

# 2023 Annual Report

Connect to the Future with Protection Technology



**NITTOC**

**NITTOC CONSTRUCTION CO., LTD.**

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**NITTOC**  
NITTOC CONSTRUCTION CO., LTD.

# Connect to the Future with Protection Technology

## MISSION

With efficient management and comprehensive technical capabilities in foundation work, we are the company that provides safe and secure society and contributes to countries.

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## Editorial Policy

Since the fiscal year ended March 31, 2014, NITTOC CONSTRUCTION CO., LTD. has published an Annual Report in order to share information on its management policy, business strategy, and value creation over the medium- to long-term with its shareholders, investors, and other stakeholders.

- **Period Covered by This Report**

This report covers the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022). However, times before or after this period are mentioned as necessary.

- **Scope of This Report**

This report covers NITTOC CONSTRUCTION CO., LTD. and its consolidated subsidiaries (as of March 31, 2022).

- **Notes on Future Outlook**

Statements in this report that are not historical facts are future forecasts based on the Company's future outlook and plans. As the future forecasts include elements of risk and uncertainty, actual results and performances may differ from the forecasts provided in this report.

# Consolidated Financial Statements, etc.

## 1. Consolidated Financial Statements

1) Consolidated Balance Sheets  
March 31, 2022 and 2023

	Millions of yen		Thousands of U.S.Dollars(*)
	2022	2023	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	20,723	19,457	145,714
Notes receivable, accounts receivable from completed construction contracts and other	17,934	18,395	137,765
Electronically recorded monetary claims — operating	2,563	3,462	25,930
Merchandise and finished goods	25	31	234
Real estate for sale	0	0	0
Costs on construction contracts in progress	301	*4 284	2,131
Raw materials and supplies	285	355	2,664
Other	693	446	3,340
Allowance for doubtful accounts	(2)	(2)	(15)
<b>Total current assets</b>	<b>42,526</b>	<b>42,431</b>	<b>317,766</b>
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures, net	*1 1,639	*1 1,674	12,537
Machinery, vehicles, tools, furniture and fixtures, net	*1 1,314	*1 1,542	11,550
Land	2,578	2,578	19,307
Leased assets, net	*1 0	—	—
Construction in progress	253	633	4,747
Other, net	*3 2	*3 2	15
<b>Total property, plant and equipment</b>	<b>5,787</b>	<b>6,430</b>	<b>48,159</b>
<b>Intangible assets</b>	<b>607</b>	<b>578</b>	<b>4,336</b>
<b>Investments and other assets</b>			
Investment securities	417	1,040	7,790
Deferred tax assets	2,003	1,978	14,818
Other	403	370	2,777
Allowance for doubtful accounts	(32)	(21)	(164)
<b>Total investments and other assets</b>	<b>2,791</b>	<b>3,368</b>	<b>25,223</b>
<b>Total non-current assets</b>	<b>9,185</b>	<b>10,377</b>	<b>77,718</b>
<b>Total assets</b>	<b>51,712</b>	<b>52,809</b>	<b>395,484</b>

\*Refer to the note "Significant Items on Basis for Preparation of Consolidated Financial Statements."

	Millions of yen		Thousands of U.S.Dollars(*)
	2022	2023	2023
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes payable, accounts payable for construction contracts and other	11,921	11,539	86,417
Advances received on construction contracts in progress	593	423	3,174
Lease obligations	0	—	—
Income taxes payable	555	1,149	8,611
Provision for warranties for completed construction	25	170	1,273
Provision for loss on construction contracts	168	*4 28	210
Provision for bonuses	1,150	1,138	8,523
Provision for bonuses for directors (and other officers)	33	39	297
Other	2,341	2,070	15,502
<b>Total current liabilities</b>	<b>16,790</b>	<b>16,559</b>	<b>124,011</b>
<b>Non-current liabilities</b>			
Lease obligations	4	—	—
Retirement benefit liability	4,209	4,023	30,132
Other	97	98	740
<b>Total non-current liabilities</b>	<b>4,311</b>	<b>4,122</b>	<b>30,873</b>
<b>Total liabilities</b>	<b>21,101</b>	<b>20,681</b>	<b>154,884</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Share capital	6,052	6,052	45,326
Capital surplus	1,753	1,753	13,129
Retained earnings	22,560	23,918	179,126
Treasury shares	(0)	(2)	(17)
<b>Total shareholders' equity</b>	<b>30,365</b>	<b>31,722</b>	<b>237,565</b>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	112	138	1,037
Foreign currency translation adjustment	3	17	134
Remeasurements of defined benefit plans	(58)	(29)	(221)
<b>Total accumulated other comprehensive income</b>	<b>56</b>	<b>126</b>	<b>950</b>
<b>Non-controlling interests</b>	<b>188</b>	<b>278</b>	<b>2,083</b>
<b>Total net assets</b>	<b>30,610</b>	<b>32,127</b>	<b>240,599</b>
<b>Total liabilities and net assets</b>	<b>51,712</b>	<b>52,809</b>	<b>395,484</b>

\*Refer to the note "Significant Items on Basis for Preparation of Consolidated Financial Statements."

## 2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income  
Fiscal Years Ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S.Dollars(*)
	2022	2023	2023
Net sales			
Net sales of completed construction contracts	65,882	72,697	544,425
Sales in other businesses	194	221	1,656
Total net sales	66,076	72,918	546,082
Cost of sales			
Cost of sales of completed construction contracts	*1 53,849	*1 59,117	442,731
Cost of sales in other businesses	92	115	863
Total cost of sales	53,941	59,233	443,594
Gross profit			
Gross profit on completed construction contracts	12,032	13,579	101,694
Gross profit - other business	102	105	792
Total gross profit	12,134	13,685	102,487
Selling, general and administrative expenses	*2,*3 7,611	*2,*3 8,233	61,658
Operating profit	4,523	5,451	40,829
Non-operating income			
Interest income	7	6	47
Dividend income	36	12	96
Patent income	16	14	109
Foreign exchange gains	49	40	302
Other	29	23	172
Total non-operating income	139	97	728
Non-operating expenses			
Interest expenses	5	7	57
Guarantee commission	22	17	127
Commission for syndicated loans	5	55	414
Other	2	6	48
Total non-operating expenses	35	86	648
Ordinary profit	4,626	5,462	40,908
Extraordinary income			
Gain on sale of non-current assets	*4 0	-	-
Gain on sale of investment securities	372	-	-
Total extraordinary income	372	-	-
Extraordinary losses			
Loss on Sale and retirement of non-current assets	*5 11	*5 22	168
Impairment losses	-	*6 4	36
Total extraordinary losses	11	27	205
Profit before income taxes	4,986	5,435	40,703
Income taxes - current	1,513	1,827	13,684
Income taxes - deferred	155	(0)	(2)
Total income taxes	1,668	1,826	13,682
Profit	3,318	3,608	27,021
Profit (loss) attributable to non-controlling interests	(11)	81	610
Profit attributable to owners of parent	3,329	3,526	26,410

\*Refer to the note "Significant Items on Basis for Preparation of Consolidated Financial Statements."

Consolidated Statements of Comprehensive Income  
Fiscal Years Ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S.Dollars(*)
	2022	2023	2023
Profit	3,318	3,608	27,021
Other comprehensive income			
Valuation difference on available-for-sale securities	(200)	26	197
Foreign currency translation adjustment	57	22	169
Remeasurements of defined benefit plans, net of tax	35	29	221
Total other comprehensive income	*1 (106)	*1 78	587
Comprehensive income	3,211	3,686	27,609
Comprehensive income attributable to			
Owners of parent	3,203	3,597	26,939
Non-controlling interests	8	89	670

\*Refer to the note "Significant Items on Basis for Preparation of Consolidated Financial Statements."

