	5,057
Tax effect	—	—	—
Foreign currency translation adjustments	155	619	5,057
Remeasurements of defined benefit plans			
Amount arising during the year	1,830	(728)	(5,951)
Reclassification adjustment for gains and losses realized in net income	118	(259)	(2,115)
Amount before tax effect	1,948	(987)	(8,066)
Tax effect	(597)	302	2,470
Remeasurements of defined benefit plans	1,351	(685)	(5,596)
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	—	(85)	(692)
Share of other comprehensive income of associates accounted for using equity method	—	(85)	(692)
Total of other comprehensive income	¥3,198	¥(1,494)	\$(12,205)

16. Derivative financial transactions

(1) Matters concerning derivative financial transactions

The Group have entered into interest rate swap agreements and forward exchange contracts only for hedging risks from fluctuation in interest rates and foreign exchange rates, not for speculative purposes.

The derivative financial transactions are mainly performed by the Company, and have been made in accordance with the bylaw, which clearly describes purposes, execution and control for transaction.

(2) Matters concerning fair value

The current value for derivative transactions is calculated based on the prices provided by relevant financial institutions. And hedge accounting has been adopted for derivative financial instruments which conform to requirements for hedge accounting. However the transactions that apply to special treatment of interest rate swap are accounted for as if they were integral part of the hedged long-term loans payable, its fair value is included in the fair value of long-term loans payable.

17. Commitments and contingent liabilities

As of March 31, 2022, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥5 million (U.S. \$41 thousand).

The Company also has the guarantee amounting to ¥11 million (U.S. \$93 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 8 banks totaling ¥20,000 million (U.S. \$163,385 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2021 and 2022 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Commitment line			
Total of commitment line	¥20,000	¥20,000	\$163,385
Use of commitment	—	—	—
Total of unused commitment line	¥20,000	¥20,000	\$163,385

18. Tax effect accounting

1. The significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets			
Employees' retirement benefits trust	¥ 2,101	¥ 2,139	\$ 17,475
Allowance for doubtful accounts	1,114	1,182	9,660
Provision for bonuses	917	961	7,848
Impairment loss	861	832	6,799
Loss on valuation of real estate for sale	440	218	1,777
Net defined benefit liability	353	577	4,710
Provision for loss on construction contracts	344	1,110	9,064
Net operating loss carryforwards	274	258	2,106
Other	1,645	1,267	10,361
Total: deferred tax assets	8,049	8,544	69,800
Less: valuation allowance	(1,790)	(1,642)	(13,412)
Deferred tax assets	¥ 6,259	¥ 6,902	\$ 56,388
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥(1,929)	¥(1,357)	\$(11,085)
Prepaid pension cost	(977)	(1,065)	(8,697)
Unrealized intercompany income	(105)	(105)	(859)
Other	(138)	(127)	(1,036)
Total: deferred tax liabilities	(3,149)	(2,654)	(21,678)
Net: deferred tax assets	¥ 3,110	¥ 4,249	\$ 34,710

2. The principal details of the material differences between the statutory effective tax rate and the actual burden tax rates after application of tax-effect accounting:

	2021	2022
The statutory effective tax rate	—%	30.62%
(Adjustments)		
Permanent differences (expense)	—	1.70
Permanent differences (income)	—	(0.18)
Per capita levy on inhabitant tax	—	1.16
Consolidated adjustments	—	0.40
Increase (Decrease) in valuation allowance	—	(0.37)
Other	—	(0.02)
Actual burden tax rate after the application of tax effect accounting	—%	33.31%

For the year ended March 31, 2021, a reconciliation is omitted because the difference between the statutory effective tax rate and actual burden tax rates after tax effect accounting is less than 5%.

19. Retirement benefits

The Group have funded or unfunded type defined benefit plan and defined contribution plan.

