

Consolidated Financial Statements

Asanuma Corporation

*Year ended March 31, 2021
with Independent Auditor's Report*

Asanuma Corporation
Consolidated Financial Statements

Year ended March 31, 2021

Contents

Consolidated Financial Statements

Independent Auditor's Report	1
Consolidated Balance Sheet	7
Consolidated Statement of Income.....	9
Consolidated Statement of Comprehensive Income.....	10
Consolidated Statement of Changes in Net Assets.....	11
Consolidated Statement of Cash Flows	13
Notes to Consolidated Financial Statements	15

Independent Auditor's Report

The Board of Directors
Asanuma Corporation.

Opinion

We have audited the accompanying consolidated financial statements of Asanuma Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, 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, 2021, 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 cost to complete construction projects when applying percentage-of-completion method	
Description of Key Audit Matter	Auditor's Response
As described in Note 4 (o) and 5 to the consolidated financial statements, in recognizing net sales involving completed construction contracts and cost of sales of completed construction contracts, the	We mainly performed the following audit procedures to evaluate the adequacy of estimates of total cost to complete construction projects when applying percentage-of-completion method.

Company applies the percentage-of-completion method for construction projects for which the outcome of the construction activity is deemed certain at the end of the current fiscal year (the cost-to-cost method applied in estimating progress toward completion of construction). The Company's net sales involving construction contracts accounted for by the percentage-of-completion method represented 97%, or ¥134,651 million, of total net sales of ¥138,935 million for the year ended March 31, 2021.

In applying the percentage-of-completion method, revenue is recognized based on the progress toward completion of construction, and progress toward completion of construction is calculated based on the percentage of completion by comparing costs incurred to financial closing date with the most recent estimates of total cost to complete construction project. Each construction contract is unique since conditions such as project specifications, construction period, raw materials and workers vary by construction projects and, furthermore, estimates of total cost to complete construction project is subject to change at any time due to changes in the environment surrounding each construction contract, including fluctuations in raw material prices or necessary modifications in construction design. Large-scale or long-term construction contracts have complexity not only in making estimates of total cost to complete construction projects, but also making revisions them in a timely and appropriate manner due to, for example, contract modifications for ongoing construction projects, construction delays arising from poor weather, fluctuations in building material prices or labor cost.

We have determined that estimates of total cost to complete construction projects is a key audit matter since, given the nature of the construction contracts, it is necessary to consider and incorporate various estimation

(1) Evaluation of internal control

We evaluated the design and operating effectiveness of the following internal control related to estimates of total cost to complete construction projects.

- With regard to working budgets for estimates of total cost to complete construction projects, there is an appropriate control in place requiring that such working budgets be prepared by the budgeting department that has specialized knowledge and be approved by the department managers who have necessary expertise.
- A system is in place for making revisions to estimates of total cost to complete construction projects in a timely manner as a result of factors such as changes in the status of construction and costs incurred, or changes in specifications as instructed by customers.
- A system is in place in which the Building Construction Headquarter and Civil Engineering Headquarter, which are responsible for ensuring the reliability of construction costs, monitor, in a timely and appropriate manner, both profit or loss on construction and progress toward completion of construction.

(2) Evaluation of the reasonableness of estimates of total cost to complete construction projects.

We identified construction contracts with high uncertainty relatively over estimates of total cost to complete construction projects in light of factors such as the contract amount, profit or loss on construction, construction specifications, and the status of construction, and performed the following procedures.

- We reconciled estimates of total cost to complete construction projects to working budgets, and evaluated whether estimated costs are consistent with the scope construction set forth in construction

factors corresponding to the specific environment of each construction project, there is uncertainty in estimates due to changes in the environment, and management judgment is necessary in considering assumptions used in making estimates.

contracts and whether any unusual work or amounts are included in aggregate costs for each type of work.

Regarding the potential for changes in the status of construction progress and in total cost to complete construction projects, we inspected working budgets report to understand the cost trends and made inquiries of the officer in charge of both the Building Construction Headquarters and the Civil Construction Headquarters.

- We compared initial estimates of total costs to complete construction projects with both costs already incurred and estimates of construction costs to be incurred in the future, and, for changes in costs above a certain threshold, we evaluated whether the specific details of such changes reflect the current status of the construction by making inquiries of administrative managers and construction division managers in both the Building Construction Headquarter and Civil Engineering Headquarter and by reconciling such changes to subcontractor quotes relating to any modifications in construction designs and specifications and updated work schedules and the like.
- We conducted on-site visits of construction projects and evaluated whether the status of construction is consistent with estimates of total cost to complete construction projects and progress toward completion of construction.
- For construction projects completed during the year ended March 31, 2021, we evaluated the Company's process for estimating total cost of construction by comparing initial estimates of total cost to complete construction projects to total costs actually incurred.

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 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, 2021 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 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

