

Consolidated Financial Statements

Asanuma Corporation

*Year ended March 31, 2022
with Independent Auditor's Report*

Asanuma Corporation

Consolidated Financial Statements

Year ended March 31, 2022

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Asanuma Corporation

Consolidated Balance Sheet

March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2022	2021	2022
Assets			
Current assets:			
Cash and cash deposits (<i>Note 7</i>)	¥ 13,194	¥ 15,761	\$ 107,803
Receivables:			
Notes receivable (<i>Note 19</i>)	2,596	2,388	21,211
Accounts receivable on completed construction contracts (<i>Note 19 and 22</i>)	52,237	48,973	426,807
Other accounts receivable (<i>Note 19</i>)	2,661	7,113	21,742
Allowance for doubtful accounts	(27)	(22)	(221)
	57,467	58,452	469,539
Inventories:			
Cost of uncompleted construction contracts	2,202	2,047	17,992
Real estate held for sale	37	34	327
Raw materials and supplies	40	14	302
	2,279	2,095	18,621
Other current assets	560	253	4,576
Total current assets	73,500	76,561	600,539
Property and equipment, at cost:			
Land (<i>Notes 8 and 10</i>)	1,609	1,609	13,147
Buildings and structures (<i>Note 10</i>)	7,188	6,187	58,730
Machinery, equipment and vehicles	670	458	5,474
Tools, furniture and fixtures	1,650	1,505	13,482
Lease assets	130	81	1,062
Less accumulated depreciation	(5,593)	(5,227)	(45,698)
Construction in progress	–	406	–
Property and equipment, net	5,654	5,019	46,197
Intangible assets:			
Goodwill (<i>Note 21</i>)	1,870	136	15,279
Other intangible assets	1,139	1,216	9,306
Total intangible assets	3,009	1,352	24,585
Investments and other assets:			
Investments in securities (<i>Notes 9, 10 and 19</i>)	4,466	6,276	36,490
Investments in an unconsolidated subsidiary and affiliates (<i>Notes 9 and 19</i>)	144	120	1,177
Long-term loans receivable (<i>Note 10</i>)	–	105	–
Retirement benefit asset (<i>Note 12</i>)	1,277	1,022	10,434
Deferred income taxes (<i>Note 11</i>)	1,002	966	8,187
Other assets	1,633	1,446	13,342
Allowance for doubtful accounts	(553)	(691)	(4,518)
Total investments and other assets	10,978	10,597	89,697
Total assets	¥ 90,132	¥ 103,044	\$ 736,433

Asanuma Corporation

Consolidated Balance Sheet (continued)

March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2022	2021	2022
Liabilities			
Current liabilities:			
Short-term bank loans (<i>Notes 10 and 19</i>)	¥ 1,460	¥ 1,470	\$ 11,929
Current portion of long-term debt (<i>Notes 10 and 19</i>)	1,047	337	8,555
Payables:			
Accounts payable on construction contracts	17,174	15,423	140,322
Other accounts payable (<i>Note 19</i>)	787	634	6,430
	17,961	16,057	146,752
Advances received on uncompleted construction contracts	4,404	7,783	35,983
Deposits received	1,657	1,977	13,539
Suspense receipt of consumption taxes	5,613	5,115	45,862
Income taxes payable (<i>Note 11</i>)	1,401	1,860	11,447
Provision for compensation for completed construction	535	543	4,371
Provision for loss on construction contracts (<i>Note 15</i>)	99	119	809
Other current liabilities	470	1,384	3,840
Total current liabilities	34,647	36,645	283,087
Long-term liabilities:			
Long-term debt (<i>Notes 10 and 19</i>)	8,173	9,219	66,779
Liability for retirement benefits (<i>Note 12</i>)	4,442	4,505	36,294
Deferred income taxes (<i>Note 11</i>)	5	2	41
Other long-term liabilities	191	95	1,560
Total long-term liabilities	12,811	13,821	104,674
Total liabilities	47,458	50,466	387,761
Net assets			
Shareholders' equity (<i>Note 14</i>):			
Common stock:			
Authorized – 29,356,500 shares			
Issued – 8,078,629 shares in 2021 and 2022	9,615	9,615	78,560
Capital surplus	2,179	2,166	17,804
Retained earnings	29,648	27,974	242,242
Less treasury stock, at cost	(27)	(67)	(221)
Total shareholders' equity	41,415	39,688	338,385
Accumulated other comprehensive income:			
Net unrealized holding gain on investments in securities	996	1,959	8,138
Foreign currency translation adjustments	(24)	(26)	(196)
Retirement benefits liability adjustments (<i>Note 12</i>)	(187)	(112)	(1,528)
Total accumulated other comprehensive income	785	1,821	6,414
Non-controlling interests	474	202	3,873
Total net assets	42,674	41,711	348,672
Total liabilities and net assets	¥ 90,132	¥ 92,177	\$ 736,433

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Income

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2022	2021	2022
Net sales (<i>Note 23</i>):			
Construction contracts	¥ 134,408	¥ 137,847	\$ 1,098,194
Other	1,071	1,088	8,751
	135,479	138,935	1,106,945
Cost of sales (<i>Note 15</i>):			
Construction contracts	121,272	124,266	990,865
Other	763	724	6,234
	122,035	124,990	997,099
Gross profit:			
Construction contracts	13,136	13,581	107,329
Other	308	364	2,517
	13,444	13,945	109,846
Selling, general and administrative expenses (<i>Note 16</i>)	8,609	8,654	70,342
Operating income (<i>Note 23</i>)	4,835	5,291	39,504
Other income (expenses):			
Interest and dividends income	116	154	948
Foreign exchange gain loss, net	131	26	1,070
Interest expenses	(104)	(106)	(850)
Guarantee fees	(47)	(46)	(383)
Commission fees	(107)	(107)	(874)
Gain on sales of investments in securities (<i>Note 9</i>)	540	998	4,413
Loss on impairment of property and equipment (<i>Notes 8 and 23</i>)	—	(88)	—
Outsourcing service income	—	58	—
Other, net (<i>Note 9</i>)	67	(81)	547
Profit before income taxes	5,431	6,099	44,375
Income taxes (<i>Note 11</i>):			
Current	1,239	1,880	10,123
Deferred	421	64	3,440
	1,660	1,944	13,563
Profit	3,771	4,155	30,811
Profit attributable to:			
Non-controlling interests	22	17	180
Owners of parent	¥ 3,749	¥ 4,138	\$ 30,632