### 3. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,052	2,022	21,419	(1,057)	28,436
Cumulative effects of changes in accounting policies			102		102
Restated balance	6,052	2,022	21,521	(1,057)	28,538
Changes during period					
Dividends of surplus			(1,501)		(1,501)
Profit attributable to owners of parent			3,329		3,329
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares		(269)	(788)	1,057	-
Net changes in items other than shareholders' equity					
Total changes during period	-	(269)	1,039	1,056	1,826
Balance at end of period	6,052	1,753	22,560	(0)	30,365

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	312	(34)	(95)	183	180	28,800
Cumulative effects of changes in accounting policies						102
Restated balance	312	(34)	(95)	183	180	28,902
Changes during period						
Dividends of surplus						(1,501)
Profit attributable to owners of parent						3,329
Purchase of treasury shares						(0)
Cancellation of treasury shares						-
Net changes in items other than shareholders' equity	(200)	37	36	(126)	8	(118)
Total changes during period	(200)	37	36	(126)	8	1,708
Balance at end of period	112	3	(58)	56	188	30,610

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,052	1,753	22,560	(0)	30,365
Changes during period					
Dividends of surplus			(2,168)		(2,168)
Profit attributable to owners of parent			3,526		3,526
Purchase of treasury shares				(1)	(1)
Cancellation of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,357	(1)	1,356
Balance at end of period	6,052	1,753	23,918	(2)	31,722

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	112	3	(58)	56	188	30,610
Changes during period						
Dividends of surplus						(2,168)
Profit attributable to owners of parent						3,526
Purchase of treasury shares						(1)
Cancellation of treasury shares						-
Net changes in items other than shareholders' equity	26	14	29	70	89	159
Total changes during period	26	14	29	70	89	1,516
Balance at end of period	138	17	(29)	126	278	32,127

## Consolidated Financial Statements

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of U.S.Dollars\*)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	45,326	13,129	168,957	(7)	227,406
Changes during period					
Dividends of surplus			(16,241)		(16,241)
Profit attributable to owners of parent			26,410		26,410
Purchase of treasury shares				(9)	(9)
Cancellation of treasury shares					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	10,168	(9)	10,159
Balance at end of period	45,326	13,129	179,126	(17)	237,565

(Thousands of U.S.Dollars\*)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	839	24	(441)	422	1,413	229,242
Changes during period						
Dividends of surplus						(16,241)
Profit attributable to owners of parent						26,410
Purchase of treasury shares						(9)
Cancellation of treasury shares						-
Net changes in items other than shareholders' equity	197	110	220	527	670	1,198
Total changes during period	197	110	220	527	670	11,357
Balance at end of period	1,037	134	(221)	950	2,083	240,599

## 4. Consolidated Statements of Cash Flows

Fiscal Years Ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S.Dollars(*)
	2022	2023	2023
Cash flows from operating activities			
Profit before income taxes	4,986	5,435	40,703
Depreciation	507	583	4,372
Increase (decrease) in allowance for doubtful accounts	(28)	(11)	(85)
Increase (decrease) in provision for warranties for completed construction	1	144	1,080
Increase (decrease) in provision for loss on construction contracts	(71)	(140)	(1,052)
Increase (decrease) in provision for bonuses	(351)	(11)	(89)
Increase (decrease) in provision for bonuses for directors (and other officers)	(3)	6	48
Increase (decrease) in retirement benefit liability	97	(143)	(1,074)
Loss (gain) on sale of property, plant and equipment	2	-	-
Loss on retirement of non-current assets	9	22	168
Interest and dividend income	(43)	(19)	(143)
Interest expenses	5	7	57
Foreign exchange losses (gains)	(20)	(11)	(87)
Loss (gain) on sale of investment securities	(372)	-	-
Impairment losses	-	4	36
Decrease (increase) in trade receivables	2,686	(1,314)	(9,847)
Decrease (increase) in costs on construction contracts in progress	227	17	129
Decrease (increase) in other assets	(279)	156	1,171
Increase (decrease) in trade payables	534	(379)	(2,838)
Increase (decrease) in advances received on construction contracts in progress	(1,085)	(172)	(1,293)
Increase (decrease) in accrued consumption taxes	94	(45)	(337)
Increase (decrease) in other liabilities	263	(48)	(364)
Subtotal	7,162	4,079	30,553
Interest and dividends received	43	19	143
Interest paid	(5)	(7)	(57)
Income taxes paid	(2,450)	(1,432)	(10,725)
Net cash provided by (used in) operating activities	4,750	2,659	19,914
Cash flows from investing activities			
Purchase of investment securities	(5)	(585)	(4,383)
Proceeds from sale of investment securities	645	-	-
Purchase of property, plant and equipment	(627)	(1,130)	(8,465)
Proceeds from sale of property, plant and equipment	75	-	-
Purchase of intangible assets	(273)	(62)	(469)
Payments for retirement of non-current assets	-	(15)	(112)
Payments of guarantee deposits	(15)	(6)	(51)
Proceeds from refund of guarantee deposits	12	12	91
Other payments	(10)	(0)	(6)
Other proceeds	173	0	0
Net cash provided by (used in) investing activities	(23)	(1,788)	(13,392)

	Millions of yen		Thousands of U.S.Dollars(*)
	2022	2023	2023
<b>Cash flows from financing activities</b>			
Repayments of long-term borrowings	(278)	–	–
Repayments of Lease obligations	(5)	(5)	(38)
Purchase of treasury shares	(0)	(1)	(9)
Dividends paid	(1,501)	(2,165)	(16,217)
Net cash provided by (used in) financing activities	(1,785)	(2,171)	(16,265)
Effect of exchange rate change on cash and cash equivalents	60	34	262
Net increase (decrease) in cash and cash equivalents	3,001	(1,266)	(9,481)
Cash and cash equivalents at beginning of period	17,722	20,723	155,195
Cash and cash equivalents at end of period	*1 20,723	*1 19,457	145,714

## Notes

### (Basis of Presenting Consolidated Financial Statements)

The accompanying consolidated financial statements have been prepared from the accounts maintained by NITTOC CONSTRUCTION CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group") in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥133.53 to US\$1.00, the approximate rate of exchange on March 31, 2023. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### (Significant Items on Basis for Preparation of Consolidated Financial Statements)

#### 1. Scope of Consolidation

Number of consolidated subsidiaries: 6  
 Midori Industries Co., Ltd.  
 Yamaguchi Earth Engineering Co., Ltd.  
 Shimane Earth Engineering Co., Ltd.  
 Ehime Earth Engineering Co., Ltd.  
 Fukui Earth Engineering Co., Ltd.  
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#### 2. Application of the Equity Method

Not applicable

#### 3. Fiscal Years, etc. of Consolidated Subsidiaries

The year-end date of the fiscal year of the consolidated subsidiaries is March 31, which is the same as the consolidated balance sheet date.

#### 4. Accounting Policies

##### (1) Valuation standard and valuation method for significant assets

- 1) Securities
  - Available-for-sale securities
    - Securities other than stocks, etc. without market quotations:
      - Valued at fair market value as of the consolidated fiscal year-end date (All changes in valuation difference are included directly in net assets. Cost of securities sold is determined by the moving-average method).
    - Stocks, etc. without market quotations:
      - (Valued) alued at cost based on the moving-average method.
- 2) Inventories
  - Merchandise
    - Stated at cost using the first-in first-out method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)
  - Real estate for sale
    - Stated at cost using the specific identification method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)
  - Costs on construction contracts in progress
    - Stated at cost using the specific identification method
  - Raw materials and supplies
    - Stated at cost using the first-in first-out method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)

##### (2) Depreciation methods of major depreciable assets

- 1) Property, plant and equipment (excluding leased assets): The declining-balance method is applied. However, the straight-line method is adopted for buildings acquired on or after April 1, 1998, as well as facilities attached to buildings, structures and machinery equipment acquired on or after April 1, 2016. The major useful lives are as follows.
  - Buildings and structures: 5-60 years
  - Machinery, vehicles, tools, furniture and fixtures: 2-17 years
- 2) Intangible assets (excluding leased assets): The straight-line method is applied.
  - Computer software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).
- 3) Leased assets
  - The straight-line method, in which the lease period is utilized as the useful life assuming the residual value is zero, is applied for leased assets of finance lease transactions that do not transfer ownership.

**(3) Recognition standards for significant reserves**

- 1) Allowance for doubtful accounts  
The allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables based on past bad debt experience for general receivables, and by individually considering the collectability for certain doubtful receivables including loans with potential default to prepare for possible loan losses including trade receivables and loans receivable.
- 2) Provision for warranties for completed construction  
The provision for warranties for completed construction is recorded at an amount based on the estimated compensation amount regarding the completed construction contracts for the consolidated fiscal year under review as well as the estimated compensation amount for certain construction contracts to prepare for expenses for warranty against defects relative to completed construction works.
- 3) Provision for loss on construction contracts  
The provision for loss on construction contracts is recorded at an estimated loss amount regarding construction works on hand at the end of the consolidated fiscal year under review for which loss is expected, and for which the amount can be reasonably estimated, to prepare for possible losses from construction contracts that the Group has received orders thereof.
- 4) Provision for bonuses  
The provision for bonuses is recorded based on the estimated amount of bonuses to be paid to provide for the payment of bonuses to employees.
- 5) Provision for bonuses for directors (and other officers)  
The provision for bonuses for directors (and other officers) is recorded based on the estimated amount of bonuses to be paid to provide for the payment of bonuses to the directors (and other officers)

**(4) Accounting procedure for retirement benefits**

- 1) Method of allocating the projected retirement benefits to periods  
In calculating the projected benefit obligation, the benefit formula basis is used to allocate the projected retirement benefits to periods up to the end of the consolidated fiscal year under review.
- 2) Amortization method for actuarial gains/losses and prior service cost  
Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (10 years) within the average remaining service period of employees at the time of recognition, commencing from the consolidated fiscal year following the recognition.  
The prior service cost is amortized by the straight-line method over a certain period (10 years) within the average remaining service period of employees at the time of recognition.
- 3) Adoption of the simplified method for small and medium-sized entities  
For the calculation of retirement benefit liability and retirement benefit expenses, the consolidated subsidiaries of the Company have adopted the simplified method, according to which the amount of payables for voluntary retirement of all employees at the end of the period is treated as projected benefit obligation.