June 28, 2021

Yuka Hayashi
Designated Engagement Partner
Certified Public Accountant

Masashi Kobayashi
Designated Engagement Partner
Certified Public Accountant

Asanuma Corporation
Consolidated Balance Sheet

March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Assets			
Current assets:			
Cash and cash deposits (<i>Notes 9 and 20</i>)	¥ 15,761	¥ 29,778	\$ 142,363
Receivables:			
Notes receivable (<i>Note 20</i>)	2,388	3,128	21,570
Accounts receivable on completed construction contracts (<i>Note 20</i>)	48,973	48,964	442,354
Other accounts receivable (<i>Note 20</i>)	7,113	3,111	64,249
Allowance for doubtful accounts	(22)	(60)	(199)
	<u>58,452</u>	<u>55,143</u>	<u>527,974</u>
Inventories:			
Cost of uncompleted construction contracts	2,047	2,067	18,490
Real estate held for sale	34	55	307
Raw materials and supplies	14	15	126
	<u>2,095</u>	<u>2,137</u>	<u>18,923</u>
Other current assets	253	252	2,285
Total current assets	<u>76,561</u>	<u>87,310</u>	<u>691,545</u>
Property and equipment, at cost:			
Land (<i>Notes 10 and 12</i>)	1,609	1,694	14,533
Buildings and structures (<i>Note 12</i>)	6,187	6,313	55,885
Machinery, equipment and vehicles (<i>Note 10</i>)	458	617	4,137
Tools, furniture and fixtures	1,505	1,464	13,594
Lease assets	81	7	732
Less accumulated depreciation	(5,227)	(5,198)	(47,213)
Construction in progress	406	–	3,667
Property and equipment, net	<u>5,019</u>	<u>4,897</u>	<u>45,335</u>
Investments and other assets:			
Investments in securities (<i>Notes 11, 12 and 20</i>)	6,276	7,616	51,486
Investments in an unconsolidated subsidiary and affiliates (<i>Notes 11 and 20</i>)	120	120	6,287
Long-term loans receivable (<i>Note 12</i>)	105	105	948
Retirement benefit asset (<i>Note 14</i>)	1,022	–	9,231
Intangible assets	1,353	1,175	12,221
Deferred income taxes (<i>Note 13</i>)	966	1,070	8,726
Other assets	1,446	1,404	13,061
Allowance for doubtful accounts	(691)	(653)	(6,241)
Total investments and other assets	<u>10,597</u>	<u>10,837</u>	<u>95,719</u>
Total assets	<u>¥ 92,177</u>	<u>¥ 103,044</u>	<u>\$ 832,599</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2021	2020	2021
Liabilities			
Current liabilities:			
Short-term bank loans (<i>Notes 12 and 20</i>)	¥ 1,470	¥ 1,470	\$ 13,278
Current portion of long-term debt (<i>Notes 12 and 20</i>)	337	338	3,044
Payables:			
Notes payable (<i>Note 20</i>)	–	195	–
Accounts payable on construction contracts (<i>Note 20</i>)	15,423	26,793	139,310
Other accounts payable (<i>Note 20</i>)	634	548	5,727
	16,057	27,536	145,037
Advances received on uncompleted construction contracts	7,783	9,139	70,301
Deposits received	1,977	2,001	17,857
Suspense receipt of consumption taxes	5,115	3,589	46,202
Income taxes payable (<i>Note 13</i>)	1,860	1,525	16,800
Provision for compensation for completed construction	543	590	4,905
Provision for loss on construction contracts (<i>Note 17</i>)	119	214	1,075
Other current liabilities	1,384	3,538	12,501
Total current liabilities	36,645	49,940	331,000
Long-term liabilities:			
Long-term debt (<i>Notes 12 and 20</i>)	9,219	9,556	83,272
Liability for retirement benefits (<i>Note 14</i>)	4,505	4,125	40,692
Deferred income taxes (<i>Note 13</i>)	2	7	18
Other long-term liabilities	95	102	858
Total long-term liabilities	13,821	13,790	124,840
Total liabilities	50,466	63,730	455,840
Net assets			
Shareholders' equity (<i>Note 16</i>):			
Common stock:			
Authorized – 29,356,500 shares			
Issued – 8,078,629 shares in 2021	9,615	9,615	86,849
Capital surplus	2,166	2,166	19,564
Retained earnings	27,974	25,577	252,678
Less treasury stock, at cost	(67)	(60)	(605)
Total shareholders' equity	39,688	37,298	358,486
Accumulated other comprehensive income:			
Net unrealized holding gain on investments in securities	1,959	2,196	17,695
Foreign currency translation adjustments	(26)	(7)	(235)
Retirement benefits liability adjustments (<i>Note 14</i>)	(112)	(361)	(1,012)
Total accumulated other comprehensive income	1,821	1,828	16,448
Non-controlling interests	202	188	1,825
Total net assets	41,711	39,314	376,759
Total liabilities and net assets	¥ 92,177	¥ 103,044	\$ 832,599

See accompanying notes to consolidated financial statements.

Asanuma Corporation
Consolidated Statement of Income

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2021	2020	2021
Net sales (<i>Note 22</i>):			
Construction contracts	¥ 137,847	¥ 140,034	\$ 1,245,118
Other	1,088	1,438	9,827
	138,935	141,472	1,254,945
Cost of sales (<i>Note 17</i>):			
Construction contracts	124,266	125,742	1,122,446
Other	724	1,111	6,540
	124,990	126,853	1,128,986
Gross profit:			
Construction contracts	13,581	14,292	122,672
Other	364	327	3,287
	13,945	14,619	125,959
Selling, general and administrative expenses (<i>Note 18</i>)	8,654	8,018	78,168
Operating income (<i>Note 22</i>)	5,291	6,601	47,791
Other income (expenses):			
Interest and dividends income	154	188	1,391
Foreign exchange gain loss, net	26	(42)	235
Interest expenses	(106)	(118)	(957)
Guarantee fees	(46)	(60)	(415)
Commission fees	(107)	(158)	(966)
Gain on sales of investments in securities (<i>Note 11</i>)	998	91	9,014
Loss on impairment of property and equipment (<i>Notes 10 and 22</i>)	(88)	(13)	(795)
Outsourcing service income	58	84	524
Loss on valuation of other investments	–	(72)	–
Other, net (<i>Note 11</i>)	(81)	(0)	(732)
Profit before income taxes	6,099	6,501	55,090
Income taxes (<i>Note 13</i>):			
Current	1,880	2,173	16,981
Deferred	64	17	578
	1,944	2,190	17,559
Profit	4,155	4,311	37,530
Profit attributable to:			
Non-controlling interests	17	11	154
Owners of parent	¥ 4,138	¥ 4,300	\$ 37,377

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Comprehensive Income

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Profit	¥ 4,155	¥ 4,311	\$ 37,530
Other comprehensive income (Note 19)			
Net unrealized holding (loss) gain on investments in securities	(237)	(1,138)	(2,141)
Foreign currency translation adjustments	(19)	1	(172)
Retirement benefits liability adjustments	249	(68)	2,249
Total other comprehensive income	<u>(7)</u>	<u>(1,205)</u>	<u>(64)</u>
Comprehensive income	<u>¥ 4,148</u>	<u>¥ 3,106</u>	<u>\$ 37,466</u>
Comprehensive income attributable to:			
Owners of parent	¥ 4,134	¥ 3,095	\$ 37,340
Non-controlling interests	14	11	126

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2021

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2019	¥ 9,615	¥ 2,167	¥ 23,616	¥ (1,149)	¥ 34,249
Profit attributable to owners of parent	–	–	4,300	–	4,300
Cash dividends	–	–	(1,233)	–	(1,233)
Purchases of treasury stock	–	–	–	(18)	(18)
Sales of treasury stock	–	0	–	0	0
Retirement of treasury stock	–	(1)	(1,106)	1,107	–
Net change in items other than shareholders' equity	–	–	–	–	–
Balance at April 1, 2020	9,615	2,166	25,577	(60)	37,298
Profit attributable to owners of parent	–	–	4,138	–	4,138
Cash dividends	–	–	(1,741)	–	(1,741)
Purchases of treasury stock	–	–	–	(7)	(7)
Sales of treasury stock	–	–	–	–	–
Retirement of treasury stock	–	–	–	–	–
Net change in items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2021	¥ 9,615	¥ 2,166	¥ 27,974	¥ (67)	¥ 39,688