The Company has introduced cash balance plan as defined benefit corporate pension plan (funded only and that solely adopted by the Company), which establishes nominal individual accounts equivalent to funds of funded and annuity amounts. In the nominal individual accounts interest credit based on market interest and contribution credit based on classification and evaluation are accumulated. Retirement benefit trust has established for the

defined benefit corporate pension plan.

Based on lump-sum payment plans (unfunded but become funded as a result of establishment of retirement benefit trust), lump-sum payment based on classification and evaluation as retirement benefit.

In lump-sum payment plans held by other consolidated subsidiaries, the simplified calculation methods are applied for retirement benefit liability and service costs.

(1) The changes in the retirement benefit obligation during the years ended March 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Retirement benefit obligation at the beginning of year	¥25,619	¥25,591	\$209,062
Service cost	1,418	1,455	11,888
Interest cost	25	50	405
Actuarial gain and loss	88	(191)	(1,561)
Retirement benefits paid	(1,559)	(1,635)	(13,356)
Retirement benefit obligation at the end of year	¥25,591	¥25,270	\$206,439

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Plan assets at the beginning of year	¥25,626	¥27,663	\$225,989
Expected return on plan assets	450	516	4,213
Actuarial gain	1,918	(920)	(7,512)
Contributions by the Company	861	877	7,163
Retirement benefits paid	(1,192)	(1,236)	(10,099)
Plan assets at the end of year	¥27,663	¥26,900	\$219,753

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded retirement benefit obligation	¥24,953	¥24,586	\$200,847
Plan assets at fair value	(27,663)	(26,900)	(219,753)
	¥(2,710)	¥(2,314)	\$(18,907)
Unfunded retirement benefit obligation	638	685	5,593
Net liability for retirement benefits in the balance sheet	¥(2,072)	¥(1,630)	\$(13,314)
Net defined benefit liability	¥1,118	¥1,847	\$15,090
Net defined benefit asset	(3,190)	(3,477)	(28,404)
Net liability for retirement benefits in the balance sheet	¥(2,072)	¥(1,630)	\$(13,314)

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥1,418	¥1,455	\$11,888
Interest cost	25	50	404
Expected return on plan assets	(450)	(516)	(4,213)
Amortization of actuarial gain and loss	118	(259)	(2,115)
Retirement benefit expense	¥1,111	¥ 730	\$ 5,966

Note: Retirement benefit expense of consolidated subsidiaries which adopt the simplified method are included in "Service cost."

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Actuarial gain and loss	¥1,948	¥(987)	\$(8,066)
Total	¥1,948	¥(987)	\$(8,066)

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized actuarial gain and loss	¥(773)	¥215	\$1,754
Total	¥(773)	¥215	\$1,754

(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2021 and 2022 are as follows:

	2021	2022
Bonds		
Stocks	43%	44%
General accounts	45	44
Cash and deposits	5	5
Others	2	4
Total	5	3
	100%	100%

Note: Total plan assets include retirement benefit trusts of 11% and 10% that are set up for a corporate pension plan as of March 31, 2021 and 2022, respectively.

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(8) The assumptions used in accounting for the above plans are as follows:

	2021	2022
Discount rates	0.2%	0.3%
Expected rates of long-term return on plan assets	1.3 - 2.0%	1.6 - 2.0%
Expected rates of increase in salary	3.3 - 4.8%	3.2 - 4.8%

20. Financial instruments

(1) Policy for financial instruments

The Group has limited the instruments of fund investment to short term deposits etc., and relied on bonds payable and bank loans, etc., for fund procurement.

Regarding credit risk to customers related to notes receivable, accounts receivable from completed construction contracts and other the Group's bylaw has been applied to reduce the risk. Additionally notes receivable, accounts receivable from completed construction contracts and other in foreign currencies are exposed to foreign currency risk, and the Company enters into forward exchange contracts to hedge the risk.