**(5) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen**

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated fiscal year-end date, and differences arising from such translation are charged to income.  
The asset and liability accounts of the overseas subsidiaries are translated into Japanese yen at the spot exchange rates as of the consolidated fiscal year-end date. The revenue and expense accounts of the overseas subsidiaries are translated into Japanese yen based on the average exchange rate during the consolidated fiscal year under review, and differences arising from such translation are included in "Foreign currency translation adjustment" and "Non-controlling interests" as separate components of "Net assets."

**(6) Recognition standards for significant revenues and expenses**

In the construction business, the principal performance obligation of the Company and its consolidated subsidiaries is to perform and deliver construction work related to construction contracts with customers. For construction contracts, the Company and its consolidated subsidiaries deem that performance obligations are satisfied as the construction progresses, and adopt the method of recognizing revenue over a certain period of time depending on the satisfaction of performance obligations, as the control is transferred over a certain period of time.  
For measuring the progress of completion toward satisfaction of performance obligations, it is calculated based on the proportion of the actual cost incurred against the estimated total cost of construction work at the end of each consolidated fiscal year (input method).  
If a reasonable estimate of the progress of completion toward satisfaction of performance obligations cannot be made but the expenses incurred are expected to be recovered when satisfying the performance obligations, the cost recovery method is applied.  
For construction projects whose terms are very short, alternative treatments are applied, and revenue is not recognized over a certain period of time but recognized when performance obligations are fully satisfied.

**(7) Scope of cash and cash equivalents in the consolidated statements of cash flows**

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits available for withdrawal on demand and readily convertible short-term investments with maturities of three months or less, which are exposed to minor risk of fluctuation in value.

(Significant Accounting Estimates)

Estimates of total construction revenue and total cost of construction work for a construction contract to be satisfied over a certain period of time

1. Amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

As of March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Net sales from construction contracts to be satisfied over a certain period of time	57,720	65,904	493,557

2. Calculation method of the amounts recorded in the consolidated financial statements for the consolidated fiscal year under review  
For construction contracts, except for construction contracts whose terms are very short, revenues are recognized over a certain period of time according to the satisfaction of performance obligations. For measuring the progress of completion toward satisfaction of performance obligations, it is calculated based on the proportion of the actual cost incurred against the estimated total cost of construction work (input method). Net sales of completed construction contract are calculated based on such progress by multiplying total construction revenue.  
Estimates of total construction revenue and total cost of construction work for a construction contract are based on the statement of working budget prepared for each construction.

3. Major assumptions used for the calculation of amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

Major assumptions used for estimates of total construction revenue and total cost of construction work are possibilities of obtaining additional orders, construction material prices, quantities, and outsourcing expenses for proceeding with the construction project. For each assumption, estimates involve certain assumptions and determination by the construction site supervisors with construction expertise as well as experience in executing construction works.

4. The impact on the consolidated financial statements for the following consolidated fiscal year

Since construction works generally tend to span long periods of time, their major assumptions may be affected by situations such as change of construction conditions, design changes or reworks during the works, extension of the work period due to adverse weather, soaring material or labor costs, and involve uncertainties of estimates. Therefore, if such events necessitate the revision of estimates, they may have impact on the consolidated financial statements for the following consolidated fiscal year.  
In the Group, construction work managers identify changes in situation after commencement of the construction on an appropriate and timely basis through interviews as well as inspections of construction-related documents including the statement of working budget, which are reflected in the calculation of revenues related to performance obligations that are satisfied over a certain period of time. Constructions believed to have potentially significant impact on the business performance are under intensive management involving executives both at branches and headquarters for precautionary purposes. Through these management initiatives, the Group makes an effort to reduce events with potential significant impact on the consolidated financial statements for the following consolidated fiscal year.

(Changes in Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 31, June 17, 2021; "Fair Value Measurement Guidance") from the beginning of the consolidated fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance, in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. There is no impact from this change on the consolidated financial statements.

(Accounting Standards Issued but Not Yet Applied)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

The ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (the "ASBJ No. 28, etc.") were issued in February 2018, and the transfer of practical guidance for tax effect accounting from the Japanese Institute of Certified Public Accountants to the ASBJ was completed. In the course of consideration on the transfer, the following two points were decided to be further discussed after the issuance of ASBJ Statement No. 28, etc., and considerations were conducted and the results released.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect related to sales of shares in subsidiaries, etc. (shares in subsidiaries or affiliated companies) in the case in which group tax sharing system is applied

(2) Planned date of application

The Company will apply the ASBJ No. 28, etc. from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of application of the accounting standards, etc.

Assessment of the impact of application of the "Accounting Standard for Current Income Taxes," etc. on the consolidated financial statements is currently underway.

## Consolidated Financial Statements

(Consolidated Balance Sheets)

\*1 Accumulated depreciation of property, plant and equipment

As of March 31	2022	2023	2023
	¥6,690 million	¥6,788 million	\$50,837 thousand

2 Contingent liabilities

The Company guarantees the contractual obligations of the subsidiaries' construction contracts.

As of March 31	2022	2023	2023
Contractual obligations (PT NITTOC CONSTRUCTION INDONESIA)	¥172 million (IDR 20,352 million)	¥110 million (IDR 12,421 million)	\$827 thousand

\*3 Tax purpose reduction entry

The amount of tax purpose reduction entry, which is subtracted from the acquisition prices of property, plant and equipment due to acceptance of a state subsidy, and the breakdown thereof were as follows:

As of March 31	2022	2023	2023
Other	¥2 million	¥2 million	\$15 thousand

\*4 Presentation of inventories and provision for loss on construction contracts

Fiscal year ended March 31, 2022 (As of March 31, 2022)

Not applicable.

Fiscal year ended March 31, 2023 (As of March 31, 2023)

Both the costs on construction contracts in progress and the provision for loss on construction contracts, which are related to construction contracts that are expected to generate losses, are presented without offsetting each other.

Of the costs on construction contracts in progress relating to construction contracts that are expected to generate losses, the amount corresponding to the provision for loss on construction contracts is ¥1 million.

5 Commitment line agreements

The Company has entered into commitment line agreements with our four banks to facilitate efficient fund procurement of working capital.

The unused balance of the borrowings relative to the commitment line agreements as of March 31 was as follows:

As of March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Total amount of the commitment line	2,200	2,200	16,475
Maximum overdraft amount	765	445	3,332
Balance of executed loans	–	–	–
Unused balance	2,965	2,645	19,808

(Consolidated Statements of Income)

\*1 Provision for loss on construction contracts included in the cost of sales of completed construction contracts

Fiscal year ended March 31	2022	2023	2023
	¥32 million	¥28 million	\$210 thousand

\*2 Major expense items of selling, general and administrative expenses and their amounts were as follows:

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Provision for bonuses for directors (and other officers)	33	39	297
Employees' salaries and allowances	3,049	3,301	24,721
Provision for bonuses	448	457	3,423
Retirement benefit expenses	253	245	1,840
Provision of allowance for doubtful accounts	(21)	(11)	(85)

\*3 Research and development expenses included in general and administrative expenses

Fiscal year ended March 31	2022	2023	2023
	¥391 million	¥387 million	\$2,904 thousand

\*4 The breakdown of gain on sale of non-current assets was as follows:

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Machinery, vehicles, tools, furniture and fixtures	0	–	–
Total	0	–	–

\*5 The breakdown of loss on sale and retirement of non-current assets was as follows:

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Buildings and structures	8	22	168
Machinery, vehicles, tools, furniture and fixtures	0	0	0
Land	2	–	–
Intangible assets (software)	0	–	–
Total	11	22	168

\*6 Impairment losses

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

This information is omitted due to its immateriality.

(Consolidated Statements of Comprehensive Income)

\*1 Amounts of reclassification and the tax-effect equivalent in relation to "Other comprehensive income"

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Valuation difference on available-for-sale securities			
Accrued in the fiscal year	83	37	284
Amount of reclassification	(372)	–	–
Before tax-effect adjustment	(288)	37	284
Amount of tax-effect equivalent	88	(11)	(87)
Valuation difference on available-for-sale securities	(200)	26	197
Foreign currency translation adjustment			
Accrued in the fiscal year	57	22	169
Foreign currency translation adjustment	57	22	169
Remeasurements of defined benefit plans			
Accrued in the fiscal year	(0)	0	0
Amount of reclassification	54	42	318
Before tax-effect adjustment	53	42	318
Amount of tax-effect equivalent	(17)	(13)	(97)
Remeasurements of defined benefit plans, net of tax	35	29	221
Total other comprehensive income	(106)	78	587

(Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

1. Class and total number of issued shares and of treasury shares

Fiscal year ended March 31, 2022	Number of shares at the beginning	Increase in number of shares	Decrease in number of shares	Number of shares at the end
Issued shares				
Common shares	43,919,291	–	2,210,924	41,708,367
Total	43,919,291	–	2,210,924	41,708,367
Treasury shares				
Common shares	2,210,924	1,321	2,210,924	1,321
Total	2,210,924	1,321	2,210,924	1,321

Notes:

- The decrease in number of issued shares represents the decrease due to cancellation of treasury shares.
- The increase in number of treasury shares represents the increase from the purchase of less-than-one-unit shares.
- The decrease in number of treasury shares represents the decrease due to cancellation of treasury shares.

2. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total dividends	Source of dividends	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting on June 25, 2021	Common shares	¥1,167 million	Retained earnings	¥28.00	March 31, 2021	June 28, 2021
Board of Directors meeting on November 5, 2021	Common shares	¥333 million	Retained earnings	¥8.00	September 30, 2021	November 30, 2021

(2) Dividends for which the record date is during the consolidated fiscal year under review but for which the effective date is after the end of the consolidated fiscal year under review

Resolution	Class of shares	Total dividends	Source of dividends	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting on June 24, 2022	Common shares	¥1,334 million	Retained earnings	¥32.00	March 31, 2022	June 27, 2022

3. The Company cancelled 2,210,924 shares of treasury shares on May 31, 2021, by resolution of the Board of Directors meeting held on May 7, 2021. As a result, capital surplus, retained earnings, and treasury shares decreased by ¥269 million, ¥788 million, and ¥1,057 million, respectively, for the consolidated fiscal year under review, and capital surplus, retained earnings, and treasury shares were at ¥1,753 million, ¥22,560 million, and ¥0 million, respectively, as of the end of the consolidated fiscal year under review.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

1. Class and total number of issued shares and of treasury shares

Fiscal year ended March 31, 2023	Number of shares at the beginning	Increase in number of shares	Decrease in number of shares	Number of shares at the end
Issued shares				
Common shares	41,708,367	–	–	41,708,367
Total	41,708,367	–	–	41,708,367
Treasury shares				
Common shares	1,321	1,496	–	2,817
Total	1,321	1,496	–	2,817

Notes: The increase in number of treasury shares represents the increase from the purchase of less-than-one-unit shares.

2. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total dividends	Source of dividends	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting on June 24, 2022	Common shares	¥1,334 million (\$9,994 thousand)	Retained earnings	¥32.00	March 31, 2022	June 27, 2022
Board of Directors meeting on November 4, 2022	Common shares	¥834 million (\$6,246 thousand)	Retained earnings	¥20.00	September 30, 2022	November 30, 2022

(2) Dividends for which the record date is during the consolidated fiscal year under review but for which the effective date is after the end of the consolidated fiscal year under review

Resolution	Class of shares	Total dividends	Source of dividends	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting on June 23, 2023	Common shares	¥1,042 million (\$7,808 thousand)	Retained earnings	¥25.00	March 31, 2023	June 26, 2023

(Consolidated Statements of Cash Flows)

\*1 A reconciliation of the balance of cash and cash equivalents in the consolidated statements of cash flows to cash and deposits included in the consolidated balance sheets

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Cash and deposits	20,723	19,457	145,714
Cash and cash equivalents	20,723	19,457	145,714

(Lease Transactions)

(Lessee)

Finance lease transactions that do not transfer ownership

This information is omitted due to its immateriality.

(Financial Instruments)

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

1. Status of Financial Instruments

(1) Policies on financial instruments

The Group holds a policy to procure working capital, which is necessary to pursue business purposes, in the form of borrowings from banks and invests temporary surplus funds in short-term deposits, etc. The Group utilizes derivatives within the limit of actual demand and not for speculative purposes. In the consolidated fiscal year under review, no derivative transactions were utilized.

(2) Description of financial instruments and related risks

Notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating, which are trade receivables, are exposed to the credit risk of the respective counterparties. Investment securities are mainly stocks of companies with which the Company holds business relationships, and are exposed to market price fluctuation risk.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally entail the concentrated due date for payments and are exposed to liquidity risk. Borrowings as funds for capital investments are exposed to market price fluctuation risk (interest rate risk) and liquidity risk.

(3) Risk management system for financial instruments

1) Management of credit risk (default risk of the counterparties)

The Group regularly monitors notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating regarding main counterparties at the relevant departments/sections in accordance with the Credit Exposure Management Rules and the Credit Management Manual. In addition to the management of credit balances by counterparty, the Group works to early grasp and reduce recovery concerns due to the aggravation of financial positions at the counterparties.

2) Management of market risk (market price fluctuation risk)

The Group regularly checks the current market value of shares included in the category of investment securities and makes efforts to comprehend the financial positions of the issuers (counterparties) and continuously reviews the holding status of such investment securities by taking into account market conditions and the relationship with the respective counterparties.

For borrowings (interest rate risk), the Group manages the balance of borrowings in a timely and appropriate manner and procures borrowings mainly at fixed interest rates in order to limit the interest payment fluctuation risks on borrowings. The Group did not use derivative transactions (interest rate swap transactions) in the consolidated fiscal year under review.

3) Management of liquidity risk (the risk of non-repayment on the due date) relating to fund procurement

At the Group, the Accounting Department prepares and renews the cash-flow plan based on the reports from the respective departments/sections. The department also manages liquidity risk with measures such as the maintenance of liquidity on hand and entering into commitment line agreements with our banks.

2. Market Values of Financial Instruments

The carrying value in the consolidated balance sheets, the market value and the difference thereof as of March 31, 2022, were as follows. Shares, etc. without market value are not included in the table below (Refer to Note 2). Notes on cash are omitted. Notes for deposits, notes receivable, accounts receivable from completed construction contracts and other, electronically recorded monetary claims - operating, and notes payable, accounts payable for construction contracts and other are also omitted, as they are settled within a short term and their market values approximate the book values.

(Millions of yen)

	Carrying value in the consolidated balance sheets	Market value	Difference
Investment securities			
Available-for-sale securities	271	271	-
Total assets	271	271	-
Derivative transactions	-	-	-

Notes:

1. Securities and derivative transactions

(1) Securities and investment securities

Notes on securities by holding purpose are as follows:

1) Held-to-maturity debt securities are not held.

2) The amount of available-for-sale securities sold during the consolidated fiscal year under review was ¥645 million, and the gain on sales was ¥372 million. Acquisition cost or amortized cost, amounts in the consolidated balance sheets and their differences by type of available-for-sale securities are as follows.

(Millions of yen)

	Type	Acquisition cost or amortized cost	Amounts in the consolidated balance sheets	Differences
Shares with amounts in the consolidated balance sheets exceeding acquisition cost or amortized cost	Shares	74	243	168
Shares with amounts in the consolidated balance sheets lower than acquisition cost or amortized cost	Shares	35	28	(6)
Total		110	271	161

3) There were no shares for which the holding purpose changed during the consolidated fiscal year under review.

(2) Derivative transactions

The Group conducts no derivative transactions.

2. Shares, etc. without market value

Classification	Carrying value in the consolidated balance sheets
Unlisted stocks	¥145 million

The above securities are not included in "Available-for-sale securities."

3. Breakdown, etc. of fair values of financial instruments

The Company has classified fair values of financial instruments into the following three levels according to the observability and materiality of inputs used for fair value measurement.

Level 1 Fair Values: Fair values measured by (unadjusted) quoted prices of the identical assets or liabilities in active markets

Level 2 Fair Values: Fair values measured by directly or indirectly observable inputs other than those classified in Level 1

Level 3 Fair Values: Fair values measured by material but unobservable inputs

In cases where multiple inputs with a material impact on fair value measurement are used, fair value is classified into the level to which the input with the lowest priority in fair value measurement belongs.

(1) Financial instruments carried at fair value in the consolidated balance sheet

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	271	-	-	271
Total assets	271	-	-	271

(2) Financial assets and financial liabilities not carried at fair value in the consolidated balance sheet

Not applicable.

Note: Description of valuation techniques and inputs used in fair value measurement

Investment securities

Listed stocks are valued using quoted market prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

1. Status of Financial Instruments

(1) Policies on financial instruments

The Group holds a policy to procure working capital, which is necessary to pursue business purposes, in the form of borrowings from banks.

The Group's fund management is limited to short-term deposits and highly safe financial assets pursuant to the Fund Management Rules.

The Group utilizes derivatives within the limit of actual demand and not for speculative purposes. In the consolidated fiscal year under review, no derivative transactions were utilized.

(2) Description of financial instruments and related risks

Notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating, which are trade receivables, are exposed to the credit risk of the respective counterparties. Investment securities are mainly stocks of listed companies, and are exposed to market price fluctuation risk.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally entail the concentrated due date for payments and are exposed to liquidity risk. Borrowings for working capital are exposed to market interest rate fluctuation risk and liquidity risk.

(3) Risk management system for financial instruments

1) Management of credit risk (default risk of the counterparties)

The Group regularly monitors notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating regarding main counterparties at the relevant departments/sections in accordance with the Credit Exposure Management Rules and the Credit Management Manual. In addition to the management of credit balances by counterparty, the Group works to early grasp and reduce recovery concerns due to the aggravation of financial positions at the counterparties.

2) Management of market risk (market price fluctuation risk)

For investment securities, the Group basically manages the risk in accordance with the Fund Management Rules, and specifically sets investment limits and maximum holding limits, mainly for listed stocks and other securities. For invested financial instruments, the Group has clarified the management system and management standards, and regularly analyzes the market price fluctuation risk, the current market value of shares, and the financial positions of the issuers, and works to reduce risks.

