Start date of electronic provision: June 5, 2024

Electronically Provided Information in the Convocation Notice of the 81st Annual General Meeting of Shareholders

- Business Report

V. Systems to Ensure that the Execution of Duties by Directors Complies with Laws and Regulations and the Company's Articles of Incorporation, and Other Systems to Ensure the Appropriateness of Business Operations, and the Status of Operation of Such Systems

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Statement of Changes in Shareholders' Equity

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The above matters are omitted from the document (document stating matters to be provided electronically) to be delivered to shareholders who have requested the delivery of the document pursuant to laws and regulations and the Company's Articles of Incorporation.

Business Report (From April 1, 2023 through March 31, 2024)

V. Systems to Ensure that the Execution of Duties by Directors Complies with Laws and Regulations and the Company's Articles of Incorporation, and Other Systems to Ensure the Appropriateness of Business Operations, and the Status of Operation of Such Systems

1. Basic Policy for Development of Internal Control Systems

The Company has established the following basic policy for the development of internal control systems to ensure the appropriateness of business operations.

The Internal Control Committee, chaired by the President, has been established to monitor and manage the status of the development and operation of internal control systems, and the Compliance Committee, Risk Management Committee, and Information Technology Council shall be established under the Committee.

(1) Systems to ensure that the execution of duties by directors and employees complies with laws and regulations and the Company's Articles of Incorporation

- Based on the founder's customer-first spirit of "Rita-Riko (Compassion & Self-interest)," the Company pursues a high level of quality in all corporate activities, and ensures that all officers and employees are familiar with the Tobishima Corporate Code of Conduct, the Tobishima Employee Code of Conduct, and other rules relating to the compliance system.

- The Company stipulates in its Corporate Code of Conduct that there shall be no relationships with antisocial forces, and develops and thoroughly implements internal systems.

- The Compliance Committee, chaired by the appointed Compliance Officer, formulates compliance promotion plans and oversees efforts relating to corporate ethics, including compliance with laws and regulations.

- The Management Control Office conducts internal audits on the status of the development and operation of compliance systems.

(2) System for the storage and management of information relating to the execution of duties by directors

- Minutes of the Board of Directors' meetings, written proposals to the Management Committee, and other information relating to the execution of duties by directors is properly stored and managed in accordance with the Document Management Rules.

(3) Rules and other systems for managing risk of loss

- For risk management in business operations, each department in charge establishes various rules and manuals, and ensures that all officers and employees are familiar with them.

- The Risk Management Committee oversees and manages risks throughout the company.

- The Company's systems and response in the event of risk occurrence are specified in the Crisis Management Rules, and efforts are made to protect the Company's assets and minimize any disadvantage in business operations.

(4) System to ensure the efficient execution of duties by directors

- The functions of management strategy planning and management supervision by directors and the executive functions by corporate officers are separated.

- Organizational structure, division of duties, and individual authorities are established by organizational rules, and are reviewed according to the situation.

- The Company has established the Management Committee consisting of representative directors, executive officers and general managers. (Deliberation and resolution of day-to-day execution issues)

- The Company has established the Executive Officers Committee. (Instructions and communication of resolutions by the Board of Directors and the Management Committee)

- The Board of Directors formulates a management plan, and the Executive Committee formulates business plans for each business unit based on the plan, manages monthly business performance, and implements the quarterly PDCA (plan, do, check and act) cycle.

(5) System to ensure the appropriateness of business operations of the corporate group consisting of the Company and its subsidiaries

- The Company has established the Affiliate Company Management Rules and the Overseas Affiliate Company Management Rules to ensure consistency and efficient execution of the Group's overall business operations.

- The Company requires its subsidiaries to submit regular reports on the status of execution of business operations, etc., and the Group Business Management Department of the Planning Division of the

Company grasps the business status of subsidiaries and identifies risks relating to business operations, and provides guidance and support for improvement measures and the establishment of management systems.

- The Company's Compliance Committee oversees the efforts of its subsidiaries with respect to corporate ethics, including compliance with laws and regulations.

- Important decisions relating to subsidiaries are deliberated and resolved by the Company's Management Committee.

- The Company's Management Supervision Office conducts internal audits of the overall business activities of all Group companies.

(6) Matters relating to employees to assist corporate auditors in the performance of their duties when corporate auditors request such assistance, matters relating to the independence of such employees from directors, and matters relating to the effectiveness of instructions given by corporate auditors to such employees.

- The organization that assists the corporate auditors in their duties is the Management Supervision Office.

- The corporate auditors may order the staff of the Management Supervision Office to perform matters necessary for audit work, and the division of duties stipulates that such staff members shall not receive instructions or orders from directors with respect to matters ordered by corporate auditors.

(7) System for directors and employees to report to corporate auditors, and system for directors, corporate auditors and employees of subsidiaries or persons who receive reports from them to report to corporate auditors of the Company

- Directors, executive officers, and employees promptly report to the Board of Corporate Auditors on matters that have a material impact on the entire company and on matters determined through separate consultation between the directors and the Board of Corporate Auditors, in addition to statutory matters.

- Directors, corporate auditors, and employees of subsidiaries promptly report to the Board of Corporate Auditors on matters that have a material impact on the entire company.

- The Company has established the Whistleblower Rules to contribute to stronger compliance management, and applies them to all employees, including those of its subsidiaries. In addition, to protect whistleblowers, the Company stipulates the preservation of anonymity and the prohibition of retaliatory actions.