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Comprehensive Income

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2022	2021	2022
Profit	¥ 3,771	¥ 4,155	\$ 30,811
Other comprehensive income (loss) (Note 17):			
Net unrealized holding loss on investments in securities	(963)	(237)	(7,868)
Foreign currency translation adjustments	2	(19)	16
Retirement benefits liability adjustments	(75)	249	(613)
Total other comprehensive loss, net	(1,036)	(7)	(8,465)
Comprehensive income	¥ 2,735	¥ 4,148	\$ 22,347
Comprehensive income attributable to:			
Owners of parent	¥ 2,706	¥ 4,134	\$ 22,110
Non-controlling interests	29	14	237

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2022

	<i>Millions of yen</i>				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total 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)
Net change in items other than shareholders' equity	—	—	—	—	—
Balance at April 1, 2021	9,615	2,166	27,974	(67)	39,688
Cumulative effects of change in accounting policy	—	—	(3)	—	(3)
Profit attributable to owners of parent	—	—	3,749	—	3,749
Cash dividends	—	—	(2,072)	—	(2,072)
Purchases of treasury stock	—	—	—	(6)	(6)
Restricted stock compensation	—	13	—	46	59
Net change in items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2022	¥ 9,615	¥ 2,179	¥ 29,648	¥ (27)	¥ 41,415

	<i>Millions of yen</i>					
	Net unrealized holding loss 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	¥ 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)
Net change in items other than shareholders' equity	(237)	(19)	249	(7)	14	7
Balance at April 1, 2021	1,959	(26)	(112)	1,821	202	41,711
Cumulative effects of change in accounting policy	—	—	—	—	(1)	(4)
Profit attributable to owners of parent	—	—	—	—	—	3,749
Cash dividends	—	—	—	—	—	(2,072)
Purchases of treasury stock	—	—	—	—	—	(6)
Restricted stock compensation	—	—	—	—	—	59
Net change in items other than shareholders' equity	(963)	2	(75)	(1,036)	273	(763)
Balance at March 31, 2022	¥ 996	¥ (24)	¥ (187)	¥ 785	¥ 474	¥ 42,674

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Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2022

	<i>Thousands of U.S. dollars (Note 2)</i>				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2021	\$ 78,560	\$ 17,698	\$ 228,564	\$ (547)	\$ 324,275
Cumulative effects of change in accounting policy	—	—	(25)	—	(25)
Profit attributable to owners of parent	—	—	30,632	—	30,632
Cash dividends	—	—	(16,929)	—	(16,929)
Purchases of treasury stock	—	—	—	(49)	(49)
Restricted stock compensation	—	106	—	375	481
Net change in items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2022	\$ 78,560	\$ 17,804	\$ 242,242	\$ (221)	\$ 338,385

	<i>Thousands of U.S. dollars (Note 2)</i>					
	Net unrealized holding loss 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, 2021	\$ 16,006	\$ (212)	\$ (915)	\$ 14,879	\$ 1,650	\$ 340,804
Cumulative effects of change in accounting policy	—	—	—	—	(8)	(33)
Profit attributable to owners of parent	—	—	—	—	—	30,632
Cash dividends	—	—	—	—	—	(16,929)
Purchases of treasury stock	—	—	—	—	—	(49)
Restricted stock compensation	—	—	—	—	—	481
Net change in items other than shareholders' equity	(7,868)	16	(613)	(8,465)	2,231	(6,234)
Balance at March 31, 2022	\$ 8,138	\$ (196)	\$ (1,528)	\$ 6,414	\$ 3,873	\$ 348,672

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2022	2021	2022
Cash flows from operating activities:			
Profit before income taxes	¥ 5,431	¥ 6,099	\$ 44,375
Adjustments for:			
Depreciation and amortization	647	598	5,286
Loss on impairment of property and equipment	—	88	—
(Decrease) increase in allowance for doubtful accounts	(132)	1	(1,079)
Decrease in provision for loss on construction contracts	(20)	(95)	(163)
Decrease in net defined benefit asset and liability	(425)	(285)	(3,473)
Interest and dividends income	(116)	(154)	(948)
Interest expenses	104	106	850
Foreign exchange gain, net	(94)	(25)	(768)
Gain on sales of investments in securities	(540)	(978)	(4,412)
Loss on valuation of investments in securities	—	58	—
Loss on sales of property, plant and equipment	1	5	8
(Increase) decrease in notes receivable and accounts receivable on completed construction contracts	(1,965)	705	(16,055)
(Increase) decrease in inventories	(184)	41	(1,503)
Decrease (increase) in other accounts receivable	4,152	(4,040)	33,924
Increase (decrease) in notes payable and accounts payable on construction contracts	1,361	(11,547)	11,121
Increase in other accounts payable	42	3	343
Decrease in advances received on uncompleted construction contracts	(3,773)	(1,355)	(30,828)
Other, net	(1,062)	(638)	(8,677)
Subtotal	3,427	(11,413)	28,001
Interest and dividends received	115	152	940
Interest paid	(104)	(106)	(850)
Income taxes paid	(1,875)	(1,535)	(15,320)
Net cash provided by (used in) operating activities	1,563	(12,902)	12,771
Cash flows from investing activities:			
Increase in time deposits	(40)	—	(327)
Purchases of property and equipment	(1,003)	(627)	(8,195)
Proceeds from sales of property, plant and equipment and intangible assets	9	0	74
Purchases of intangible assets	(196)	(462)	(1,601)
Purchases of investments in securities	(24)	(9)	(196)
Proceeds from sales and redemption of investments in securities	970	1,965	7,925
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	(2,168)	—	(17,714)
Proceeds from collection of loans receivable	105	3	858
Payments for guarantee deposits	(98)	(71)	(801)
Proceeds from collection of guarantee deposits	109	60	891
Other, net	72	(44)	588
Net cash (used in) provided by investing activities	¥ (2,264)	¥ 815	\$ (18,498)

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Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2022	2021	2022
Cash flows from financing activities:			
Decrease in short-term bank loans, net	¥ (17)	¥ –	\$ (139)
Repayment of long-term debt	(337)	(337)	(2,753)
Cash dividends paid	(1,908)	(1,605)	(15,590)
Other, net	(6)	(7)	(49)
Net cash used in financing activities	(2,268)	(1,949)	(18,531)
Effect of exchange rate changes on cash and cash equivalents	106	19	866
Net decrease in cash and cash equivalents	(2,863)	(14,017)	(23,392)
Cash and cash equivalents at beginning of year	15,761	29,778	128,776
Cash and cash equivalents at end of year <i>(Note 7)</i>	¥ 12,898	¥ 15,761	\$ 105,384

Asanuma Corporation

Notes to Consolidated Financial Statements

March 31, 2022

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, 2021 to the 2022 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 ¥122.39 = U.S.\$1.00, the exchange rate prevailing on March 31, 2022. 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, 2022 and 2021, the Company had 9 subsidiaries and 6 subsidiaries, respectively. The consolidated financial statements for the years ended March 31, 2022 and 2021 include the accounts of the Company and its 6 subsidiaries and 5 subsidiaries, respectively.