3) Management of liquidity risk (the risk of non-repayment on the due date) relating to fund procurement

At the Group, the Accounting Department prepares and renews the cash-flow plan based on the reports from the respective departments/sections. The department also manages liquidity risk with measures such as the maintenance of liquidity on hand and entering into commitment line agreements with our banks.

2. Market Values of Financial Instruments

The carrying value in the consolidated balance sheets, the market value and the difference thereof as of March 31, 2023, were as follows. Shares, etc. without market value are not included in the table below (Refer to Note). Notes on cash are omitted. Notes for deposits, notes receivable, accounts receivable from completed construction contracts and other and contract assets, electronically recorded monetary claims - operating, and notes payable, accounts payable for construction contracts and other are also omitted, as they are settled within a short term and their market values approximate the book values.

(Millions of yen)

	Carrying value in the consolidated balance sheets	Market value	Difference
Investment securities	894	894	-
Available-for-sale securities			
Total assets	894	894	-

(Thousands of U.S.Dollars)

	Carrying value in the consolidated balance sheets	Market value	Difference
Investment securities	6,699	6,699	-
Available-for-sale securities			
Total assets	6,699	6,699	-

Note: Shares, etc. without market value

Classification	Carrying value in the consolidated balance sheets	
Unlisted stocks	¥145 million	\$1,091 thousand

The above securities are not included in "Available-for-sale securities."

3. Breakdown, etc. of fair values of financial instruments

The Company has classified fair values of financial instruments into the following three levels according to the observability and materiality of inputs used for fair value measurement.

Level 1 Fair Values: Fair values measured by (unadjusted) quoted prices of the identical assets or liabilities in active market

Level 2 Fair Values: Fair values measured by directly or indirectly observable inputs other than those classified in Level 1

Level 3 Fair Values: Fair values measured by material but unobservable inputs

In cases where multiple inputs with a material impact on fair value measurement are used, fair value is classified into the level to which the input with the lowest priority in fair value measurement belongs.

(1) Financial instruments carried at fair value in the consolidated balance sheet

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities				
Stocks	894	-	-	894
Total assets	894	-	-	894

(2) Financial assets and financial liabilities not carried at fair value in the consolidated balance sheet

Not applicable.

Note: Description of valuation techniques and inputs used in fair value measurement

Investment securities

Listed stocks are valued using quoted market prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

(Securities)

Fiscal year ended March 31, 2022 (As of March 31, 2022)

1. Held-to-maturity debt securities (As of March 31, 2022)  
Not applicable

2. Available-for-sale securities (As of March 31, 2022)

(Millions of yen)

	Carrying value in the consolidated balance sheets	Acquisition cost	Difference
(1) Securities with carrying value in the consolidated balance sheets exceeding acquisition cost			
Shares	243	74	168
Bonds			
National government bonds, local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	–	–	–
Subtotal	243	74	168
(2) Securities with carrying value in the consolidated balance sheets not exceeding acquisition cost			
Shares	28	35	(6)
Bonds			
National government bonds, local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	–	–	–
Subtotal	28	35	(6)
Total	271	110	161

Note: Shares, etc. without market value

Classification	Carrying value in the consolidated balance sheets (Millions of yen)
Available-for-sale securities (unlisted stocks)	145

3. Available-for-sale securities sold during the consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
Shares	645	372	–
Bonds			
National government bonds, local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	–	–	–
Total	645	372	–

Fiscal year ended March 31, 2023 (As of March 31, 2023)

1. Available-for-sale securities (As of March 31, 2023)

(Millions of yen)

	Carrying value in the consolidated balance sheets	Acquisition cost	Difference
(1) Securities with carrying value in the consolidated balance sheets exceeding acquisition cost			
Shares	775	565	209
Other	–	–	–
Subtotal	775	565	209
(2) Securities with carrying value in the consolidated balance sheets not exceeding acquisition cost			
Shares	119	128	(9)
Other	–	–	–
Subtotal	119	128	(9)
Total	894	694	199

Note: Shares, etc. without market value

Classification	Carrying value in the consolidated balance sheets	
	millions of yen	Thousands of U.S. Dollars
Available-for-sale securities (unlisted stocks)	145	1,091

(Thousands of U.S. Dollars)

	Carrying value in the consolidated balance sheets	Acquisition cost	Difference
(1) Securities with carrying value in the consolidated balance sheets exceeding acquisition cost			
Shares	5,805	4,238	1,566
Other	–	–	–
Subtotal	5,805	4,238	1,566
(2) Securities with carrying value in the consolidated balance sheets not exceeding acquisition cost			
Shares	894	965	(71)
Other	–	–	–
Subtotal	894	965	(71)
Total	6,699	5,204	1,495

2. Available-for-sale securities sold during the consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)  
Not applicable.

(Retirement Benefits)

1. Outline of adopted employee retirement benefit plans

The Company and its consolidated subsidiaries have adopted unfunded retirement benefit plans to provide for retirement benefits for their employees. Half of the retirement benefit plans are defined benefit plans and the remaining portion are defined contribution plans.

The defined benefit plans are lump-sum severance payment plans to provide retirement benefits by means of a point scheme based on service period.

In the defined contribution plans, the contribution is clearly sectionalized by individual and the pension benefit amount is determined based on the total of the contributions and the return on plan assets thereof.

In addition to the above, the Company and its consolidated subsidiaries are affiliated with the multiemployer plans of the Japan SOGO Employees' Pension Fund. As the rational computation of plan assets cannot be ensured for the multiemployer pension plans, accounting is processed in a similar manner as that for the defined contribution plans.

At the consolidated subsidiaries in Japan, retirement benefit liability and retirement benefit expenses are calculated by the simplified method. They are included in the following relevant items because of their immateriality in the consolidated financial statements.

2. Defined benefit plans

(1) Reconciliation of the beginning/ending balance of projected benefit obligations

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Beginning balance of projected benefit obligations	4,162	4,209	31,523
Service cost	232	228	1,708
Interest cost	20	24	183
Accrued amount of actuarial differences	0	-	-
Accrued amount of prior service cost	-	-	-
Retirement benefits paid	(207)	(437)	(3,273)
Ending balance of projected benefit obligations	4,209	4,023	30,132

(2) Reconciliation of the beginning/ending balance of plan assets

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)  
Not applicable

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)  
Not applicable

(3) Reconciliation of the ending balance of projected benefit obligations and plan assets, and the retirement benefit liability and the net defined benefit asset in the consolidated balance sheets

As of March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Projected benefit obligations under unfunded plans	4,209	4,023	30,132
Net carrying value in the consolidated balance sheets of relevant liabilities and assets	4,209	4,023	30,132
Retirement benefit liability	4,209	4,023	30,132
Net carrying value in the consolidated balance sheets of relevant liabilities and assets	4,209	4,023	30,132

(4) Retirement benefit expenses and the breakdown of the amounts thereof

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Service cost	232	228	1,708
Interest cost	20	24	183
Amortization of actuarial differences	60	48	366
Amortization of prior service cost	(6)	(6)	(49)
Retirement benefit expenses relative to the defined benefit plans	307	294	2,208

(5) Remeasurements of defined benefit plans

The breakdown of items (before deducting tax-effect amounts) reported under remeasurements of defined benefit plans is as follows:

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Prior service cost	(6)	(6)	(49)
Actuarial differences	59	48	366
Total	53	42	317

(6) Remeasurements of defined benefit plans (accumulated)

The breakdown of items (before deducting tax-effect amounts) reported under remeasurements of defined benefit plans (accumulated) is as follows:

As of March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Unrecognized prior service cost	37	30	230
Unrecognized actuarial differences	(120)	(71)	(533)
Total	(82)	(40)	(303)

(7) Matters regarding plan assets

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)  
Not applicable

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)  
Not applicable

(8) Matters regarding the basis for actuarial calculations

Major basis for actuarial calculations (presented in weighted average figures)

As of March 31	2022	2023
Discount rate	0.59%	0.92%

3. Defined contribution plans

The amount to be contributed by the Company and its consolidated subsidiaries under the defined contribution plans was ¥142 million for the fiscal year ended March 31, 2022, and ¥142 million (\$1,064 thousand) for the fiscal year ended March 31, 2023.

4. Multiemployer plans

The amount to be contributed under the multiemployer plans of the Japan SOGO Employees' Pension Fund, of which the accounting is processed in the same manner as that for the defined contribution plans, was ¥156 million for the fiscal year ended March 31, 2022, and ¥156 million (\$1,168 thousand) for the fiscal year ended March 31, 2023.