Millions of yen

	Net unrealized holding gain on investments in securities	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥ 3,334	¥ (8)	¥ (293)	¥ 3,033	¥ 185	¥ 37,467
Profit attributable to owners of parent	–	–	–	–	–	4,300
Cash dividends	–	–	–	–	–	(1,233)
Purchases of treasury stock	–	–	–	–	–	(18)
Sales of treasury stock	–	–	–	–	–	0
Retirement of treasury stock	–	–	–	–	–	–
Net change in items other than shareholders' equity	(1,138)	1	(68)	(1,205)	3	(1,202)
Balance at April 1, 2020	2,196	(7)	(361)	1,828	188	39,314
Profit attributable to owners of parent	–	–	–	–	–	4,138
Cash dividends	–	–	–	–	–	(1,741)
Purchases of treasury stock	–	–	–	–	–	(7)
Sales of treasury stock	–	–	–	–	–	–
Retirement of treasury stock	–	–	–	–	–	–
Net change in items other than shareholders' equity	(237)	(19)	249	(7)	14	7
Balance at March 31, 2021	¥ 1,959	¥ (26)	¥ (112)	¥ 1,821	¥ 202	¥ 41,711

Asanuma Corporation

Consolidated Statement of Changes in Net Assets (Continued)

Year ended March 31, 2021

Thousands of U.S. dollars (Note 2)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2020	\$ 86,849	\$ 19,564	\$ 231,027	\$ (542)	\$ 336,898
Profit attributable to owners of parent	-	-	37,377	-	37,377
Cash dividends	-	-	(15,726)	-	(15,726)
Purchases of treasury stock	-	-	-	(63)	(63)
Sales of treasury stock	-	-	-	-	-
Retirement of treasury stock	-	-	-	-	-
Net change in items other than shareholders' equity	-	-	-	-	-
Balance at March 31, 2021	<u>\$ 86,849</u>	<u>\$ 19,564</u>	<u>\$ 252,678</u>	<u>\$ (605)</u>	<u>\$ 358,486</u>

Thousands of U.S. dollars (Note 2)

	Net unrealized holding gain on investments in securities	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2020	\$ 19,836	\$ (63)	\$ (3,261)	\$ 16,512	\$ 1,698	\$ 355,108
Profit attributable to owners of parent	-	-	-	-	-	37,377
Cash dividends	-	-	-	-	-	(15,726)
Purchases of treasury stock	-	-	-	-	-	(63)
Sales of treasury stock	-	-	-	-	-	-
Retirement of treasury stock	-	-	-	-	-	-
Net change in items other than shareholders' equity	(2,141)	(172)	2,249	(64)	127	63
Balance at March 31, 2021	<u>\$ 17,695</u>	<u>\$ (235)</u>	<u>\$ (1,012)</u>	<u>\$ 16,448</u>	<u>\$ 1,825</u>	<u>\$ 376,759</u>

See accompanying notes to consolidated financial statements.

Asanuma Corporation
Consolidated Statement of Cash Flows

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 6,099	¥ 6,501	\$ 55,090
Adjustments for:			
Depreciation and amortization	598	524	5,401
Loss on impairment of property and equipment	88	13	795
Increase in allowance for doubtful accounts	1	10	9
(Decrease) increase in provision for loss on construction contracts	(95)	210	(858)
Increase (decrease) in net defined benefit asset and liability	(285)	(315)	(2,574)
Interest and dividends income	(154)	(188)	(1,391)
Interest expenses	106	118	957
Foreign exchange (gain) loss, net	(25)	42	(225)
Gain on sales of investments in securities	(978)	(91)	(8,834)
Loss on valuation of investments in securities	58	15	524
Loss (gain) on sales of property, plant and equipment	5	(3)	45
Decrease in notes receivable and accounts receivable on completed construction contracts	705	2,179	6,368
Decrease (increase) in inventories	41	(145)	370
(Increase) decrease in other accounts receivable	(4,040)	1,766	(36,492)
Decrease in notes payable and accounts payable on construction contracts	(11,547)	(3,137)	(104,299)
Increase (decrease) in other accounts payable	3	(1,465)	27
(Decrease) increase in advances received on uncompleted construction contracts	(1,355)	2,235	(12,239)
Other, net	(638)	2,349	(5,763)
Subtotal	(11,413)	10,618	(103,089)
Interest and dividends received	152	185	1,372
Interest paid	(106)	(118)	(957)
Income taxes paid	(1,535)	(2,457)	(13,865)
Net cash (used in) provided by operating activities	(12,902)	8,228	(116,539)
Cash flows from investing activities:			
Purchases of property and equipment	(627)	(216)	(5,663)
Proceeds from sales of property, plant and equipment and intangible assets	0	194	0
Purchases of intangible assets	(462)	(447)	(4,173)
Purchases of investments in securities	(9)	(9)	(81)
Proceeds from sales and redemption of investments in securities	1,965	167	17,749
Proceeds from collection of loans receivable	3	11	27
Payments for guarantee deposits	(71)	(110)	(641)
Proceeds from collection of guarantee deposits	60	20	542
Other, net	(44)	5	(398)
Net cash provided by (used in) investing activities	¥ 815	¥ (385)	\$ 7,362

Asanuma Corporation

Consolidated Statement of Cash Flows (Continued)

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Cash flows from financing activities:			
Decrease in short-term bank loans, net	¥ –	¥ (990)	\$ –
Repayment of long-term debt	(337)	(331)	(3,044)
Proceeds from issuance of bonds	–	938	–
Cash dividends paid	(1,605)	(1,160)	(14,497)
Cash dividends paid to non-controlling interests	–	(8)	–
Other, net	(7)	(18)	(63)
Net cash used in financing activities	<u>(1,949)</u>	<u>(1,569)</u>	<u>(17,604)</u>
Effect of exchange rate changes on cash and cash equivalents	19	(41)	171
Net (decrease) increase in cash and cash equivalents	<u>(14,017)</u>	6,233	<u>(126,610)</u>
Cash and cash equivalents at beginning of year	29,778	23,545	268,973
Cash and cash equivalents at end of year <i>(Note 9)</i>	<u>¥ 15,761</u>	<u>¥ 29,778</u>	<u>\$ 142,363</u>

Asanuma Corporation

Notes to Consolidated Financial Statements

March 31, 2021

1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements of Asanuma Corporation (the “Company”) and its consolidated subsidiaries (the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended March 31, 2020 to the 2021 presentation. Such reclassifications had no effect on consolidated net assets.

2. U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the company is incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥110.71 = U.S.\$1.00, the exchange rate prevailing on March 31, 2021. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

3. Principles of Consolidation

At March 31, 2021 and 2020, the Company had 6 subsidiaries. The consolidated financial statements for the years ended March 31, 2021 and 2020 include the accounts of the Company and its 5 subsidiaries.

The Company applied the equity method to its investments in 2 affiliates, at March 31, 2021 and 2020 for the purpose of consolidated financial statements for the years then ended.