At January 6, 2022, the Company acquired equity shares of EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD., which was newly included in the scope of consolidation during the fiscal year ended March 31, 2022. As the acquisition date is deemed to be January 31, 2022, and as the intervening period does not exceed three months from the Company’s fiscal year end, solely the acquiree’s balance sheet is consolidated. Necessary adjustments were made to the subsidiary’s balance sheets to reflect any significant intercompany transactions during the period from February 1 through March 31.

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Notes to Consolidated Financial Statements (continued)

3. Principles of Consolidation (continued)

The Company applied the equity method to its investments in 2 affiliates, at March 31, 2022 and 2021 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.

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. Quoted securities classified as other securities, the Company uses the market-value method based on the market price, etc. at the consolidated closing date. Valuation differences are included directly in net assets and costs of securities sold are determined by the moving-average method. Unquoted securities classified as other securities are carried at cost determined by the moving average method.

(c) Allowance for doubtful accounts

The Group provides 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.

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Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(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.

(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.

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Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(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.

(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 omits 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.

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Notes to Consolidated Financial Statements (continued)

4. Summary of Significant Accounting Policies (continued)

(o) Significant revenue and expenses

Regarding the construction business in which the Group is mainly engaged, the Group has a performance obligation to complete construction and transfer objects based on a construction contract with a customer. In such a contract, when control of goods or services is transferred to customers over time, revenue is recognized as the Group satisfies the performance obligation over time. Progress toward satisfaction of a performance obligation is measured based on the percentage of construction cost incurred up to the end of the reporting period to the estimated total construction cost since the amount of construction cost incurred is considered to represent the degree of progress toward satisfaction of a performance obligation. If progress toward satisfaction of a performance obligation cannot be reasonably estimated, but the Group expects to recover all costs incurred, revenue is recognized on a cost recovery basis. For construction contracts with a very short period of time between the commencement date of the transaction and the point in time when the Group expects the performance obligation to be fully satisfied, an alternative approach applies, whereby revenue is recognized at the point in time when a performance obligation is fully satisfied rather than over time.

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

Accounting for construction involving joint ventures, the Company recognizes its share of the jointly controlled assets, the jointly responsible liabilities, the income and expenses resulting from the joint venture.

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Notes to Consolidated Financial Statements (continued)

5. Significant Accounting Estimates

Estimate of total construction costs when revenue is recognized as the Group satisfies its performance obligation over time

(1) Amounts recorded in the consolidated financial statements

Net sales of construction contracts accounted for as the Group satisfies its performance obligation over time amounted to ¥132,235 million (\$1,080,440 thousand) and ¥135,717 million for the years ended March 31, 2022 and 2021, respectively.

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

i) Calculation method

For construction contracts in which control of goods or service is transferred to customers over time, revenue is recognized as the Group satisfies the performance obligation over time. Progress toward satisfaction of the performance obligation is measured based on the percentage of construction cost incurred up to the end of the reporting period to the estimated total construction cost.

ii) Significant assumptions

Significant assumptions used for estimation of total construction cost are such as unit price of building material and labor unit price, which are calculated based on each project condition such as scale, specification and construction period.

iii) Effect on consolidated financial statements for the following fiscal year

Significant assumptions expect to have effect on net sales of construction contracts for each reporting period due to uncertainty in estimates. The amount of net sales of construction contracts in the consolidated financial statements for the following fiscal year may fluctuate when there are fluctuations in significant assumptions such as unit price of building material or labor unit price, which were used for estimating total construction cost and which are calculated based on each project condition such as scale, specifications and construction period.

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Notes to Consolidated Financial Statements (continued)

6. Changes in Accounting Standards

(Application of Accounting Standard for Revenue Recognition)

“Accounting Standard for Revenue Recognition” ((Accounting Standard Board of Japan (ASBJ) Statement No. 29, March 31, 2020), hereinafter “Revenue Recognition Standard”) has been adopted from the beginning of the fiscal year ended March 31, 2022, and revenue is recognized in the amount expected to be received in exchange for applicable goods or services when control of the promised good or service is transferred to the customer. As a result, the Company previously used the percentage-of-completion accounting method for construction contracts where the outcome of the construction activity for the portion of work in progress could be reliably estimated. However, where control of a good or service is transferred to the customer over time, the Company has changed its method of accounting to recognize revenue over time as the performance obligation to transfer the good or service to the customer is satisfied. Progress toward satisfaction of a performance obligation is measured based on the percentage of construction costs incurred by the end of each reporting period against the total estimated construction costs. If progress toward satisfaction of a performance obligation cannot be reasonably estimated, but the Company expects to recover all costs incurred, revenue is recognized on a cost recovery basis. For construction contracts with a very short period of time between the commencement date of the transaction and the point in time when the Company expects the performance obligation to be fully satisfied, an alternative approach applies, whereby revenue is recognized at the point in time when the performance obligation is fully satisfied rather than over time.

The Revenue Recognition Standard has been applied effective from the beginning of the fiscal year ended March 31, 2022 in accordance with the transitional treatment prescribed in Paragraph 84 of the Revenue Recognition Standard, and the cumulative effects of retroactively applying new accounting policies have been reflected in the beginning balance of retained earnings for the fiscal year ended March 31, 2022. However, as provided for in Paragraph 86 of the Revenue Recognition Standard, the new accounting policies have not been retroactively adopted for contracts in which substantially all revenue amounts have been recognized prior to the beginning of the fiscal year ended March 31, 2022 in accordance with the previous treatment. In addition, as provided for in Paragraph 86 (1) of the Revenue Recognition Standard, contract changes made prior to the beginning of the fiscal year ended March 31, 2022 have been accounted for based on the contract terms after reflecting all contract changes, and the cumulative effects have been reflected in retained earnings at the beginning of the fiscal year ended March 31, 2022.