(1) Most recent plan assets reserved under the multiemployer plans

As of March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Plan assets	21,605	22,048	165,122
Total of the actuarial liability based on the pension financing calculation and the minimum liability reserves	17,547	17,838	133,589
Net amount	4,057	4,210	31,533

(2) Ratio of the Group's contribution to the multiemployer plans relative to the contributions to the overall retirement benefit plans

Fiscal year ended March 31, 2022: 16.16% (From April 1, 2021 to March 31, 2022)  
Fiscal year ended March 31, 2023: 15.94% (From April 1, 2022 to March 31, 2023)

(3) Supplementary explanation

The major factor of the net amount in Item (1) above was the general reserve (¥3,382 million for the fiscal year ended March 31, 2022, and ¥3,383 million (\$25,335 thousand) for the fiscal year ended March 31, 2023).

The ratios in Item (2) above do not agree with the Group's actual ratios of contributions.

(Tax-Effect Accounting)

1. Breakdown of significant components that caused deferred tax assets and liabilities

As of March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Deferred tax assets			
Real estate for sale	4	4	34
Accrued retirement payments	60	103	773
Accrued enterprise tax	43	63	474
Provision for bonuses	354	349	2,621
Allowance for doubtful accounts	7	7	54
Provision for warranties for completed construction	7	52	390
Provision for loss on construction contracts	51	8	64
Non-current assets (Impairment losses)	61	63	472
Defined contribution pension benefits payable	3	3	26
Retirement benefit liability	1,290	1,233	9,238
Unrealized gains	32	28	209
Asset retirement obligation	20	22	167
Other	177	163	1,224
Subtotal of deferred tax assets	2,115	2,103	15,751
Valuation allowance	(63)	(63)	(474)
Total of deferred tax assets	2,052	2,039	15,276
Deferred tax liabilities			
Valuation difference on available-for-sale securities	49	61	457
Total of deferred tax liabilities	49	61	457
Net deferred tax assets	2,003	1,978	14,818

2. The breakdown of items causing the difference between the effective statutory tax rate and the effective income tax rate after the adoption of tax-effect accounting

Fiscal year ended March 31	2022	2023
	(%)	(%)
Effective statutory tax rate	30.6	30.6
(Reconciliation)		
Non-deductible expenses such as entertainment expenses	0.6	0.6
Per capita inhabitant tax	2.7	2.5
Exclusion from revenues such as dividend income	(0.2)	(0.0)
Valuation reserve	(0.1)	0.0
Effective tax rate differential from overseas subsidiary	0.2	(1.3)
Other	(0.4)	1.3
Effective income tax rate after the adoption of tax-effect accounting	33.5	33.6

3. Accounting Treatments of Corporate and Local Income Taxes or Their Tax Effect Accounting

The Company and its domestic consolidated subsidiaries have applied the group tax sharing system from the consolidated fiscal year under review. In addition, the Company and its domestic consolidated subsidiaries have accounted for and disclosed corporate and local income taxes and their tax effect accounting in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

(Asset Retirement Obligation)

End of fiscal year ended March 31, 2022 (As of March 31, 2022)

This information is omitted due to its immateriality.

End of fiscal year ended March 31, 2023 (As of March 31, 2023)

This information is omitted due to its immateriality.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

The Group classifies sources of its revenues based on the type of services provided to customers into "foundation work," "civil engineering," "geological consulting" and "Other."

Foundation work: Ground work for constructing dam, etc., ground improvement, slope protection and repair

Civil engineering: General civil engineering, various shield constructions, etc.

Geological consulting: Geological research, survey, etc.

Other: Other than the above

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

	Construction business (Millions of yen)	Other businesses (Millions of yen)	Total (Millions of yen)
Foundation work	62,829	–	62,829
Civil engineering	1,899	–	1,899
Geological consulting	329	–	329
Other	823	194	1,017
Revenue from contracts with customers	65,882	194	66,076

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

	Construction business (Millions of yen)	Other businesses (Millions of yen)	Total (Millions of yen)
Foundation work	69,608	–	69,608
Civil engineering	2,100	–	2,100
Geological consulting	496	–	496
Other	491	175	667
Revenue from contracts with customers	72,697	175	72,872
Other revenue	–	45	45
Net sales to outside customers	72,697	221	72,918

	Construction business (Thousands of U.S. Dollars)	Other businesses (Thousands of U.S. Dollars)	Total (Thousands of U.S. Dollars)
Foundation work	521,291	–	521,291
Civil engineering	15,729	–	15,729
Geological consulting	3,719	–	3,719
Other	3,684	1,314	4,999
Revenue from contracts with customers	544,425	1,314	545,740
Other revenue	–	341	341
Net sales to outside customers	544,425	1,656	546,082

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as stated in "Significant Items on Basis for Preparation of Consolidated Financial Statements, 4. Accounting Policies, (6) Recognition standards for significant revenues and expenses."

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from existing contracts with customers at the end of the consolidated fiscal year under review expected to be recognized in and after the following consolidated fiscal year

(1) Contract asset and contract liability balances

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
Receivables arising from contracts with customers (beginning balance)		
Notes receivable	1,971	1,917
Accounts receivable from completed construction contracts	12,933	11,249
Accounts receivable	12	16
Electronically recorded monetary claims - operating	2,921	2,563
Receivables arising from contracts with customers (ending balance)		
Notes receivable	1,917	1,808
Accounts receivable from completed construction contracts	11,249	12,033
Accounts receivable	16	23
Electronically recorded monetary claims - operating	2,563	3,462
Contract assets (beginning balance)	5,142	4,750
Contract assets (ending balance)	4,750	4,530
Contract liabilities (beginning balance)	432	593
Contract liabilities (ending balance)	593	423

Notes:

- Contract assets are primarily rights to customers for revenues recognized based on the measurement of progress of completion in uncompleted construction contracts and are included in "notes receivable, accounts receivable from completed construction contracts and other" under current assets in the consolidated balance sheets. The rights are reclassified to receivables when they are invoiced to customers and the rights of the Company and its consolidated subsidiaries become unconditional.
- Contract liabilities are mainly advances received from customers on construction contracts and are included in "advances received on construction contracts in progress" under current liabilities in the consolidated balance sheets. The performance obligations are satisfied in accordance with the progress of construction and the contract liabilities are reclassified to revenue. Almost all of the contract liability balance as of the beginning of the consolidated fiscal year under review was recognized as revenue in the consolidated fiscal year under review.

(Thousands of U.S. Dollars)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Receivables arising from contracts with customers (beginning balance)	
Notes receivable	14,359
Accounts receivable from completed construction contracts	84,248
Accounts receivable	126
Electronically recorded monetary claims - operating	19,201
Receivables arising from contracts with customers (ending balance)	
Notes receivable	13,541
Accounts receivable from completed construction contracts	90,120
Accounts receivable	176
Electronically recorded monetary claims - operating	25,930
Contract assets (beginning balance)	35,576
Contract assets (ending balance)	33,926
Contract liabilities (beginning balance)	4,447
Contract liabilities (ending balance)	3,174

(2) Transaction price allocated to the remaining performance obligations

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

The total amount of transaction allocated to the remaining performance obligations as of the end of the consolidated fiscal year under review was ¥42,746 million, and the Company expects to recognize revenue for these remaining performance obligations between one or two years upon satisfaction of such obligations.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

The total amount of transaction allocated to the remaining performance obligations as of the end of the consolidated fiscal year under review was ¥46,602 million (\$349,001 thousand), and the Company expects to recognize revenue for these remaining performance obligations between one or two years upon satisfaction of such obligations.

(Segment Information, etc.)

[Segment Information]

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

The reportable segments of the Group are the components of the Company and its consolidated subsidiaries, for which separate financial information is available, and which are subject to regular reviews and evaluation by the Board of Directors in deciding the allocation of management resources and in assessing business performance.

The Group's operations consist of the construction business as well as several other business activities such as sales of merchandise and materials, and insurance agency. As these businesses are insignificant in terms of information for disclosure and the sole reportable segment of the Group is the "Construction business," segment information for these businesses is omitted.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

The reportable segments of the Group are the components of the Company and its consolidated subsidiaries, for which separate financial information is available, and which are subject to regular reviews and evaluation by the Board of Directors in deciding the allocation of management resources and in assessing business performance.

The Group's operations consist of the construction business as well as several other business activities such as sales of merchandise and materials, and insurance agency. As these businesses are insignificant in terms of information for disclosure and the sole reportable segment of the Group is the "Construction business," segment information for these businesses is omitted.

[Related Information]

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

1. Information by product and service

This information is omitted as net sales to outside customers in the classification of sole product/service exceed 90% of the net sales on the consolidated statements of income.

2. Information by geographic region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales on the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

This information is omitted as there are no specific outside customers to whom net sales account for 10% or more of the net sales on the consolidated statements of income.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

1. Information by product and service

This information is omitted as net sales to outside customers in the classification of sole product/service exceed 90% of the net sales on the consolidated statements of income.

2. Information by geographic region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales on the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

This information is omitted as there are no specific outside customers to whom net sales account for 10% or more of the net sales on the consolidated statements of income.

[Information on Impairment Losses of Non-Current Assets by Reportable Segment]

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

The information is omitted as the reportable segment is solely the construction business.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

The information is omitted as the reportable segment is solely the construction business.

[Information on Amortized Amount and Unamortized Balance of Goodwill by Reportable Segment]

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Not applicable

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Not applicable

[Information on Gain on Bargain Purchase by Reportable Segment]

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Not applicable

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Not applicable

[Related Party Information]

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Parent company information

AN Holdings Corp.