The accounts of the remaining subsidiary were not consolidated nor the equity method applied because its total assets, net sales, profit or loss and retained earnings were not material to the consolidated financial statements.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

3. Principles of Consolidation (continued)

The balance sheet date of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. is December 31. Necessary adjustments were made to the subsidiary's balance sheet to reflect any significant intercompany transactions during the period from January 1 through March 31.

4. Summary of Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(b) Investments in securities

Investments in securities are classified into two categories: held-to-maturity debt securities or other securities. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(c) Allowance for doubtful accounts

The Group provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(d) Inventories

Cost of uncompleted construction contracts are stated at cost determined on an individual project basis. Real estate held for sale is stated at the lower of cost or net selling value, cost being determined on an individual project basis. Raw materials and supplies are stated at the lower of cost or net selling value, cost being determined by the period average method.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(e) Property and equipment (Other than leased assets)

Property and equipment is stated on the basis of cost. Depreciation is calculated by the declining-balance method over the estimated useful lives of the respective assets; however, the straight-line method is applied to buildings (except for facilities attached to the buildings) acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016.

(f) Intangible assets (Other than leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

Expenditures related to computer software developed for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as intangible assets and amortized over an estimated useful life of 5 years.

(g) Leases

Leased assets held under finance leases that transfer ownership are depreciated by the same methods used for owned fixed assets. For finance leases that do not transfer ownership, depreciation expense is calculated based on the straight-line method over the leased period of the lease with a residual value of zero.

(h) Bonds issuance expenses

Issuance expenses of bonds are charged to income as incurred.

(i) Provision for compensation for completed construction

A provision for compensation for completed construction is provided for anticipated future costs arising from compensations on completed construction based on the historical data on the compensation cost.

(j) Provision for loss on construction contracts

A provision for loss on construction contracts is provided for uncompleted construction projects when a future loss is expected and a reasonable estimate of the amount can be made at the end of the current fiscal year.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(k) Retirement benefits

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized commencing in the year following the year in which the gain or loss is recognized by the straight-line method over a period of principally 10 years, which is within the average remaining years of service of the eligible employees.

Prior service cost is charged to income when incurred.

(l) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Hedge accounting

Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying loans. Hedging instruments and hedged items are interest-rate swaps and interest rates on loans from financial institutions, respectively. The Company omit the evaluation of hedging effectiveness due to meet certain conditions for interest-rate swaps.

(n) Goodwill

Goodwill is being amortized on a straight-line basis over the estimated period of benefit. The goodwill resulting from the acquisition of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. is being amortized over 7 years.

(o) Revenue recognition

The Company and its consolidated subsidiary recognize revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company and its consolidated subsidiary measure the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects, the completed-contract method is applied.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(o) Revenue recognition (continued)

Net sales related to construction contracts accounted for by the percentage-of-completion method totaled ¥135,717 million (\$1,225,879 thousand) and ¥137,950 million for the years ended March 31, 2021 and 2020, respectively.

(p) Consumption tax

Transactions subject to consumption taxes are recorded at amount exclusive of consumption taxes.

(q) Applicable accounting principles and procedures in cases where directly relevant accounting standards are not available

Accounting for constructions involving joint venture, the Company recognize their share of the jointly controlled assets, the jointly responsible liabilities, the income and expenses resulting from the joint venture.

5. Significant Accounting Estimates

Estimates of total cost to complete construction projects when applying percentage-of-completion method

(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2021.

Net sales involving construction contracts accounted for by the percentage-of-completion method totaled ¥135,717 million (\$1,225,879 thousand).

(2) Information on the components of identified significant accounting estimate

① Calculation method

For construction projects for which outcome of the construction activity is deemed certain at the end of the reporting period, the Company and its subsidiary recognize net sales involving completed construction contracts by reasonably estimating total contraction revenue, total costs required to complete the project and the progress of the projects (The percentage of completion as of the end of reporting period is measured by applying cost to cost basis).

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

5. Significant Accounting Estimates (continued)

(2) Information on the components of identified significant accounting estimate (continued)

② Key assumptions

Key assumptions of total cost to complete construction project are building material prices or labor cost, which are calculated based on each project condition such as scale, specification and construction period.

③ Effect on consolidated financial statements for the following fiscal year.

Key assumptions expect to have an effect on the amount of net sales involving complete construction contracts for each reporting period due to uncertainty in estimates. The amount of net sales involving completed construction contracts in the consolidated financial statements for the following fiscal year may fluctuate when there are fluctuations in building material prices or labor cost, as key assumptions of estimating total cost to complete construction project, which are calculated based on each project condition such as scale specifications, construction period.

6. Accounting Standards Issued but Not Yet Effective

Accounting Standard for Revenue Recognition

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

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

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when as the entity satisfies a performance obligation

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

6. Accounting Standards Issued but Not Yet Effective (continued)

(2) Scheduled date of application

The Group expect to adopt the accounting standards effective from the beginning of the year ending March 31, 2022.

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

Regarding the adoption of Accounting Standard for Revenue Recognition, in accordance with the transitional treatment set forth in the proviso of Section 84 of the “Accounting Standard for Revenue Recognition,” the cumulative impact of retroactively applying the new accounting policy to the fiscal years prior to the year ending March 31, 2022 is reflected in retained earnings at the beginning of the year ending March 31, 2022 and the new accounting policy is applied starting with the balance at the beginning of the year ending in March 31, 2022

The effect on retained earnings at the beginning of the year ending in March 31, 2022 will be immaterial.

Accounting Standard for Fair Value Measurement and Related Implementation Guidance
“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

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

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

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and it requires the disclosure of a breakdown of the fair value of financial instruments by level in the notes to the consolidated financial statements.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

6. Accounting Standards Issued but Not Yet Effective (continued)

(2) Scheduled date of application

The Group expect to adopt the accounting standards effective from the beginning of the year ending March 31, 2022

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

The impact was being evaluated at the time of preparation of these consolidated financial statements.

7. Changes in Presentation

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The Group adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and significant accounting estimates are disclosed in Note 5 to the consolidated financial statements. However, comparative information for the previous fiscal year has not been disclosed in accordance with the transitional treatment set forth in the proviso of Section 11 of the standard.

8. Additional Information

(Accounting estimates following the COVID-19 pandemic)

There are no significant changes from the previous fiscal year regarding the impact of COVID-19 on the consolidated financial statements for the year ended March 31, 2021. However, the sales order plan for construction projects has been prepared based on the assumptions that domestic and overseas economic activities will recover from the impact of COVID-19 outbreak around the second half of the year ending March 31, 2022 because there are indications of improvements regarding concerns about capital investment due to domestic and overseas economic slowdown. The Group assess the recoverability of deferred tax assets at the end of reporting period based on the assumptions that impacts of COVID-19 outbreak still remain on new construction projects in the plan to some extent.