Securities and investment securities include mainly stocks and held-to-maturity bonds are exposed to fluctuation of market value. Those fair values, financial status of the issuers and so on are

checked regularly. Accounts receivable-other is mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

Bonds payable, loans payable and commercial papers are mainly for procurement for operating funds and the Company mainly enters into interest rate swap agreements and manages to fix its interest cost to hedge the risk from interest volatility related to long-term loans payable.

Execution and control of derivative transaction is held in accordance with the Company's bylaw where its purpose, action and control of such transaction are clearly stated and derivative transactions shall not be used for speculative purpose.

(2) Estimated fair value of financial instruments

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2021 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1)Notes receivable, accounts receivable from completed construction contracts and other	¥239,949	¥239,949	¥—
(2)Securities and investment securities			
Held-to-maturity debt securities	80	81	1
Other securities	16,167	16,167	—
Total Assets	¥256,196	¥256,197	¥ 1
Liabilities			
(1)Bonds payable (*3)	¥ 30,000	¥30,044	¥44
(2)Long-term loans payable (*4)	31,294	31,292	(2)
Total Liabilities	¥ 61,294	¥ 61,336	¥42
Derivative transaction (*5)	¥ (252)	¥ (252)	¥—

(*1) "Cash and deposits", "Accounts receivable-other", "Accounts payable for construction contracts and other" and "Short-term loans payable" are not described because they are in cash or their fair values approximate their book values due to their short maturities.

(*2) Stocks and other securities with no market price (balance on consolidated balance sheet ¥3,246 million) are not included in "Securities and investment securities".

(*3) Bonds payable includes the current portion of bonds payable.

(*4) Long-term loans payable includes the current portion of long-term loans payable.

(*5) The debit and credit balances recorded by derivative transaction are offset each other.

(Note1) Redemption schedule for receivables and marketable securities with maturities at March 31, 2021

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	¥ 59,739	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	204,974	34,975	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	9	72	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	17,889	—	—	—
Total	¥282,611	¥35,047	¥—	¥—

(Note2) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 9.

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2022 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1)Notes receivable, accounts receivable from completed construction contracts and other	¥263,966	¥263,966	¥ —
(2)Securities and investment securities			
Held-to-maturity debt securities	71	72	1
Other securities	14,325	14,325	—
Total Assets	¥278,362	¥278,363	¥ 1
Liabilities			
(1)Bonds payable	¥ 30,000	¥ 29,834	¥(166)
(2)Long-term loans payable (*3)	32,767	32,770	3
Total Liabilities	¥ 62,767	¥ 62,604	¥(163)
Derivative transaction (*4)	¥ (299)	¥ (299)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1)Notes receivable, accounts receivable from completed construction contracts and other	\$2,156,409	\$2,156,409	\$ —
(2)Securities and investment securities			
Held-to-maturity debt securities	587	590	3
Other securities	117,022	117,022	—
Total Assets	\$2,274,018	\$2,274,021	\$ 3
Liabilities			
(1)Bonds payable	\$ 245,078	\$ 243,722	\$(1,356)
(2)Long-term loans payable (*3)	267,685	267,703	18
Total Liabilities	\$ 512,763	\$ 511,425	\$(1,338)
Derivative transaction (*4)	\$ (2,447)	\$ (2,447)	\$ —

(*1) "Cash and deposits", "Accounts receivable-other", "Accounts payable for construction contracts and other", "Short-term loans payable", and "Commercial papers" are not described because they are in cash or their fair values approximate their book values due to their short maturities.

(*2) Stocks and other securities with no market price (balance on consolidated balance sheet ¥2,632 million (U.S. \$21,503 thousand)) are not included in "Securities and investment securities".

(*3) Long-term loans payable includes the current portion of long-term loans payable.

(*4) The debit and credit balances recorded by derivative transaction are offset each other.