The impact on the consolidated financial statements for the year ended March 31, 2022 as a result of the application is immaterial.

In addition, in accordance with transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Standard, related notes on revenue recognition for the fiscal year ended March 31, 2021 have been omitted.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

6. Changes in Accounting Standards (continued)

(Application of Accounting Standard for Fair Value Measurement)

“Accounting Standard for Fair Value Measurement”((ASBJ Statement No. 30, July 4, 2019), hereinafter “Fair Value Measurement Standard”) has been adopted from the beginning of the fiscal year ended March 31, 2022, and new accounting policies prescribed by the Fair Value Measurement Standard will be adopted prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the consolidated financial statements for the fiscal year ended March 31, 2022 as a result of this application.

In addition, notes regarding the breakdown of fair value of financial instruments by level have been included in Note 19 “Financial Instruments.” However, notes for the fiscal year ended March 31, 2021 have been omitted in accordance with the transitional treatment prescribed in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

7. Cash and Cash Equivalents

A reconciliation of cash and deposits in the accompanying consolidated balance sheets at March 31, 2022 and 2021 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,		
	2022	2021	2022
Cash and cash deposits	¥ 13,194	¥ 15,761	\$ 107,803
Time deposits pledged as collateral	(296)	—	(2,419)
Cash and cash equivalents	¥ 12,898	¥ 15,761	\$ 105,384

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

7. Cash and Cash Equivalents (continued)

Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

Assets and liabilities of acquired companies (EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD.) and net cash outflow for such acquisition is as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Current assets	¥ 2,141	\$ 17,493
Investments and other assets	93	760
Goodwill	1,750	14,299
Current liabilities	(997)	(8,146)
Long-term liabilities	(19)	(155)
Foreign currency translation adjustments	38	310
Non-controlling interests	(243)	(1,985)
Acquisition cost of shares	2,762	22,567
Cash and cash equivalents	(594)	(4,853)
Net cash outflow for acquisition	¥ 2,168	\$ 17,714

8. Loss on Impairment of Property and Equipment

Loss on impairment of property and equipment for the year ended March 31, 2021 is as follows:

<i>Location</i>	<i>Main use</i>	<i>Class</i>	<i>Millions of yen 2021</i>
Saitama Prefecture	Leased properties	Land	¥ 88

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 the Group 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 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)

9. Investments in Securities

At March 31, 2022 and 2021, marketable securities classified as held-to-maturity debt securities are as follows:

Millions of yen						
	2022			2021		
	Carrying value	Estimated fair value	Unrealized gain	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	¥ 15	¥ 15	¥ 0
	¥ 15	¥ 15	¥ 0	¥ 15	¥ 15	¥ 0
Thousands of U.S. dollars						
	2022					
	Carrying value	Estimated fair value	Unrealized gain			
Held-to-maturity debt securities whose estimated fair value exceeds their carrying value:						
Government and municipal bonds	\$ 123	\$ 123	\$ 0			
	\$ 123	\$ 123	\$ 0			

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Notes to Consolidated Financial Statements (continued)

9. Investments in Securities (continued)

At March 31, 2022 and 2021, marketable securities classified as other securities are as follows:

	<i>Millions of yen</i>					
	2022			2021		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 3,711	¥ 2,290	¥ 1,421	¥ 5,431	¥ 2,631	¥ 2,800
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	43	48	(5)	126	126	–
	¥ 3,754	¥ 2,338	¥ 1,416	¥ 5,557	¥ 2,757	¥ 2,800
<i>Thousands of U.S. dollars</i>						
	2022					
	Carrying value	Acquisition costs	Unrealized gain (loss)			
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	\$ 30,321	\$ 18,711	\$ 11,610			
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	351	392	(41)			
	\$ 30,672	\$ 19,103	\$ 11,569			

The proceeds from sales of, and gross realized gain on investments in securities for the years ended March 31, 2022 and 2021 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Proceeds from sales	¥ 970	¥ 1,962	\$ 7,925
Gross realized gain	540	998	4,412

Refer to Note 19 “Financial Instruments” for the redemption schedule at March 31, 2022 for held-to-maturity debt securities.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

9. 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.

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.

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

Short-term bank loans had average interest rates of 0.94% and 0.99% at March 31, 2022 and 2021, respectively.

Long-term debt at March 31, 2022 and 2021 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Unsecured loans due through 2034 at rates ranging from 1.12% to 1.58%	¥ 5,030	¥ 5,034	\$ 41,098
Secured loans due through 2034 at rates ranging from 0.58% to 0.78%	2,549	2,882	20,827
1.37% unsecured bond due March 31, 2025	650	650	5,311
0.84% unsecured bond due July 25, 2025	600	600	4,902
0.81% unsecured bond due September 10, 2024	390	390	3,187
Total	9,219	9,556	75,325
Less current portion included in current liabilities	(1,046)	(337)	(8,547)
	¥ 8,173	¥ 9,219	\$ 66,778

The aggregate annual maturities of long-term debt subsequent to March 31, 2022 are summarized as follows:

<i>Years ending March 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2023	¥ 1047	\$ 8,555
2024	348	2,843
2025	4,626	37,797
2026	336	2,745
2027 and thereafter	1,222	9,985
	¥ 7,579	\$ 61,925

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

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

Assets pledged at March 31, 2022 and 2021 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>
	2022	2021	2022
Buildings and structures	¥ 583	¥ 598	\$ 4,763
Land	890	890	7,272
	¥ 1,473	¥ 1,488	\$ 12,035

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, 2022 and 2021 amounted to ¥3,200 million (\$26,146 thousand) and ¥3,357 million as collateral for loans of ¥2,549 million (\$20,827 thousand) and ¥2,882 million, respectively.