(Adoption of Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections)

The Company adopted the revised accounting standard “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020) from the end of the fiscal year ended March 31, 2021 and disclosed the applicable accounting principles and procedures in cases where directly relevant accounting standards are not available.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

9. Cash and Cash Equivalents

A reconciliation of cash and deposits in the accompanying consolidated balance sheets at March 31, 2021 and 2020 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	At March 31,		
	2021	2020	2021
Cash and cash deposits	¥ 15,761	¥ 29,778	\$ 142,363
Cash and cash equivalents	¥ 15,761	¥ 29,778	\$ 142,363

10. Loss on Impairment of Property and Equipment

Loss on impairment of property and equipment for the years ended March 31, 2021 and 2020 are as follows:

Location	Main use	Class	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
			2021	
Saitama Prefecture	Leased properties	Land	¥ 88	\$795
Location	Main use	Class	<i>Millions of yen</i>	
Guam territory in the United States	Idle assets	Machinery and equipment	¥ 13	

The Group principally group the assets in association with the business operations at each regional office whereas leased properties and idle assets are grouped individually and fixed assets of its consolidated subsidiaries and investments for which the equity method is applied are grouped per subsidiary or investment

Carrying value of land for leased properties were written down to recoverable amounts and the write down amounts were recognized ¥88 million (\$795 thousand) in impairment loss because investment amounts were no longer expected to be recovered due to a decrease in profitability for the year ended March 31, 2021. The recoverable amount is measured at net selling value which was reasonably estimated based on the appraisal value calculated by road price rating method under the Japanese inheritance tax law

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

10. Loss on Impairment of Property and Equipment (continued)

For the year ended March 31, 2020, as a result of considering future use for the above assets that have been grouped as idle assets, it was determined that they were unlikely to be used and it would be difficult to sell or divert them to other uses. Therefore, the Company wrote down the carrying value of these assets to the memorandum value and recognized losses on impairment of property and equipment of ¥13 million. The recoverable amounts were measured at net selling value based on estimated sales value.

11. Investments in Securities

At March 31, 2021 and 2020, marketable securities classified as held-to-maturity debt securities are as follows:

<i>Millions of yen</i>							
2021							
	Carrying value	Estimated fair value	Unrealized Gain	2020	Carrying value	Estimated fair value	Unrealized gain
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:							
Government and municipal bonds	¥ 15	¥ 15	¥ 0	¥ 16	¥ 16	¥ 0	
	¥ 15	¥ 15	¥ 0	¥ 16	¥ 16	¥ 0	
<i>Thousands of U.S. dollars</i>							
2021							
	Carrying value	Estimated fair value	Unrealized Gain				
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:							
Government and municipal bonds	\$ 135	\$ 135	\$ 0				
	\$ 135	\$ 135	\$ 0				

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

11. Investments in Securities (continued)

At March 31, 2021 and 2020, marketable securities classified as other securities are as follows:

	<i>Millions of yen</i>					
	2021			2020		
	Carrying value	Acquisition costs	Unrealized gain	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥5,431	¥ 2,631	¥ 2,800	¥ 5,747	¥ 2,436	¥ 3,311
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	126	126	–	1,153	1,357	(204)
	<u>¥ 5,557</u>	<u>¥ 2,757</u>	<u>¥ 2,800</u>	<u>¥ 6,900</u>	<u>¥ 3,793</u>	<u>¥ 3,107</u>

	<i>Thousands of U.S. dollars</i>		
	2021		
	Carrying value	Acquisition costs	Unrealized gain
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 49,056	\$ 23,765	\$ 25,291
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	1,138	1,138	–
	<u>\$ 50,195</u>	<u>\$ 24,903</u>	<u>\$ 25,291</u>

The proceeds from sales of, and gross realized gain on investments in securities for the year ended March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
	Proceeds from sales	¥ 1,962	¥ 139
Gross realized gain	998	91	9,014

Refer to Note 20 “Financial Instruments” for the redemption schedule at March 31, 2021 for held-to-maturity debt securities.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

11. Investments in Securities (continued)

For the year ended March 31, 2021, the Company has recognized loss on impairment of equity securities classified as other securities of ¥58 million (\$524 thousand).

The Group recognize loss on impairment of marketable securities classified as other securities if the market value of a security at year end declines by more than 30% compared with its carrying value.

12. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans had average interest rates of 0.99% and 1.00% at March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Unsecured loans due through 2034 at rates ranging from 1.12% to 1.58%	¥ 5,034	¥ 39	\$ 45,470
Secured loans due through 2034 at rates ranging from 0.33% to 1.40%	2,882	8,215	26,032
1.37% unsecured bond due March 31, 2025	650	650	5,871
0.84% unsecured bond due July 25, 2025	600	600	5,420
0.81% unsecured bond due September 10, 2024	390	390	3,523
Total	9,556	9,894	86,316
Less current portion included in current liabilities	(337)	(338)	(3,044)
	¥ 9,219	¥ 9,556	\$ 83,272

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 are summarized as follows:

<u>Years ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2022	¥ 337	\$ 3,044
2023	1,047	9,457
2024	348	3,143
2025	5,666	51,179
2026 and thereafter	2,158	19,493
	¥ 9,556	\$ 86,316

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

12. Short-Term Bank Loans and Long-Term Debt (continued)

Assets pledged at March 31, 2021 and 2020 as collateral for lines of credit of the Company are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Buildings and structures	¥ 598	¥ 620	\$ 5,402
Land	890	957	8,039
Investments in securities	–	4,883	–
	¥ 1,488	¥ 6,460	\$ 13,441

All assets of the consolidated subsidiaries engaged in the Private Finance Initiative business were pledged as collateral for their loans under the project finance agreements. Assets pledged at March 31, 2021 and 2020 amounted to ¥3,357 million (\$30,322 thousand) and ¥3,701 million as collateral for loans of ¥2,882 million (\$26,032 thousand) and ¥3,215 million, respectively.