Notes to the Consolidated Financial Statements

(Note1) Redemption schedule for receivables and marketable securities with maturities at March 31, 2022

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	¥ 44,790	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	223,672	40,294	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	19	53	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	11,575	—	—	—
Total	¥280,056	¥40,347	¥—	¥—

	Thousands of U.S. dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	\$ 365,902	\$ —	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	1,827,236	329,172	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	151	436	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	94,560	—	—	—
Total	\$2,287,849	\$329,608	\$—	\$—

(Note2) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 9.

(3) Matters concerning the breakdown of the fair value of financial instruments by level, etc.

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

Level 1 : Quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 : Valuations measured by direct or indirect observable inputs other than Level 1

Level 3 : Valuations measured by significant unobservable inputs

When several inputs which make an important impact on for fair value measurement are used for fair value measurement, the level is determined based on the input that is the least important level in the fair value measurement as a whole.

• Financial instruments recorded on the consolidated balance sheet at fair value

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Listed stocks	¥14,325	¥ —	¥—	¥14,325
Derivative transaction				
Currency related	—	775	—	775
Assets total	¥14,325	¥ 775	¥—	¥15,099
Derivative transaction				
Currency related	¥ —	¥(1,074)	¥—	¥(1,074)
Liabilities total	¥ —	¥(1,074)	¥—	¥(1,074)
	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Listed stocks	\$117,022	\$ —	\$—	\$117,022
Derivative transaction				
Currency related	—	6,329	—	6,329
Assets total	\$117,022	\$6,329	\$—	\$123,351
Derivative transaction				
Currency related	\$ —	\$(8,776)	\$—	\$ (8,776)
Liabilities total	\$ —	\$(8,776)	\$—	\$ (8,776)

• Financial instruments other than those recorded on the consolidated balance sheet at fair value

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥—	¥263,966	¥—	¥263,966
Securities and investment securities				
Held-to-maturity debt securities				
National and local government bonds	72	—	—	72
Assets total	¥72	¥263,966	¥—	¥264,038
Bonds payable	¥—	¥ 29,834	¥—	¥ 29,834
Long-term loans payable	—	32,770	—	32,770
Liabilities total	¥—	¥ 62,604	¥—	¥ 62,604
	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	\$ —	\$2,156,409	\$—	\$2,156,409
Securities and investment securities				
Held-to-maturity debt securities				
National and local government bonds	590	—	—	590
Assets total	\$590	\$2,156,409	\$—	\$2,156,999
Bonds payable	\$ —	\$ 243,722	\$—	\$ 243,722
Long-term loans payable	—	267,703	—	267,703
Liabilities total	\$ —	\$ 511,425	\$—	\$ 511,425

(Note) Description of valuation techniques and inputs used in the calculation of fair value

Securities and investment securities

Listed stocks and government bonds are valued based on quoted market prices. Since listed stocks and government bonds are traded in active markets, their fair value is classified as Level 1 fair value.

Derivative transaction

The fair value of derivative transactions is calculated based on the prices posted by the counterparty financial institutions and classified as Level 2 fair value.

The fair value of interest rate swaps that qualify for special treatment is included in the fair value of the relevant borrowings because they are accounted for as an integral part of Long-term loans payable that are hedged (see "Long-term loans payable" below).

Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these receivables is calculated based on the present value of each receivable classified by a certain period of time, discounted by the interest rate that takes into account the period until maturity and credit risk, and is classified as Level 2 fair value.

Bonds payable

The fair value of the bonds payable issued by the Company is based on quoted market prices. The fair value of the bonds payable is classified as Level 2 fair value because the bonds payable have quoted market prices but are not traded in an active market.

Long-term loans payable

The fair value of these loans is calculated by discounting the total amount of principal and interest by the interest rate that would be applicable to a similar new issue or borrowing, and is classified as Level 2 fair value. Long-term loans payable with floating interest rates mainly qualify for special treatment as interest rate swaps (see "Derivative transaction" above), and are calculated by discounting the total amount of principal and interest accounted for together with the interest rate swaps by the reasonably estimated interest rate that would be applicable if similar borrowings were made.