Assets of the Company pledged at March 31, 2022 and 2021 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>
	2022	2021	2022
Investments in securities	¥ 105	¥ 103	\$ 858
Long-term loans receivable	—	102	—
	¥ 105	¥ 205	\$ 858

The following asset is pledged as collateral for construction performance guarantees and deposit guarantees based on real estate sales contracts.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Time deposits	¥ 295	¥ —	\$ 2,410

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, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Lines of credit	¥ 10,000	¥ 10,000	\$ 81,706
Credit utilized	—	—	—
Available credit	¥ 10,000	¥ 10,000	\$ 81,706

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

11. Income Taxes

Income taxes applicable to the Company and the Group 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, 2022 and 2021.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2022 and 2021 as a percentage of profit before income taxes are summarized as follows:

	2022	2021
Statutory tax rate	30.4%	30.4%
Permanently non-tax-deductible expenses	0.9	0.8
Permanently non-taxable income	(0.1)	(0.1)
Per capita portion of inhabitants' taxes	2.0	2.0
Tax credit for corporation tax	(2.7)	(1.1)
Valuation allowance	(0.5)	(0.2)
Other	0.6	0.1
Effective tax rates	30.6%	31.9%

The significant components of deferred tax assets and liabilities of the Group at March 31, 2022 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for doubtful accounts	¥ 175	¥ 217	\$ 1,430
Provision for compensation for completed construction	163	165	1,332
Loss on devaluation of inventories	22	23	180
Provision for loss on construction contracts	30	36	245
Liability for retirement benefits	963	1,059	7,868
Loss on impairment of property and equipment	480	481	3,922
Loss on valuation of investments in securities	35	35	286
Other	600	816	4,902
Gross deferred tax assets	2,468	2,832	20,165
Less valuation allowance	(922)	(898)	(7,533)
Total deferred tax assets	1,546	1,934	12,632
Deferred tax liabilities:			
Unrealized holding gain on investments in securities	(420)	(841)	(3,432)
Deferred capital gains on property	(124)	(127)	(1,013)
Other	(5)	(2)	(41)
Total deferred tax liabilities	(549)	(970)	(4,486)
Net deferred tax assets	¥ 997	¥ 964	\$ 8,146

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

12. 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, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Balance at the beginning of the year	¥ 10,483	¥ 10,453	\$ 85,652
Service cost	370	377	3,023
Interest cost	105	106	859
Actuarial gain	65	101	531
Benefit paid	(765)	(554)	(6,251)
Balance at the end of the year	¥ 10,258	¥ 10,483	\$ 83,814

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Balance at the beginning of the year	¥ 7,000	¥ 6,328	\$ 57,194
Expected return on plan assets	139	126	1,136
Actuarial (loss) gain	(94)	258	(768)
Contributions by the employer	499	675	4,077
Benefit paid	(452)	(387)	(3,693)
Balance at the end of the year	¥ 7,092	¥ 7,000	\$ 57,946

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

12. 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 at March 31, 2022 and 2021 for the Company's and the consolidated subsidiary's defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Funded retirement benefit obligation	¥ 5,815	¥ 5,978	\$ 47,512
Plan assets at fair value	(7,092)	(7,000)	(57,946)
	(1,277)	(1,022)	(10,434)
Unfunded retirement benefit obligation	4,442	4,505	36,294
Net assets and liabilities recognized on the consolidated balance sheet	¥ 3,165	¥ 3,483	\$ 25,860

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Service cost	¥ 370	¥ 377	\$ 3,023
Interest cost	105	106	858
Expected return on plan assets	(140)	(127)	(1,144)
Amortization of actuarial gain	52	201	425
Retirement benefit expense	¥ 387	¥ 557	\$ 3,162

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Actuarial (loss) gain	¥ (107)	¥ 357	\$ (874)

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

12. 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) at March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Unrecognized actuarial gain	¥ 269	¥ 162	\$ 2,198

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

	2022	2021
Debt securities	54%	82%
Equity securities	20	17
Multi-asset	24	—
Cash and cash deposits	2	1
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:

	2022	2021
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)

12. Retirement Benefits (continued)

3. Defined contribution pension plan

Information on contributions to the defined contribution pension plan for the years ended March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Contributions to the defined contribution pension plan	¥ 158	¥ 162	\$ 1,291

13. Asset Retirement Obligations

The Company estimates the cost of restoration obligations based on property lease agreements of the headquarters in Osaka, Tokyo office and Kyushu 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, 2022 and 2021, instead of recording asset retirement obligations.

14. 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)

14. Shareholders' Equity (continued)

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2022 and 2021 are summarized as follows:

	Number of shares			
	2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Shares of common stock in issue	8,078,629	–	–	8,078,629
Treasury stock	21,893	1,175	14,815	8,253

The increase in treasury stock of 1,175 was due to the acquisition of fractional shares of less than one unit. The decrease in treasury shares was due to the disposal of treasury shares under restricted stock remuneration plan.

	Number of shares			
	2021			
	April 1, 2020	Increase	Decrease	March 31, 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.

Restricted stock awards

1. Outline, scale and movement

(1) Outline

Restricted stock awards	2021 plan
Individuals covered by the plan	6 directors
Type of shares	Common stock
Number of shares	7,130 shares
Granted date	July 20, 2021
Vesting period	From July 20, 2021 (allocation date) to the date when an individual ceases to be a director of the Company

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

14. Shareholders' Equity (continued)

Restricted stock awards (continued)

1. Outline, scale and movement (continued)

(1) Outline

Conditions for release of transfer restriction are as follows:

The Company shall release transfer restriction for all of the allocated shares upon the end of the vesting period provided that a covered person continues to be director of the Company during the "Service Period" (from July 20, 2021 (allocation date) to the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022). However, in the event that a covered person ceases to be a director during the Service Period due to death or other reasons that the Board of Directors deem as justifiable, the Company shall release transfer restrictions for the specified number of allocated shares at the end of the vesting period. The specified number of allocated shares is calculated by multiplying the number of months from July 2021 to the month when a covered person ceases to be a director divided by 12 (if the number exceeds 1, it shall be deemed to be 1) by the number of allocated shares (it shall be rounded down).

(2) Scale and movement

Scale and movement of restricted stocks that have not yet been released for the fiscal year ended March 31, 2022 are as follows.

i) Amount of expenses and account name

	<i>Thousands of yen</i>	<i>U.S. dollars</i>
	2022	2022
Stock compensation expense in general and administrative expenses	¥ 24,010	\$ 196,176

ii) Number of shares

	2021 plan
Unvested at the end of prior fiscal period	—
Granted	7,130
Forfeited	—
Vested	—
Unvested at the end of the current fiscal period	7,130

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

14. Shareholders' Equity (continued)

Restricted stock awards (continued)

1. Outline, scale and movement (continued)

(2) Scale and movement (continued)

iii) Unit price information

	<i>Yen</i>
	<u>2021 plan</u>
Fair value per share	¥ 4,490

2. Method of determining fair value

It is the closing price of the Company's common stock in the Tokyo Stock Exchange on the business day before the day of the meeting of the Board of Directors.