Assets of the Company pledged at March 31, 2021 and 2020 as collateral for loans of affiliates engaged in the PFI business are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Investments in securities	¥ 103	¥ 96	\$ 930
Long-term loans receivable	102	102	921
	¥ 205	¥ 198	\$ 1,851

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2021 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Lines of credit	¥ 10,000	¥ 10,000	\$ 90,326
Credit utilized	–	–	–
Available credit	¥ 10,000	¥ 10,000	\$ 90,326

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

13. Income Taxes

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 30.4% for the years ended March 31, 2021 and 2020.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2021 and 2020 as a percentage of profit before income taxes are summarized as follows:

	2021	2020
Statutory tax rate	30.4%	30.4%
Permanently non-tax-deductible expenses	0.8	1.5
Permanently non-taxable income	(0.1)	(0.1)
Per capita portion of inhabitants' taxes	2.0	1.8
Tax credit for corporation tax	(1.1)	(0.8)
Valuation allowance	(0.2)	0.3
Other	0.1	0.5
Effective tax rates	31.9%	33.6%

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

13. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Deferred tax assets:			
Allowance for doubtful accounts	¥ 217	¥ 215	\$ 1,960
Provision for compensation for completed construction	165	179	1,490
Loss on devaluation of inventories	23	22	208
Provision for loss on construction contracts	36	65	325
Liability for retirement benefits	1,059	1,255	9,566
Loss on impairment of property and equipment	481	459	4,345
Loss on valuation of investments in securities	35	45	316
Tax loss carryforwards	–	7	–
Other	816	772	7,370
Gross deferred tax assets	2,832	3,019	25,580
Less valuation allowance	(898)	(911)	(8,111)
Total deferred tax assets	1,934	2,108	17,469
Deferred tax liabilities:			
Unrealized holding gain on investments in securities	(841)	(914)	(7,597)
Deferred capital gains on property	(127)	(129)	(1,147)
Other	(2)	(2)	(18)
Total deferred tax liabilities	(970)	(1,045)	(8,762)
Net deferred tax assets	¥ 964	¥ 1,063	\$ 8,707

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits

1. Outline of retirement benefits for employees

The Company has funded or unfunded defined benefit pension plans and defined contribution plans in order to allocate for employees' retirement benefits. In addition to these retirement benefit plans, the Company may pay additional retirement benefits when employees retire. All employees of Asanuma Tatemono K.K., a consolidated subsidiary of the Company, have been composed of secondees from the Company, consequently, the retirement benefit plan of Asanuma Tatemono K.K. is incorporated in those of the Company. The other consolidated subsidiaries do not have any retirement pension plans.

Under the defined benefit plans, the Company pays lump-sum or pension payments, the amounts of which are determined by reference to employees' ranks and length of service.

2. Defined benefit plans

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Balance at the beginning of the year	¥ 10,453	¥ 10,708	\$ 94,418
Service cost	377	384	3,405
Interest cost	106	105	958
Actuarial loss (gain)	101	(164)	912
Benefit paid	(554)	(580)	(5,004)
Balance at the end of the year	<u>¥ 10,483</u>	<u>¥ 10,453</u>	<u>\$ 94,689</u>

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Balance at the beginning of the year	¥ 6,328	¥ 6,365	\$ 57,158
Expected return on plan assets	126	127	1,138
Actuarial gain (loss)	258	(235)	2,330
Contributions by the employer	675	459	6,097
Benefit paid	(387)	(88)	(3,495)
Balance at the end of the year	<u>¥ 7,000</u>	<u>¥ 6,328</u>	<u>\$ 63,228</u>

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits (continued)

2. Defined benefit plans (continued)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Funded retirement benefit obligation	¥ 5,978	¥ 6,047	\$ 53,997
Plan assets at fair value	(7,000)	(6,328)	(63,228)
	(1,022)	(281)	(9,231)
Unfunded retirement benefit obligation	4,505	4,406	40,692
Net assets and liabilities recognized on the consolidated balance sheet	¥ 3,483	¥ 4,125	\$ 31,461

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Service cost	¥ 377	¥ 384	\$ 3,405
Interest cost	106	105	957
Expected return on plan assets	(127)	(127)	(1,147)
Amortization of actuarial gain (loss)	201	(26)	1,816
Retirement benefit expense	¥ 557	¥ 336	\$ 5,031

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Actuarial gain (loss)	¥ 357	¥ (97)	\$ 3,225

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits (continued)

2. Defined benefit plans (continued)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Unrecognized actuarial gain	¥ 162	¥ 519	\$ 1,463

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

	2021	2020
Debt securities	82%	86%
Equity securities	17	12
Cash and cash deposits	1	2
Total	100%	100%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and the expected long-term rate of return from multiple plan assets at present and in the future.

- (8) The assumptions used in accounting for the defined benefit plans are as follows:

	2021	2020
Discount rate	1.0%	1.0%
Expected long-term rate of return on plan assets	2.0%	2.0%
Estimated rate of salary increase	9.1%	9.1%

(Note) Estimated rate of salary increase is an expected rate of the increase of the retirement benefit points.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits (continued)

3. Defined contribution pension plan

Information on contributions to the defined contribution pension plan for the years ended March 31, 2021 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Contributions to the defined contribution pension plan	¥ 162	¥ 165	\$ 1,463

15. Asset Retirement Obligations

The Company estimates the cost of restoration obligations based on property lease agreements of the headquarters in Osaka and Tokyo office. As the cost of the restoration obligations is immaterial, the information on asset retirement obligations is omitted.

Regarding certain restoration obligations, the Company estimated non-recoverable amounts of deposits for those premises and charged the portion attributable to the years ended March 31, 2021 and 2020, instead of recording asset retirement obligations.

16. Shareholders' Equity

The Companies Act (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity (continued)

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2021 and 2020 are summarized as follows:

	Number of shares			March 31, 2021
	April 1, 2020	Increase	Decrease	
				2021
Shares of common stock in issue	8,078,629	–	–	8,078,629
Treasury stock	20,321	1,572	–	21,893

The increase in treasury stock of 1,572 was due to the acquisition of fractional shares of less than one unit.

	Number of shares			March 31, 2020
	April 1, 2019	Increase	Decrease	
				2020
Shares of common stock in issue	8,508,629	–	430,000	8,078,629
Treasury stock	446,382	3,979	430,040	20,321

The decrease in shares of common stock of 430,000 resulted from the cancellation of treasury stock on May 31, 2019

The increase in treasury stock of 3,979 was due to the acquisition of fractional shares of less than one unit. The decrease in treasury stock of 40 shares was due to the sales of fractional shares of less than one unit. The decrease in treasury stock of 430,000 shares was due to the cancellation of treasury stock on May 31, 2019.

17. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2021 and 2020 amounted to ¥119 million (\$1,075 thousand) and ¥214 million, respectively.

Costs on uncompleted construction contracts” for which a construction loss is anticipated and “Provision for loss on construction contracts” are presented without being offset. The amounts of “Costs on uncompleted construction contracts,” for which a construction loss is anticipated, corresponding to provision for loss on construction contracts were nil and ¥51 million for the years ended March 31, 2021 and 2020, respectively.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

18. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2021 and 2020 amounted to ¥489 million (\$4,417 thousand) and ¥407 million, respectively.