21. Segment information

(Segment information)

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company is organized into business units based on their products and services and has 3 reported segments as follows:

- (1) Domestic civil engineering segment Construction of domestic civil engineering and other
- (2) Domestic building construction segment Construction of domestic building construction and other
- (3) Overseas segment Construction of overseas and other

2. Information about basis of measurement of reported segment sales, income or loss, assets, and other items

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 3. Segment performance is evaluated based on operating profit or loss.

Intersegment sales and transfers are based on prevailing market price.

The Company do not allocate assets to business segments.

3. Information about amount of reportable segment sales, income or loss, assets and other items and disaggregation on the revenue

	Millions of yen						Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Reportable segment			Total	Other (Note1)	Total		
Year ended March 31, 2021	Domestic civil engineering segment	Domestic building construction segment	Overseas segment					
Net sales:								
Sales to third parties	¥199,005	¥144,423	¥121,935	¥465,363	¥5,696	¥471,059	¥ —	¥ 471,059
Intersegment sales and transfers	176	32	—	208	2,380	2,588	(2,588)	—
Total	199,181	144,455	121,935	465,571	8,076	473,647	(2,588)	471,059
Segment income	22,856	4,050	2,865	29,771	688	30,459	2	30,461
Other item:								
Depreciation	3,470	520	2,977	6,967	430	7,397	(2)	7,395

Year ended March 31, 2022	Millions of yen							Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Net sales:								
Japan	¥176,923	¥153,442	¥ —	¥330,365	¥ 7,345	¥337,710	¥—	¥337,710
Southeast Asia	—	—	98,183	98,183	—	98,183	—	98,183
Other	—	—	22,078	22,078	—	22,078	—	22,078
Revenue from contracts with customers	176,923	153,442	120,261	450,626	7,345	457,971	—	457,971
Revenue from other	18	1	—	19	242	261	—	261
Sales to third parties	176,941	153,443	120,261	450,645	7,587	458,232	—	458,232
Intersegment sales and transfers	241	2	—	243	3,116	3,359	(3,359)	—
Total	177,182	153,445	120,261	450,888	10,703	461,591	(3,359)	458,232
Segment income(loss)	17,463	3,648	(5,976)	15,135	801	15,936	4	15,940
Other item:								
Depreciation	3,380	579	2,079	6,038	453	6,491	(3)	6,488

Year ended March 31, 2022	Thousands of U.S. dollars							Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Net sales:								
Japan	\$1,445,330	\$1,253,514	\$ —	\$2,698,844	\$60,004	\$2,758,848	\$ —	\$2,758,848
Southeast Asia	—	—	802,082	802,082	—	802,082	—	802,082
Other	—	—	180,366	180,366	—	180,366	—	180,366
Revenue from contracts with customers	1,445,330	1,253,514	982,448	3,681,292	60,004	3,741,296	—	3,741,296
Revenue from other	147	6	—	153	1,969	2,122	—	2,122
Sales to third parties	1,445,477	1,253,520	982,448	3,681,445	61,973	3,743,418	—	3,743,418
Intersegment sales and transfers	1,972	13	—	1,985	25,455	27,440	(27,440)	—
Total	1,447,449	1,253,533	982,448	3,683,430	87,428	3,770,858	(27,440)	3,743,418
Segment income(loss)	142,661	29,804	(48,821)	123,644	6,544	130,188	26	130,214
Other item:								
Depreciation	27,612	4,733	16,984	49,329	3,697	53,026	(23)	53,003

Notes

- (1) Division of "Other" includes domestic real estate development, shipbuilding, leasing business, insurance business and environment business.
- (2) The adjustment of segment income (loss) is intersegment elimination.
- (3) Segment income (loss) is adjusted with operating profit in the consolidated statement of income.