3. Method of estimating the number of vested shares

The actual number of forfeited stock options is shown as it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

15. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2022 and 2021 amounted to ¥99 million (\$809 thousand) and ¥119 million, respectively.

16 Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2022 and 2021 amounted to ¥575 million (\$4,698 thousand) and ¥489 million, respectively.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

17. 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, 2022 and 2021:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Net unrealized holding (loss) gain on investments in securities:			
Amount arising during the year	¥ (846)	¥ 612	\$ (6,912)
Reclassification adjustments for loss realized in the statement of income	(538)	(921)	(4,396)
Before tax effect	(1,384)	(309)	(11,308)
Tax effect	421	72	3,440
Net unrealized holding loss on investments in securities, net	(963)	(237)	(7,868)
Foreign currency translation adjustments, net	2	(19)	16
Retirement benefits liability adjustments:			
Amount arising during the year	(159)	157	(1,299)
Reclassification adjustments for gain realized in the statement of income	52	201	425
Before tax effect	(107)	358	(874)
Tax effect	32	(109)	261
Retirement benefits liability adjustments, net	(75)	249	(613)
Total other comprehensive loss	¥ (1,036)	¥ (7)	\$ (8,465)

18. Leases

Operating lease transactions

(Lessee)

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2022 and 2021, are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Due within 1 year	¥ 30	¥ –	\$ 245
Due after 1 year	105	–	858
	¥ 135	¥ –	\$ 1,103

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments

Status of 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.

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.

(3) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments can fluctuate because different assumptions may be adopted for calculations of fair value considering various factors.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets at March 31, 2021 and 2022, the estimated fair value and the difference between them are shown in the following table. Cash and deposits and notes, accounts receivable and contract assets are not included in the table below as they are mainly settled within a short term and their fair value approximates carrying value.

<i>Millions of yen</i>			
2022			
	Carrying value	Estimated fair value	Difference
Notes receivable and accounts receivable on completed construction contracts	¥ 54,833	¥ 54,909	¥ 76
Investments in securities (*)	3,769	3,769	0
Total assets	¥ 58,602	¥ 58,678	¥ 76
Bonds	¥ 1,640	¥ 1,618	¥ (22)
Long-term loans	6,533	6,494	(39)
Total liabilities	¥ 8,173	¥ 8,112	¥ (61)

<i>Millions of yen</i>			
2021			
	Carrying value	Estimated fair value	Difference
Notes receivable and accounts receivable on completed construction contracts	¥ 51,361	¥ 51,473	¥ 112
Investments in securities (**)	5,571	5,572	0
Total assets	¥ 56,932	¥ 57,045	¥ 112
Long-term debt:			
Bonds	¥ 1,640	¥ 1,617	¥ (23)
Long-term loans	7,579	7,591	12
Total liabilities	¥ 9,219	¥ 9,270	¥ (11)

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	2022		
	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Difference</u>
Notes receivable and accounts receivable on completed construction contracts	\$ 448,018	\$ 448,640	\$ 622
Investments in securities (*)	30,795	30,795	0
Total assets	<u>\$ 478,813</u>	<u>\$ 479,435</u>	<u>\$ 622</u>
Bonds	\$ 13,400	\$ 13,220	\$ (180)
Long-term loans	53,379	53,060	(319)
Total liabilities	<u>\$ 66,779</u>	<u>\$ 66,280</u>	<u>\$ (499)</u>

(*) Unquoted securities as of March 31, 2022 are as follows. They are not included in the table above.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Unlisted stocks	¥ 841	\$ 6,871

(**) Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, they are not included in marketable securities and investments in securities in the preceding table estimated fair value.

	<i>Millions of yen</i>
	2021
Unlisted equity securities	¥ 824

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Redemption schedule

The redemption schedule for cash deposits, receivables and marketable securities with maturity dates at March 31, 2022 are summarized as follows:

	<i>Millions of yen</i>		
	2022		
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash deposits	¥ 13,189	¥ –	¥ –
Notes receivable and accounts receivable on completed construction contracts	52,541	1,391	901
Investments in securities: Held-to-maturity debt securities	–	15	–
Total	¥ 65,730	¥ 1,406	¥ 901

	<i>Thousands of U.S. dollars</i>		
	2022		
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash deposits	\$ 107,762	\$ –	\$ –
Notes receivable and accounts receivable on completed construction contracts	429,292	11,365	7,361
Investments in securities: Held-to-maturity debt securities	–	123	–
Total	\$ 537,054	\$ 11,488	\$ 7,361

Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

- Level 1 : Fair values measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs
- Level 2 : Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs
- Level 3 : Fair values measured using unobservable valuation inputs

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Breakdown of fair value of financial instruments by level (continued)

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

Financial instruments measured at fair value at March 31, 2022

	<i>Millions of yen</i>			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Stocks	¥ 3,754	¥ –	¥ –	¥ 3,754
Total assets	¥ 3,754	¥ –	¥ –	¥ 3,754

	<i>Thousands of U.S. dollars</i>			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Stocks	\$ 30,672	\$ –	\$ –	\$ 30,672
Total assets	\$ 30,672	\$ –	\$ –	\$ 30,672

Financial instruments other than those measured at fair value at March 31, 2022

	<i>Millions of yen</i>			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable and accounts receivable on completed construction contracts	¥ –	¥ 54,909	¥ –	¥ 54,909
Investments in securities:				
Government bonds	15	–	–	15
Total assets	¥ 15	¥ 54,909	¥ –	¥ 54,924
Bonds	¥ –	¥ 1,618	¥ –	¥ 1,618
Long-term loans	–	6,494	–	6,494
Total liabilities	¥ –	¥ 8,112	¥ –	¥ 8,112

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Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Breakdown of fair value of financial instruments by level (continued)

	<i>Thousands of U.S. dollars</i>			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable and accounts receivable on completed construction contracts	\$ –	\$ 448,640	\$ –	\$ 448,640
Investments in securities:				
Government bonds	123	–	–	123
Total assets	<u>\$ 123</u>	<u>\$ 448,640</u>	<u>\$ –</u>	<u>\$ 54,924</u>
Bonds	\$ –	\$ 13,220	\$ –	\$ 13,220
Long-term loans	–	53,060	–	53,060
Total liabilities	<u>\$ –</u>	<u>\$ 66,280</u>	<u>\$ –</u>	<u>\$ 66,280</u>

Note: Description of valuation techniques used and inputs related to the calculation of fair value

Notes receivable and accounts receivable on completed construction contracts

Fair values are measured using the discounted present value method based on the amounts receivable, maturity, and interest rates taking into account credit risk for each receivable classified by a certain period, and are categorized as Level 2.