19. Other Comprehensive Income

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Net unrealized holding gain (loss) on investments in securities:			
Amount arising during the year	¥ 612	¥ (1,555)	\$ 5,528
Reclassification adjustments for loss realized in the statement of income	(921)	(75)	(8,319)
Before tax effect	(309)	(1,630)	(2,791)
Tax effect	72	492	650
Net unrealized holding loss on investments in securities, net	(237)	(1,138)	(2,141)
Foreign currency translation adjustments, net	(19)	1	(172)
Retirement benefits liability adjustments:			
Amount arising during the year	157	(88)	1,418
Reclassification adjustments for gain (loss) realized in the statement of income	201	(9)	1,816
Before tax effect	358	(97)	3,234
Tax effect	(109)	29	(985)
Retirement benefits liability adjustments, net	249	(68)	2,249
Total other comprehensive income	¥ (7)	¥ (1,205)	\$ (64)

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

20. Financial Instruments

(1) Policy for financial instruments

The Group manage their funds by investing only in short-term deposits, and primarily raise funds by borrowings from banks and issuing bonds. The purpose of entering into derivative transactions is to mitigate fluctuation risk related to interest rates with respect to borrowings from banks, and derivative transactions are not carried out for speculative purposes.

(2) Types of financial instruments, related risk and risk management for financial instruments

Notes receivable and accounts receivable on completed construction contracts are subject to the credit risk of customers. Regarding this risk, the Group monitor due dates and outstanding balances by individual customer, and the credit worthiness of their main customers regularly.

Investments in securities are mainly composed of stocks and are exposed to fluctuation risk of market prices and the Group review the fair values of such listed stocks every quarter.

Notes payable, accounts payable on construction contracts and other accounts payable are mostly due within one year.

Short-term bank loans, long-term debt and bonds are mainly utilized for business operations. Certain long-term debt is hedged by derivative transactions (interest rate swaps) as a hedging instrument per individual agreement in order to reduce fluctuation risk of interest rate and fix interest expense.

In addition, the Company follows internal policies which include authorized procedures and processes governing derivatives within the actual demand.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

20. Financial Instruments (continued)

(3) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumption factors are reflected in estimating the fair value, different premises and factors could result in a different fair value.

The carrying value, estimated fair value and the difference between them as of March 31, 2021 and 2020 are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	<i>Millions of yen</i>		
	2021		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	¥ 15,761	¥ 15,761	¥ –
Notes receivable and accounts receivable on completed construction contracts	51,361	51,472	111
Accounts receivable-other	7,113	7,113	–
Investments in securities	5,572	5,572	0
Total assets	<u>¥ 79,807</u>	<u>¥ 79,918</u>	<u>¥ 111</u>
Notes payable and accounts payable on construction contracts	¥15,423	¥15,423	¥ –
Short-term bank loans and current portion of long-term debt	1,807	1,807	–
Long-term debt:			
Bonds	1,640	1,617	(23)
Long-term loans	7,579	7,591	12
Total liabilities	<u>¥ 26,449</u>	<u>¥ 26,438</u>	<u>¥ (11)</u>

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

20. Financial Instruments (continued)

(3) Supplementary explanation of fair value of financial instruments (continued)

	<i>Millions of yen</i>		
	2020		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	¥ 29,778	¥ 29,778	¥ –
Notes receivable and accounts receivable on completed construction contracts	52,092	52,240	148
Investments in securities	6,916	6,916	0
Total assets	¥ 88,786	¥ 88,934	¥ 148
Notes payable and accounts payable on construction contracts	¥ 26,988	¥ 26,988	¥ –
Short-term bank loans and current portion of long-term debt	1,808	1,808	–
Long-term debt:			
Bonds	1,640	1,624	(16)
Long-term loans	7,916	7,932	16
Total liabilities	¥ 38,352	¥ 38,352	¥ 0
	<i>Thousands of U.S. dollars</i>		
	2021		
	Carrying value	Estimated fair value	Difference
Cash and cash deposits	\$ 142,363	\$ 142,363	\$ –
Notes receivable and accounts receivable on completed construction contracts	463,924	464,926	1,002
Accounts receivable-other	64,249	64,249	–
Investments in securities	50,330	50,330	0
Total assets	\$ 720,866	\$ 721,868	\$ 1,002
Notes payable and accounts payable on construction contracts	\$ 139,310	\$ 139,310	\$ –
Short-term bank loans and current portion of long-term debt	16,322	16,322	–
Long-term debt:			
Bonds	14,814	14,606	(208)
Long-term loans	68,458	68,567	109
Total liabilities	\$ 238,904	\$ 238,805	\$ (99)

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

20. Financial Instruments (continued)

(3) Supplementary explanation of fair value of financial instruments (continued)

Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions:

Cash and cash deposits and Accounts receivable-other

Since these items are settled in a short period of time, their carrying values approximate the fair value.

Notes receivable and accounts receivable on completed construction contracts

The estimated fair value of notes receivable and accounts receivable on completed construction contracts are based on the present value discounted by the interest rates in considering the collection term of each receivable and each credit risk.

Investments in securities

The estimated fair values of equity securities are based on quoted market prices. The estimated fair value of debt securities is based on prices provided by the financial institutions.

Notes payable, accounts payable on construction contracts and short-term bank loans

Since these items are settled in a short period of time, their carrying values approximate the fair value.

Bonds

The estimated fair value of bonds issued by the Company is based on present value determined by discounting the principal and interest amount with the interest rate expected in the case of a new bond issuance.

Long-term debt

The estimated fair values of long-term debt are based on present value determined by discounting the principal and interest amount with the interest rate expected case of new bond issuance.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

20. Financial Instruments (continued)

(3) Supplementary explanation of fair value of financial instruments (continued)

Financial instruments for which it is extremely difficult to determine the fair value:

Unlisted equity securities of ¥824 million (\$7,443 thousand) and ¥820 million included in “Investments in securities” and “Investments in an unconsolidated subsidiary and affiliates” in the consolidated balance sheets at March 31, 2021 and 2020, respectively, are based neither on market value nor estimated future cash flow, and it is difficult to determine the estimated fair value. Therefore, they are not included in the above table.