(Related information)

For the year ended March 31, 2021

1. Information of each products and service
Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥349,124 million	¥79,401 million	¥42,534 million	¥471,059 million

Note: Net sales are based on customer location, and are divided by country or region.

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥70,259 million	¥12,597 million	¥1,552 million	¥84,407 million

Notes to the Consolidated Financial Statements

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥58,328 million	Domestic civil engineering segment Domestic building construction segment

For the year ended March 31, 2022

1. Information of each products and service

Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥337,874 million \$2,760,179 thousand	¥98,280 million \$802,874 thousand	¥22,079 million \$180,365 thousand	¥458,232 million \$3,743,418 thousand

Note: Net sales are based on customer location, and are divided by country or region.

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥72,999 million \$596,350 thousand	¥13,262 million \$108,340 thousand	¥1,246 million \$10,182 thousand	¥87,507 million \$714,872 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥51,630 million \$421,775 thousand	Domestic civil engineering segment Domestic building construction segment

(Information related to Impairment loss on fixed assets by reportable segment)

For the year ended March 31, 2021

None

For the year ended March 31, 2022

None

(Information related to the amortization of goodwill and unamortized balances)

For the year ended March 31, 2021

	Millions of yen						
	Reportable segment				Other	Adjustments	Total
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total			
Amortization	¥—	¥—	¥ 124	¥ 124	¥—	¥—	¥ 124
Balance at the end of current period	—	—	2,374	2,374	—	—	2,374

For the year ended March 31, 2022

	Millions of yen						
	Reportable segment				Other	Adjustments	Total
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total			
Amortization	¥—	¥—	¥ 261	¥ 261	¥—	¥—	¥ 261
Balance at the end of current period	—	—	2,320	2,320	—	—	2,320

	Thousands of U.S. dollars						
	Reportable segment				Other	Adjustments	Total
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total			
Amortization	\$—	\$—	\$ 2,136	\$ 2,136	\$—	\$—	\$ 2,136
Balance at the end of current period	—	—	18,952	18,952	—	—	18,952

(Information related to gains on negative goodwill by reportable segments)

For the year ended March 31, 2021

None

For the year ended March 31, 2022

None

22. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2021	2022	2022
Net assets excluding non-controlling interests per share	¥555.32	¥559.85	\$4.57
Net income attributable to owners of parent per share	73.62	37.72	0.31

Basic net income attributable to owners of parent per share is calculated by the weighted average number of outstanding common stocks during the year. Incidentally, shares held by BBT are included in treasury shares to be deducted from the average number of shares during of the year in calculating it. The average number of treasury shares issued and outstanding at March 31, 2021 and 2022 were 846 thousand and 946 thousand, including 636 thousand and 735 thousand of shares and held by BBT, respectively.

Basic net assets excluding non-controlling interests per share are calculated by the number of outstanding common stocks at the end of the year. Incidentally, shares held by BBT are included in treasury shares to be deducted from the number of shares at the end of the year in calculating it. The number of treasury shares issued and outstanding at March 31, 2021 and 2022 were 978 thousand and 938 thousand, including 767 thousand and 726 thousand of shares and held by BBT, respectively.

2. For the year ended March 31, 2021 and 2022, diluted net income attributable to owners of parent per share is not disclosed, because the dilutive potential of shares of common stock is none.

23. Significant subsequent events

Dividends

For the year ended March 31, 2022

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2022, was approved at the annual general shareholders' meeting held on June 24, 2022 and became effective June 27, 2022:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Cash dividends (¥23 (U.S. \$ 0.19) per share)	¥6,573	\$53,700

Dividends for shares held by BBT amounted to ¥17 million (U.S. \$136 thousand) are included in dividends in accordance with the resolution at the annual general shareholders' meeting on June 24, 2022.



Independent Auditor's Report

The Board of Directors
PENTA-OCEAN CONSTRUCTION CO., LTD.