Investments in securities

Fair values of listed stocks and national bonds are determined by using quoted prices. Fair values of listed stocks and government bonds are categorized as Level 1 since they are traded in active markets.

Bonds

Fair value of bonds with fixed rate issued by the Company is determined by discounting the total amount of principal with the expected interest rate in the case of issuing a new bond in same condition, and is categorized as Level 2.

Long-term debt

Fair value of long-term debt with fixed rates is determined by discounting the total amount of principal with the expected interest rate in the case of undertaking new borrowings in same condition, and is categorized as Level 2.

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Notes to Consolidated Financial Statements (continued)

20. Amounts per Share

Amounts per share at March 31, 2022 and 2021 and for the years then ended are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2022	2021	2022
Net assets	¥5,229.01	¥ 5,152.02	\$ 42.72
Profit attributable to owners of parent	464.72	513.55	3.82
Cash dividends	257.00	216.00	2.10

Information used in the computation of profit attributable to owners of parent per share for the years ended March 31, 2022 and 2021 are presented as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Profit attributable to owners of parent	¥ 3,749	¥ 4,138	\$ 30,632
Profit not attributable to common shareholders	—	—	—
Profit attributable to owners of parent applicable to common shareholders	¥ 3,749	¥ 4,138	\$ 30,632

	<i>Thousands of shares</i>	
	2022	2021
Weighted-average number of shares of common stock used in the calculation	8,067	8,057

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.

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Notes to Consolidated Financial Statements (continued)

21 Business Combination through Acquisition

a. Outline of the business combination

1) Name and business description of acquiree

Name: EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD.

Business description: Building construction, mechanical and electrical engineering services, maintenance services

2) Primary reasons for business combination

Evergreen Engineering & Construction Pte. Ltd. is mainly engaged in the business of building construction, including integrated building services, M&E engineering services and maintenance services in Singapore. The acquisition of Evergreen Engineering & Construction Pte. Ltd. as a subsidiary of the Company, is part of our efforts to “strengthen our overseas business and renewal business in the ASEAN region”, which is set forth in The Three-Year Medium-Term Plan (FY 2021-FY2023)

3) Date of the business combination

Acquisition date: January 6, 2022

4) Legal form of the business combination

Acquisition of shares

5) Company name after the business combination

No change

6) Voting rights acquired through the business combination

80%

7) Principal basis for determination of the acquiring company

The Company acquired shares of EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD. for cash.

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

21 Business Combination through Acquisition (continued)

- b. Period of the operating results of the acquired company included in the accompanying consolidated financial statements.

As the acquisition date is deemed to be January 31, 2022, solely the acquiree's balance sheet is consolidated, and the acquiree's operating results are not included in the consolidated statement of income for the fiscal year ended March 31, 2022.

- c. Acquisition cost of the acquired company and details of the type of consideration

Not disclosed due to a non-disclosure agreement

- d. Major acquisition-related costs and nature

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Advisory fees and others	¥ 169	\$ 1,381

- e. Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period

(1) Goodwill

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Goodwill	¥ 1,750	\$ 14,299

The amount of goodwill is provisional since the purchase price allocation has not been finalized.

(2) Reason for generation of goodwill

Goodwill resulted from the acquiree's excess earning power that the Company expects to realize in business operations in the future.

(3) Method of amortization and amortization period

Method of amortization: Straight-line method

Amortization period: Not determined at this time

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

21 Business Combination through Acquisition (continued)

- f. Amount of assets acquired and liabilities assumed at the date of business combination and major breakdown

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Current assets	¥ 2,141	\$ 17,493
Non-current assets	94	768
Total assets	¥ 2,235	\$ 18,261
Current liabilities	¥ 998	\$ 8,154
Long-term liabilities	19	156
Total liabilities	¥ 1,017	\$ 8,310

- g. Estimated impact on the consolidated statement of income for the year ended March 31, 2022 assuming the business combination was completed at the beginning of the year ended March 31, 2022 and the calculation method

The impact and calculation method have been omitted as immaterial.

22. Revenue Recognition

- a. Information on disaggregated revenue arising contracts with customers

Information on disaggregated revenue arising contracts with customers for the years ended March 31, 2022 is described in Note 23 “Segment Information.”

- b. Information providing a basis for understanding revenue arising from contracts with customers

Information providing a basis for understanding revenue arising from contracts with customers is described in Note 4 “Summary of Significant Accounting Policies” “Revenue and expense recognition.”

- c. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the fiscal year that are expected to be recognized in the following fiscal year or beyond

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Notes to Consolidated Financial Statements (continued)

22. Revenue Recognition (continued)

(1) Balances of contract assets and contract liabilities

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Receivables arising from contracts with customers (balance at the beginning of the year)	¥ 21,379	\$ 174,679
Receivables arising from contracts with customers (balance at the end of the year)	23,730	193,888
Contract assets (balance at the beginning of the year)	33,454	273,339
Contract assets (balance at the end of the year)	27,631	225,762
Contract liabilities (balance at the beginning of the year)	4,404	35,983
Contract liabilities (balance at the end of the year)	7,783	63,592

Contract assets mainly relate to the rights of the Group to the consideration for unbilled amount of construction contracts, which the Group have satisfied a performance obligation at the end of the fiscal year. Contract assets are reclassified to accounts receivable arising from contracts with customers when the rights of the Group become unconditional.

Contract liabilities mainly relate to consideration received from customers prior to performance based on construction contracts. Contract liabilities are reversed in line with revenue recognition. The revenue recognized during the fiscal year that was included in the balance of contract liabilities at the beginning of the year was ¥7,628 million (\$62,325 thousand).