The redemption schedule for cash deposits, receivables and marketable securities with maturity dates at March 31, 2021 are summarized as follows:

	<i>Millions of yen</i>		
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash deposits	¥ 15,756	¥ –	¥ –
Notes receivable and accounts receivable on completed construction contracts	48,793	1,375	1,193
Investments in securities: Held-to-maturity debt securities	–	15	–
Total	¥ 64,549	¥ 1,390	¥ 1,193

	<i>Thousands of U.S. dollars</i>		
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash deposits	\$ 142,318	\$ –	\$ –
Notes receivable and accounts receivable on completed construction contracts	440,727	12,421	10,776
Investments in securities: Held-to-maturity debt securities	–	134	–
Total	\$ 583,045	\$ 12,555	\$ 10,776

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

21. Amounts per Share

Amounts per share at March 31, 2021 and 2020 and for the years then ended are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2021	2020	2021
Net assets	¥ 5,152.02	¥ 4,855.25	\$ 46.54
Profit attributable to owners of parent	513.55	533.47	4.64
Cash dividends	216.00	153.00	1.95

Information used in the computation of profit attributable to owners of parent per share for the years ended March 31, 2021 and 2020 are presented as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Profit attributable to owners of parent	¥ 4,138	¥ 4,300	\$ 37,377
Profit not attributable to common shareholders	—	—	—
Profit attributable to owners of parent applicable to common shareholders	¥ 4,138	¥ 4,300	\$ 37,377

	<i>Thousands of shares</i>	
	2021	2020
Weighted-average number of shares of common stock used in the calculation	8,057	8,061

Net assets per share are computed based on the net assets and the number of shares of common stock outstanding at the year end.

Profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

22. Segment Information

a. Segment Information

(1) Overview of reporting segments

The reporting segments of the Group is components for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resource allocation and assess their performance.

The Group mainly operate in the construction business and have two reporting segments, which are the Building Construction Segment and the Civil Engineering Segment.

(2) Method of calculating sales and income in reporting segments

The method of accounting for reporting segments is, in principle, the same as stated in Note 4 "Summary of Significant Accounting Policies." The income of reporting segments is calculated on the basis of operating income. Intersegment sales are recorded based on current market prices.

		<i>Millions of yen</i>						
		2021						
		Reporting Segments						
		Building Construction	Civil Engineering	Total	Others	Sub total	Adjustments	Total
Net sales and income:								
Sales to third parties		¥ 110,146	¥ 27,701	¥ 137,847	¥ 1,088	¥ 138,935	¥ -	¥ 138,935
Intersegment sales		-	-	-	5	5	(5)	-
Net sales		<u>110,146</u>	<u>27,701</u>	<u>137,847</u>	<u>1,093</u>	<u>138,940</u>	<u>(5)</u>	<u>138,935</u>
Segment income		¥ 10,967	¥ 2,614	¥ 13,581	¥ 143	¥ 13,724	¥ (8,433)	¥ 5,291

		<i>Millions of yen</i>						
		2020						
		Reporting Segments						
		Building Construction	Civil Engineering	Total	Others	Sub total	Adjustments	Total
Net sales and income:								
Sales to third parties		¥ 116,575	¥ 23,459	¥ 140,034	¥ 1,438	¥ 141,472	¥ -	¥ 141,472
Intersegment sales		-	-	-	5	5	(5)	-
Net sales		<u>116,575</u>	<u>23,459</u>	<u>140,034</u>	<u>1,443</u>	<u>141,477</u>	<u>(5)</u>	<u>141,472</u>
Segment income		¥ 11,984	¥ 2,308	¥ 14,292	¥ 159	¥ 14,451	¥ (7,850)	¥ 6,601

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

22. Segment Information (continued)

a. Segment Information (continued)

(2) Method of calculating sales and income in reporting segments (continued)

	<i>Thousands of U.S. dollars</i>						
	2021						
	Reporting Segments						
	Building Construction	Civil Engineering	Total	Others	Sub total	Adjustments	Total
Net sales and income:							
Sales to third parties	\$ 994,906	\$ 250,212	\$ 1,245,118	\$ 9,827	\$ 1,254,945	\$ -	\$ 1,254,945
Intersegment sales	-	-	-	46	46	(46)	-
Net sales	<u>994,906</u>	<u>250,212</u>	<u>1,245,118</u>	<u>9,873</u>	<u>1,254,991</u>	<u>(46)</u>	<u>1,254,945</u>
Segment income	\$ 99,061	\$ 23,611	\$ 122,672	\$ 1,292	\$ 123,964	\$ (76,173)	\$ 47,791

“Others” is a business segment which is not included in the reporting segments and includes real estate and other businesses.

Adjustments for segment income in the amounts of ¥8,433 million (\$76,173 thousand) and ¥7,850 million for the years ended March 31, 2021 and 2020 include eliminations of intersegment transactions of ¥1 million (\$9 thousand) and ¥2 million and corporate expenses of ¥8,432 million (\$76,164 thousand) and ¥7,848 million recorded as selling, general and administrative expenses not attributable to any business segments, respectively.

The total amount of segment income is adjusted to operating income on the consolidated statement of income.

Assets, liabilities and others are not allocated to business segments.

b. Related information

(1) Information by products and services

Disclosure of information by products and services for the years ended March 31, 2021 and 2020 has been omitted as the Company classifies such information in the same way as it does its reporting segments.

(2) Information by geographical segment

Disclosure of sales and property and equipment by geographical area for the years ended and as of March 31, 2021 and 2020 has been omitted as sales to domestic customers were in excess of 90% of consolidated net sales, and the balance of property and equipment in Japan was in excess of 90% of consolidated property and equipment.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

22. Segment Information (continued)

b. Related information (continued)

(3) Information by major customers

Disclosure of information by major customers for years ended March 31, 2021 and 2020 has been omitted as sales to each customer were less than 10% of consolidated net sales.

c. Loss on impairment of property and equipment by reporting segment

		<i>Millions of yen</i>					
		2021					
		Reporting Segments				Elimination and corporate	
		Building Construction	Civil Engineering	Total	Other	and corporate	Total
Loss on impairment of property and equipment		¥ –	¥ –	¥ –	¥ 88	¥ –	¥ 88
		<i>Millions of yen</i>					
		2020					
		Reporting Segments				Elimination and corporate	
		Building Construction	Civil Engineering	Total	Other	and corporate	Total
Loss on impairment of property and equipment		¥ 13	¥ –	¥ 13	¥ –	¥ –	¥ 13
		<i>Thousands of U.S. dollars</i>					
		2021					
		Reporting Segments				Elimination and corporate	
		Building Construction	Civil Engineering	Total	Other	and corporate	Total
Loss on impairment of property and equipment		\$ –	\$ –	\$ –	\$ 795	\$ –	\$ 795

d. Information on amortization of goodwill and remaining unamortized balance

Goodwill is not allocated to reporting segments. Amortization of goodwill was ¥27 million (\$244 thousand) and ¥28 million as at March 31, 2021 and 2020, respectively. Remaining unamortized balance included in “Intangible assets” was ¥136 million (\$1,228 thousand) and ¥170 million as at March 31, 2021 and 2020, respectively.

Asanuma Corporation
Notes to Consolidated Financial Statements (continued)

23. Subsequent Events

1. Appropriation of retained earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2021, was approved at the annual general meeting of the shareholders of the Company held on June 25, 2021.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends of ¥257 (\$2.32) per share	<u>¥ 2,071</u>	<u>\$ 18,707</u>