Opinion

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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



Estimation of total construction revenue and total construction costs using the method of recognizing revenue over time

Description of Key Audit Matter	Auditor's Response
<p>PENTA-OCEAN CONSTRUCTION CO., LTD. (the "Company") and its consolidated subsidiaries primarily engage in domestic civil engineering, domestic building construction and overseas construction, and enter into long-term contracts with customers to cater to the specifications of customers over certain periods of time.</p> <p>As described in "(15) Recognition of major income and expense" under Note 3 "Summary of significant accounting policies" to the consolidated financial statements, the performance obligations on completion of projects and delivery to the customers based on construction contracts with the customers under the construction business, which is the main business, are determined to be satisfied over time mainly because the control is transferred to the customers with the progress of projects. The revenues are recognized over time in accordance with the progress based on satisfaction of performance obligations (progress toward completion of construction).</p> <p>The Company's net sales of completed construction contracts using the method of recognizing revenue over time amounts to 409,816 million yen, covering 89.4% of total net sales of 458,231 million yen, for the fiscal year ended March 31, 2022.</p> <p>Net sales of completed construction contracts using the method of recognizing revenue over time is measured by multiplying total construction revenue by progress toward completion of construction. Total construction revenue is determined by adding the amounts agreed in contracts and estimated amounts substantially agreed with customers with whom contracts have not yet been entered into. Further, the measurement of progress towards completion of construction is determined based on the ratio of construction costs incurred (costs incurred) for construction performed up to the end of the fiscal year compared to the estimated total construction costs.</p>	<p>We mainly performed the following audit procedures to evaluate the adequacy of estimates of total construction revenue and total construction costs used in applying the method of recognizing revenue over time by the Company.</p> <p>(1) Evaluation of internal control</p> <p>We evaluated the design and operating effectiveness of the following internal controls relating to estimates of total construction revenue and total construction costs.</p> <p>① Total construction revenue</p> <p>The process in which documents indicating the amounts of consideration based on substantial agreements made between parties and details of such agreements, which form the basis of estimates of the amounts for which contracts have not yet been entered into with customers, are prepared by persons in charge of the construction work who have specialized knowledge and are approved by authorized persons who are responsible for the reliability of the profit and loss management of the construction work.</p> <p>② Total construction costs</p> <ul style="list-style-type: none"> The process in which operating budgets, which form the basis of estimates of the total construction costs, are prepared by persons in charge of the construction work who have specialized knowledge and are approved by authorized persons who are responsible for the reliability of the profit and loss management of the construction work. The process for verifying that each element of the total construction costs is calculated by accumulating in detail objective prices, such as standard unit prices approved internally and quotations obtained from external sources.



The calculation method for measuring net sales of completed construction contracts using the method of recognizing revenue over time is as shown below.

$$\begin{aligned} &\text{Net sales of completed construction contracts} \\ &= \text{Total construction revenue} \\ &\quad \times \text{Progress towards completion of} \\ &\quad \text{construction} \left(\frac{\text{Costs incurred}}{\text{Total construction costs}} \right) \end{aligned}$$

(1) Total construction revenue

Although construction contracts may potentially be modified due to new agreements with customers during construction, there are cases where the amounts of such modifications are not determined each time the modifications of construction contracts are made.

Accordingly, with regards to changes in consideration, if modifications to construction contracts that have not yet been entered into are to be included in total construction revenue, it is necessary to reliably estimate the amount of consideration based on substantial agreements made among parties and the details of such agreements.

Determinations of whether agreements are substantial and estimates of amounts of consideration involve subjectivity since they are based on discussions with customers and thus involve uncertainty.

(2) Total construction costs

Considering that construction contracts are highly individual and carried out in accordance with fundamental specifications and work details instructed by customers, it is difficult to apply a uniform rule for making estimates of total construction costs. Accordingly, estimates of total construction costs involve certain assumptions and judgments that are based on specialized knowledge and experience in construction, and thus involve uncertainty.