AN Holdings is a wholly-owned subsidiary of ASO CORPORATION.

(2) Condensed financial information of significant affiliated companies

Not applicable

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(1) Parent company information

AN Holdings Corp. (unlisted)

AN Holdings is a wholly-owned subsidiary of ASO CORPORATION (unlisted).

(2) Condensed financial information of significant affiliated companies

Not applicable

(Per-Share Information)

Fiscal year ended March 31	2022	2023	
Net assets per share	¥729.42	¥763.67	\$5.719
Basic earnings per share	¥79.83	¥84.56	\$0.633
Diluted earnings per share	Diluted earnings per share is not disclosed as no potential shares exist.	Diluted earnings per share is not disclosed as no potential shares exist.	

Note: The basis for calculation of "Basic earnings per share" is as follows:

Fiscal year ended March 31	Millions of yen		Thousands of U.S.Dollars
	2022	2023	2023
Basic earnings per share			
Profit attributable to owners of parent	3,329	3,526	26,410
Amounts not attributable to common shareholders	-	-	-
Profit attributable to owners of parent regarding common shares	3,329	3,526	26,410
Average number of common shares during the fiscal year (Thousands of shares)	41,707	41,706	

(Significant Subsequent Events)

(Introduction of Restricted Share Compensation Program)

The Company resolved to introduce a restricted share compensation program (the "Program") upon review of its officer compensation programs at the Board of Directors meeting held on May 24, 2023. The relevant proposal was submitted to the 76th Annual Shareholders' Meeting held on June 23, 2023 (the "Shareholders' Meeting") and resolved at the Shareholders' Meeting.

1. Purpose of the introduction of the Program

The Program will be introduced to newly provide the Company's Directors (excluding Outside Directors; "Eligible Directors") with a compensation system to grant restricted shares separately from the existing compensation system for the purpose of giving them the incentive to strive for continuous enhancement of the corporate value of the Company and facilitating further sharing of value with its shareholders.

2. Outline of the Program

The Company shall pay the compensation to the Eligible Directors for granting restricted shares in the form of monetary claims, and the total amount thereof shall be 50 million yen or less per annum (excluding the employee salaries payable to Directors concurrently serving as employees). The Board of Directors shall determine the specific payment timing and allocation to each Eligible Director. The paid in amount per share shall be determined by the Board of Directors based on the closing price of the common shares of the Company on the Tokyo Stock Exchange on the business day before the date of each resolution of the Board of Directors (if no trade is executed on that day, the closing price of the last trading day prior to that day) within a range of amount that will not be particularly advantageous to the Eligible Directors who will receive the common shares. In addition, the issuance or disposal of common shares of the Company and the payment of monetary claims as properties contributed in kind in the Program are subject to the conclusion of a restricted share allotment agreement (the "Allotment Agreement") between the Company and the Eligible Directors which shall include the following content.

(1) Total number of restricted shares

The Eligible Directors shall, pursuant to a resolution of the Board of Directors of the Company, pay in all of the monetary claims paid to them as properties contributed in kind and receive common shares of the Company which shall be issued or disposed of. The total number of the common shares of the Company to be issued or disposed of in the Program shall be 100,000 shares or less per annum (However, if a share split (including a gratis allotment) or a reverse share split of common shares of the Company is carried out, or another circumstance arises in which the total number of common shares of the Company to be issued or disposed of as restricted shares is required to be adjusted on or after the date of approval of this proposal, the total number shall be adjusted within a reasonable range.).

(2) Content of the Allotment Agreement

1) Transfer restriction period

An Eligible Director shall not transfer, put up as collateral, or otherwise dispose of the common shares of the Company (the "Transfer Restriction") allotted under the Allotment Agreement (the "Allotted Shares") during the period between the date of the allotment under the Allotment Agreement and the point in time immediately after he or she retired from an officer or employee position in the Company or its subsidiary predetermined by the Board of Directors of the Company or resigned from the Company (the "Transfer Restriction Period"). However, if the point in time immediately after the retirement or resignation is earlier than the day three months pass after the end of the fiscal year to which the date of the allotment of the Allotted Shares belongs, the Company may adjust the timing of the end of the Transfer Restriction Period within a reasonable range.

2) Treatment upon retirement or resignation

If an Eligible Director retires from an officer or employee position in the Company or its subsidiary predetermined by the Board of Directors of the Company or resigns from the Company before the period of time predetermined by the Board of Directors (the "Period of Service") expires, the Company shall acquire the Allotted Shares rightfully and without consideration, unless there is a legitimate reason for the retirement or resignation, such as the expiration of his or her term of office and his or her death.

3) Cancellation of the Transfer Restriction

The Company shall cancel the Transfer Restriction on all of the Allotted Shares at the expiration of the Transfer Restriction Period, provided that the Eligible Director continuously served at an officer or employee position in the Company or its subsidiary predetermined by the Board of Directors of the Company during the Period of Service. However, if the Eligible Director retires from an officer or employee position in the Company or its subsidiary predetermined by the Board of Directors of the Company or resigns from the Company for a legitimate reason before the Period of Service expires, or if the Eligible Director retires from an officer or employee position in the Company or its subsidiary predetermined by the Board of Directors of the Company or resigns from the Company for a reason other than a legitimate one after the Period of Service expires but before the Transfer Restriction Period expires, the Company shall adjust the number of Allotted Shares on which the Transfer Restriction is to be cancelled and the timing for the Transfer Restriction to be cancelled as necessary and in a reasonable manner. The Company shall acquire the Allotted Shares rightfully and without consideration on which Transfer Restriction has not yet been cancelled at the point in time immediately after the Transfer Restriction was cancelled pursuant to the provisions presented above.

4) Treatment of organizational restructuring, etc.

Notwithstanding the provisions of 1) above, if an agreement of merger in which the Company will become a disappearing company, an agreement of share exchange or a plan for share transfer through which the Company will become a wholly-owned subsidiary or a matter concerning other organizational restructuring, etc. is approved at a Shareholders' Meeting of the Company (or a Board of Directors meeting of the Company if an approval at a Shareholders' Meeting of the Company is not required for the organizational restructuring, etc.) during the Transfer Restriction Period, the Transfer Restriction shall be cancelled by a resolution of the Board of Directors of the Company prior to the effective date of the organizational restructuring, etc. on the number of Allotted Shares reasonably determined in light of the period from the start date of the Transfer Restriction Period to the approval date of the organizational restructuring, etc. In the case presented above, the Company shall acquire the Allotted Shares rightfully and without consideration on which Transfer Restriction has not yet been cancelled at the point in time immediately after the Transfer Restriction was cancelled.

5) Others

Any other matters concerning the Allotment Agreement shall be determined by the Board of Directors of the Company.

5) [Consolidated Supplementary Statements]

[Schedule of Bonds Payable]

Not applicable

[Schedule of Borrowings]

Classification	Beginning balance of the fiscal year ended March 31, 2023		Ending balance of the fiscal year ended March 31, 2023		Average interest rate (%)	Repayment deadline
	Millions of yen	Thousands of U.S.Dollars	Millions of yen	Thousands of U.S.Dollars		
Short-term borrowings	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	-	-	-	-
Current portion of lease obligations	0	1	-	-	-	-
Long-term borrowings (excluding the current portion of long-term borrowings)	-	-	-	-	-	-
Lease obligations (excluding the current portion of lease obligations)	4	34	-	-	-	-
Other interest-bearing debt	-	-	-	-	-	-
Total	4	34	-	-	-	-

[Schedule of Asset Retirement Obligation]

This information is omitted due to its immateriality.

(2)[other]

Quarterly data for the fiscal year ended March 31, 2023

Cumulative periods	Three months (From April 1, 2022 to June 30, 2022)	Six months (From April 1, 2022 to September 30, 2022)	Nine months (From April 1, 2022 to December 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net sales (Millions of yen)	14,431	32,752	53,904	72,918
Profit before income taxes (Millions of yen)	434	2,134	4,309	5,435
Profit attributable to owners of parent (Millions of yen)	248	1,349	2,810	3,526
Basic earnings per share (Yen)	5.96	32.35	67.38	84.56

Cumulative periods	Three months (From April 1, 2022 to June 30, 2022)	Six months (From April 1, 2022 to September 30, 2022)	Nine months (From April 1, 2022 to December 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net sales (Thousands of U.S. Dollars)	108,075	245,278	403,691	546,082
Profit before income taxes (Thousands of U.S. Dollars)	3,252	15,984	32,274	40,703
Profit attributable to owners of parent (Thousands of U.S. Dollars)	1,862	10,103	21,044	26,410
Basic earnings per share (Dollars)	0.044	0.242	0.504	0.633

Accounting periods	First quarter (From April 1, 2022 to June 30, 2022)	Second quarter (From July 1, 2022 to September 30, 2022)	Third quarter (From October 1, 2022 to December 31, 2022)	Fourth quarter (From January 1, 2023 to March 31, 2023)
Quarterly basic earnings per share (Yen)	5.96	26.38	35.03	17.18
Quarterly basic earnings per share (Dollars)	0.044	0.197	0.262	0.128



## Independent Auditor's Report

The Board of Directors  
NITTOC CONSTRUCTION CO., LTD.