(2) Transaction price allocated to remaining performance obligations

The amounts of the transaction price allocated to remaining performance obligations by segment are as follows. These amounts are expected to be recognized as revenue within approximately two years.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Building construction	¥ 119,396	\$ 975,537
Civil engineering	32,931	269,066
Total	¥ 152,327	\$ 1,244,603

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Notes to Consolidated Financial Statements (continued)

23. Segment Information

a. Segment Information

(1) Overview of reporting segments

The reporting segments of the Group are 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 operates in the construction business and has 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>							
2022							
	Reporting Segments			Others	Sub total	Adjustments	Total
	Building Construction	Civil Engineering	Total				
Net sales and income:							
Authorities	¥ 23,442	¥ 18,983	¥ 42,425	¥ 522	¥ 42,947	¥ –	¥ 42,947
Private sales	83,988	5,067	89,055	549	89,604	–	89,604
Overseas	2,420	508	2,928	–	2,928	–	2,928
Revenue from contracts with customers	¥ 109,850	¥ 24,558	¥ 134,408	¥ 1,071	¥ 135,479	¥ –	¥ 135,479
Sales to third parties	¥ 109,850	¥ 24,558	¥ 134,408	¥ 1,071	¥ 135,479	¥ –	¥ 135,479
Intersegment sales	–	–	–	5	5	(5)	–
Net sales	¥ 109,850	¥ 24,558	¥ 134,408	¥ 1,076	¥ 135,483	¥ (5)	¥ 135,479
Segment income	¥ 10,127	¥ 3,009	¥ 13,136	¥ 100	¥ 13,236	¥ (8,401)	¥ 4,835

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

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Notes to Consolidated Financial Statements (continued)

23. 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>							
2022							
	Reporting Segments			Others	Sub total	Adjustments	Total
	Building Construction	Civil Engineering	Total				
Net sales and income:							
Authorities	\$ 191,534	\$ 155,103	\$ 346,637	\$ 4,266	\$ 350,903	\$ –	\$ 350,903
Private sales	686,233	41,401	727,634	4,485	732,119	–	732,119
Overseas	19,773	4,150	23,923	–	23,924	–	23,924
Revenue from contracts with customers	\$ 897,540	\$ 200,654	\$ 1,089,194	\$ 8,751	1,106,945	\$ –	\$ 1,106,945
Sales to third parties	\$ 897,540	\$ 200,654	\$ 1,089,194	\$ 8,751	1,106,945	\$ –	\$ 1,106,945
Intersegment sales	–	–	–	41	41	(41)	–
Net sales	\$ 897,540	\$ 200,654	\$ 1,089,194	\$ 8,792	1,106,986	\$ (41)	\$ 1,106,945
Segment income	\$ 82,744	\$ 24,585	\$ 107,329	\$ 817	\$ 108,146	\$ (68,642)	\$ 39,504

“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 ¥8,401 million (\$68,642 thousand) and ¥8,433 million for the years ended March 31, 2022 and 2021 include eliminations of intersegment transactions of ¥1 million (\$8 thousand) and ¥1 million and corporate expenses of ¥8,400 million (\$68,634 thousand) and ¥8,432million 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.

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Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

b. Related information

(1) Information by products and services

Disclosure of information by products and services for the years ended March 31, 2022 and 2021 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 at March 31, 2022 and 2021 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.

(3) Information by major customers

Disclosure of information by major customers for years ended March 31, 2022 and 2021 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					Total
	Building Construction	Civil Engineering	Total	Other	Elimination and corporate	
Loss on impairment of property and equipment	¥ –	¥ –	¥ –	¥ 88	¥ –	¥ 88

d. Information on amortization of goodwill and remaining unamortized balance

Goodwill is not allocated to reporting segments. Amortization of goodwill was ¥30 million (\$245 thousand) and ¥27 million as at March 31, 2022 and 2021, respectively. Remaining unamortized balance included in “Intangible assets” was ¥1,870 million (\$15,279 thousand) and ¥136 million as at March 31, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements (continued)

24. Subsequent Events

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, 2022, was approved at the annual general meeting of the shareholders of the Company held on June 23, 2022.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends of ¥363 (\$2.97) per share	¥ 2,930	\$ 23,940

25. Additional Information

Common Stock Split

At a meeting of its Board of Directors held on March 31, 2022, a stock split of shares of its common stock and a partial amendment to the Articles of Incorporation due to the stock split were approved.

a. Purpose of the Stock Split

The purpose of the stock split is to reduce the minimum investment price thereby creating an environment where it is easier to invest in the Company's shares and expanding the Company's investor base.

b. Outline of the Stock Split

(1) Stock Split Method

The record date for the stock split will be July 31, 2022. Each share of the Company's common stock held by shareholders listed or recorded in the shareholder registry at the end of the record date will be split into two shares.

(2) Increase in Number of Shares as a Result of the Stock Split

Total number of issued shares prior to the stock split: 8,078,629 shares
Increase in the number of shares upon the stock split: 8,078,629 shares
Total number of issued shares after the stock split: 16,157,258 shares
Number of authorized shares after the stock split: 58,713,000 shares

(3) Schedule

Date of public notice of the record date: July 15, 2022
Record date: July 31, 2022
Effective date: August 1, 2022

Asanuma Corporation

Notes to Consolidated Financial Statements (continued)

25. Additional Information(continued)

Common Stock Split (continued)

b. Outline of the Stock Split (continued)

(4) Impact on Per Share Information

Per share information assuming that the stock split was performed at the beginning of the year ended March 31, 2021 is as follows.

	<i>Yen</i>		<i>U.S. dollars</i>
	2022	2021	2022
Net assets	¥ 2,614.50	¥ 2,576.01	\$ 21.36
Profit attributable to owners of the parent	232.36	256,78	1.90

c. Partial Amendment to Articles of Incorporation

(1) Reason for the amendment

Due to the stock split, the Company will amend a part of the Article of Incorporation effective from August 1, 2022 in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Details of the amendment

Changes are underlined.

<u>Present</u>	<u>After the amendment</u>
(Total number of authorized shares)	(Total number of authorized shares)
Article 6	Article 6
Total number of authorized shares of Company shall be <u>29,356,500 shares.</u>	Total number of authorized shares of the Company shall be <u>58,713,000 shares.</u>

(3) Schedule

Effective date: August 1, 2022

d. Share capital

The amount of the Company's share capital will not change as a result of the stock split.