- The process for estimating the total construction costs timely and appropriately in accordance with the status of construction work, the amount of construction costs actually incurred versus the budget, and changes in specifications instructed by customers.

- The process in which the profit or loss for each construction contract is reported at the closing date by persons in charge of the construction work and is approved by authorized persons who are responsible for the reliability of the profit and loss management of the construction work.

(2) Evaluation of the adequacy of estimates

We identified those construction contracts that involve a relatively high degree of uncertainty over the estimates of the total construction revenue and total construction costs, in light of factors such as the scale of construction, profit and loss on construction, and status of construction work, and performed the following audit procedures as a response to the uncertainties of each construction contract.

① Total construction revenue

- For estimates of amounts for which contracts have not yet been entered into with customers, we inspected documents such as work order from customers, order to commence work in advance, minutes of negotiations with customers, and quotations, and evaluated the status of agreements with customers and amount of consideration thereof.

- We evaluated the process for estimating the total construction revenue by comparing prior estimates of amounts for which contracts have not yet been entered into with customers with the subsequent status of the contracts or re-estimated amounts.



Further, given that constructions are generally long-term in nature, there may be potential modifications in construction contracts, changes in weather and sea conditions and fluctuations in construction material prices and labor prices during construction, thus making timely and appropriate revisions of total construction costs complex.

Based on the above, we have determined the estimation of total construction revenue and total construction costs, which is a component in calculating progress toward completion of construction, to be a key audit matter due to its particular significance for the fiscal year ended March 31, 2022.

② Total construction costs

- We inspected the most recent operating budget prepared in a timely manner that serve as the basis for the estimate of the total construction costs, and examined whether the estimated costs were consistent with the content of the construction contracts, calculated by accumulating the construction costs by category of work, and whether unusual amounts of adjustment items were not included in the operating budget.
- We compared the prior estimate of the total construction costs with the estimate at the closing date, and for the changes in costs above a certain threshold, we examined whether the details of such changes were consistent with the current status of construction work by making inquiries regarding the reasons for the revisions, and reconciling the changes with the work schedules, quotations from subcontractors, and other documents.
- We made inquiries regarding the status of the construction, the existence of events resulting in changes to the total construction costs, and the determination of whether revisions to the total construction costs were necessary, and examined whether the responses were consistent with the work schedules and the construction costs incurred.
- We inspected construction sites of certain contracts (including remote inspections) and examined whether the status of construction was consistent with the estimate of the total construction costs and progress towards completion of construction.
- We evaluated the process for estimating the total construction costs by comparing the prior estimate of total construction costs with the subsequent outcome of total construction costs or re-estimated amounts.



	<p>In addition, we used a progress anomaly detection tool (a tool that detects unusual progress in construction that apply the method of satisfying a performance obligation and recognizing revenue over time based on forecasts of progress towards completion of construction using machine learning, as well as forecasts of construction contracts that total construction costs exceed total construction revenue, and detects on the timing of unusual cost incurrence) and performed the following procedures for construction contracts in which anomalies were detected due to actual progress towards completion of construction exceeding a certain level of progress at the closing date as forecasted by the tool.</p> <ul style="list-style-type: none"> • For cases in which significant revisions were made to the total construction costs, we examined whether the details of such revisions were consistent with the current status of construction work by making inquiries of those responsible for construction regarding the reasons for the revisions, and reconciling the revisions with work schedules, quotations from subcontractors, and other documents. • If a detected increase in progress towards completion of construction was attributable to the recognition of a large amount of construction costs at or near the financial closing date, we reconciled the large amount of construction costs recognized with work schedules, payment control sheets, invoices from major contractors, construction progress assessment reports, and other documents.
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Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Ernst & Young ShinNihon LLC



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

December 22, 2022

/s/ 中川 政人

Masato Nakagawa
Designated Engagement Partner
Certified Public Accountant

Ernst & Young ShinNihon LLC