### Opinion

We have audited the accompanying consolidated financial statements of NITTOC CONSTRUCTION CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Key Audit Matters

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

Estimates of total construction revenue and total cost of construction work for a construction contract to be satisfied over a certain period of time	
Description of Key Audit Matter	Auditor's Response
As described in "Estimates of total construction revenue and total cost of construction work for a construction contract to be satisfied over a certain period of time" under (Significant Accounting Estimates) in Notes to Consolidated Financial Statements,	We mainly performed the following procedures to evaluate the estimates of total construction revenue and total cost of construction used in the application of the method of recognizing revenue as

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NITTOC CONSTRUCTION CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group") record revenues related to performance obligations that are satisfied over a certain period of time in their construction business, which is a major line of business, in accordance with progress calculated based on the ratio of the costs actually incurred to the total cost of construction.

Of consolidated net sales of completed construction contracts of ¥72,697 million for the fiscal year ended March 31, 2023, the Group recorded net sales of completed construction contracts of ¥65,904 under the method of recognizing revenue as performance obligations are satisfied over a certain period of time, accounting for 90.7% of consolidated net sales of completed construction contracts. (The Company recorded net sales of completed construction contracts of ¥62,761 million under the method of recognizing revenue as performance obligations are satisfied over a certain period of time.)

In applying the method of recognizing revenue as performance obligations are satisfied over a certain period of time, net sales of completed construction contracts are determined by multiplying total construction revenue by progress towards satisfaction of performance obligations, which is based on total cost of construction and corresponds to costs actually incurred up until the end of the fiscal year. Accordingly, it is necessary to reasonably estimate total construction revenue and total cost of construction, which are an assumption underlying the measurement of progress towards satisfaction of a performance obligation.

In addition to construction contracts undertaken by the Company being individual in nature, it is difficult to fully ascertain construction conditions in advance and in many projects changes are made to construction details, including construction methods and construction periods due to

performance obligations are satisfied over a certain period of time.

### (1) Evaluation of internal controls

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

- We evaluated controls to ensure reliability by requiring that the estimated portion of total construction revenue is calculated by accumulating information from materials such as construction instructions and quotations, and that the necessary approval for such calculations is obtained.
- We evaluated controls to ensure a system for revising estimates of total construction revenue in a timely manner in accordance with factors such as the status of discussions with ordering parties, and that revisions are made in a timely and appropriate manner.
- We evaluated controls to ensure reliability by requiring that the statement of working budget, which serves as the basis for estimates of total cost of construction, is prepared by persons in charge of construction work who have specialized knowledge, and that the necessary approval for the statement of working budget is obtained from the construction department and other relevant departments that perform functions such as construction management, progress management, and logistics support.
- We evaluated controls to ensure a system for revising estimates of total cost of construction in a timely manner in accordance with factors such as the status of construction and the amounts of costs actually incurred, or changes in specifications instructed by customers, and that revisions are made in a timely and appropriate manner.

### (2) Evaluation of estimates of total construction revenue and total cost of construction

Ernst & Young ShinNihon LLC

certain facts coming to light after the commencement of construction and conditions at construction sites. Therefore, estimates of total construction revenue and total cost of construction involve certain assumptions, judgments and uncertainties. Furthermore, uncertainty regarding estimates of total construction revenue and total cost of construction increased further due to changes in the market environment, such as recently rising costs including material and subcontracting costs.

Based on the above, we have determined that estimates of total construction revenue and total cost of construction as it relates to application of the method of recognizing revenue as performance obligations are satisfied over a certain period of time are of particular significance for the fiscal year ended March 31, 2023 and, accordingly, that this is a key audit matter.

We identified construction contracts in which there was either material or qualitative uncertainty over the estimate of total construction revenue and total cost of construction in light of factors such as construction contract amount, profit (loss) on construction, construction details, and the status of construction, and performed the following procedures.

- We compared the estimated portion of total construction revenue for which no contract has been concluded to basis materials such as construction instructions and quotations submitted to ordering parties after making inquiries of persons such as division managers regarding the details and basis for such amounts and inspecting minutes of discussions with ordering parties.
- With regard to estimates of total cost of construction, we made inquiries of the persons responsible for construction cost management as to whether the estimates need to be revised. We also inspected the "Business Implementation Reports" submitted monthly to the head office by each branch office and department, and examined whether the estimates need to be revised in light of the status of construction work and amounts of expenses incurred.
- We reconciled estimates of total cost of construction to the latest statement of working budget on which calculations of such estimates are based, and examined whether the details of estimated costs were consistent with construction deliverables and whether the estimated costs were calculated by aggregating amounts by type of work .
- We compared the most recent estimates of total cost of construction for each quarter with the corresponding estimates of total cost of construction for the preceding quarter and evaluated whether the details of material quarter-to-quarter changes were reflected in such estimates in a timely manner by making inquiries of on-site

construction managers regarding these changes and reconciling these changes to materials prepared by on-site construction personnel related to revisions to the estimates.

- We inspected estimated costs for each type of work in the statement of working budget, and reconciled material estimated costs to materials, such as quotations, from which costs are accumulated to serve as the basis for such estimated costs. Additionally, we compared the costs actually incurred relative to the estimated costs for each type of work, and assessed whether or not actual costs have exceeded estimated costs.
- We performed on-site observations for particularly material construction projects to consider if the status of construction is consistent with construction progress that we heard about in advance from construction departments or on-site construction managers, as well as with work schedules and details of estimates of total cost of construction.
- We evaluated the accuracy of estimates of working budgets by comparing preliminary profit (loss) on construction estimates to the subsequent outcomes.

**Other Matter**

The predecessor auditor audited the consolidated financial statements of the Group as at March 31, 2022 and for the year then ended. It expressed an unqualified auditor's opinion on the consolidated financial statements on June 23, 2022.

**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.

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, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note "Basis of Presenting Consolidated Financial Statements." to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

July 18, 2023

柳井 浩一

Koichi Yanai  
Designated Engagement Partner  
Certified Public Accountant

海上 大介

Daisuke Unagami  
Designated Engagement Partner  
Certified Public Accountant

### Corporate Overview and Major Construction Methods (as of March 31, 2023)

Trade Name	NITTOC CONSTRUCTION CO., LTD.	
Headquarters	4F, 5F and 6F, Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	
Established on	December 17, 1947	
Capital	Total number of issued shares: 41,731,951 (as of July 21, 2023) Paid-in capital: ¥6,052 million Tokyo Stock Exchange: Tokyo Stock Exchange Prime	
Number of Employees (Consolidated)	Construction business: 1,068 persons Other business: 6 persons Total: 1,074 persons Note: The annual average number of temporary employees is 279.	
Description of Business	Comprehensive construction business · Civil engineering and foundation · Environmental and geological consulting	
License	Specified Construction Business—License No. 211, issued by the Minister of Land, Infrastructure, Transport and Tourism (Date of approval: October 25, 2021)	
Business Lines	Civil engineering works, Slope protection works, Landslide protection works, Revegetation works, Ground improvement works, Grouting, Piling, Sewage maintenance and renovation, Construction consulting and other	
Sales Offices	Asahikawa / Hakodate / Doto / Aomori / Morioka / Sanriku / Akita / Yamagata / Fukushima / Gunma / Utsunomiya / Mito / Chiba / Saitama / Yokohama / Nagano / Sado / Joetsu / Kanazawa / Fukui / Toyama / Gifu / Mie / Shizuoka / Keiji / Kobe / Nawa / Takamatsu / Matsuyama / Kochi / Tottori / Matsue / Okayama / Yamaguchi / Nagasaki / Saga / Oita / Kumamoto / Miyazaki / Kagoshima / Okinawa	
Subsidiaries	Midori Industries Co.,Ltd 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004 Japan Shimane Earth Engineering Co.,Ltd 310-1, Tsuda-cho, Matsue-Shi, Shimane 690-0055 Japan Yamaguchi Earth Engineering Co.,Ltd 2-3-13, Hirano, Yamaguchi-Shi, Yamaguchi 753-0015 Japan Ehime Earth Engineering Co., Ltd. 2-6-12 Amayama, Matsuyama-shi, Ehime 790-0951 Japan Fukui Earth Engineering Co., Ltd. 24-21-2 Ebata-cho, Fukui-shi, Fukui 918-8016 Japan PT. NITTOC CONSTRUCTION INDONESIA GENERALI TOWER GRAN RUBINA BUSINESS PARK 16th Floor Unit G Jl. HR Rasuna Said, Kuningan Jakarta 12940, Indonesia	
Staffing (Qualification Holders) (Persons)	Number of employees	Total 1,074
	Professional Engineer	53
	Registered 1st Class Civil Engineer	650
	Registered 2nd Class Civil Engineer	737
	Registered 1st and 2nd Class Architect	8
	Registered Surveyor and Assistant-Surveyor	328