(8) Matters relating to policy for the treatment of expenses or liabilities incurred in the execution of duties by corporate auditors, and other systems to ensure the effective execution of audits by corporate auditors

- The Company bears the cost of any procedures required in the performance of duties by corporate auditors.

- Periodic meetings for exchange of opinions are held between representative directors and the Board of Corporate Auditors.

(9) System to ensure reliability of financial reporting

- In order to ensure the reliability of financial reporting, the Company has established a system for the maintenance and operation of internal controls for financial reporting, and the Management Supervision Office continuously evaluates the effectiveness of the system and makes necessary corrections.

2. Status of Operation of Systems to Ensure Appropriateness of Business Operations

The Board of Directors meets once a month in principle, and other times as necessary, to deliberate and decide on basic management policies and important matters, as well as to supervise the execution of operations and confirm the progress of management plans.

The Management Committee, consisting of representative directors, executive officers and general managers, etc., meets once a week in principle and other times as necessary to improve the efficiency of the execution of business operations, as an organ to make decisions on strategic matters and day-to-day execution issues and to compile reports from each department to the management.

In order to grasp the status of development and operation of internal control systems and to manage the status of development based on the basic policy for development of internal control systems, the Internal Control Committee in principle meets quarterly with the Compliance Committee, Risk Management Committee, and Information Technology Council, which are subordinate to the Internal Control Committee.

The Compliance Committee appropriately revises the Compliance Manual, which consists of the Corporate Code of Conduct, Employee Code of Conduct, and Service Manual, etc., in response to social conditions, and disseminates it to all officers and employees. In addition, the Company has strengthened its bid rigging prevention efforts by establishing the Antitrust Law Compliance Code and the Bid Rigging Prevention Manual, and by providing ongoing education to all relevant personnel. Furthermore, the company has established systems for preventing improper acts, including the establishment of a reporting and consultation contact desk.

The Risk Management Committee selects the key annual risks to be managed by the management from among the potential risks, conducts quarterly inventory, evaluation, and revision, and disseminates the results to the entire company. The committee also promotes coordination and collaboration among divisions on individual matters relating to the key risks for the fiscal year.

The Information Technology Council discusses the planning and implementation of the establishment, operation, and modification of information systems, and maintains and improves information security management systems.

Consolidated Statement of Changes in Shareholders' Equity
(From April 1, 2023 to March 31, 2024)

(amounts less than 1 million yen are discarded)

	Shareholders' equity				
	Stated capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning of term balance	5,519	6,236	33,698	△575	44,878
Changes during the term					
Dividends of surplus			△1,153		△1,153
Net income attributable to parent company shareholders			3,403		3,403
Disposal of treasury stock		△1		11	10
Acquisition of treasury stock				△3	△3
Changes in items other than shareholders' equity (net)					
Total of changes during the term	–	△1	2,249	8	2,257
End of term balance	5,519	6,235	35,948	△567	47,135

	Other accumulated comprehensive income (loss)				Noncontrolling shareholders' equity	Total net assets
	Unrealized gains (losses) on marketable securities	Foreign currency translation adjustments	Accumulated retirement benefit adjustments	Other accumulated comprehensive income (loss) total		
Balance at the beginning of the fiscal year	644	20	176	841	10	45,730
Changes during the term						
Dividends of surplus						△1,153
Net income attributable to parent company shareholders						3,403
Disposal of treasury stock						10
Acquisition of treasury stock						△3
Changes in items other than shareholders' equity (net)	332	8	469	810	5	815
Total of changes during the term	332	8	469	810	5	3,072
End of term balance	976	28	646	1,651	15	48,803

Notes to the Consolidated Financial Statements

1. Notes on Material Matters Supporting the Preparation of the Consolidated Financial Statements

(1) Matters relating to the scope of consolidation

Number of consolidated subsidiaries 9 companies

Names of consolidated subsidiaries E&CS Co., Ltd.
TOBISHIMA BRUNEI SDN. BHD.
Sugita Construction Corporation
Road System Co., Ltd.
TEQUANAUTS CO., LTD.
Taiki Shipbuilding Inc.
FOR YOU, INC.
Gran Adel Inc.
Axisware, Inc.

(2) Matters relating to application of equity method

Number of affiliates to which the equity method was applied 1 company

Name of affiliate to which the equity method was applied Next Field Co., Ltd.

(3) Matters relating to accounting policies

(i) Valuation standards and methods for assets

Marketable securities

Other marketable securities

Other than stocks and other securities with no market price

Fair value method (unrealized gains and losses are included directly in net assets, and the cost of securities sold is determined by the moving-average method.

Stocks and other securities with no market price

Cost-basis method based on the moving average method

Inventory assets

Real estate for sale

Cost basis method based on the specific identification method (balance sheet amount is calculated by writing down the book value based on a decline in profitability)

Expenditures for unfinished work, etc. (expenditures for unfinished work)

Cost basis method based on the specific identification method

Expenditures for development projects, etc. (expenditures for development projects, etc.)

Cost basis method based on the specific identification method (balance sheet amount is calculated by writing down the book value based on a decline in profitability)

(ii) Method of depreciation of fixed assets

Tangible fixed assets (excluding lease assets)

The declining-balance method is primarily used (the straight-line method is applied to buildings (excluding building ancillary facilities) acquired on or after April 1, 1998 and to building ancillary facilities and structures acquired on or after April 1, 2016), while overseas consolidated subsidiaries use the straight-line method.

The useful lives and residual values of the Company and its domestic consolidated subsidiaries are based on the same standard as stipulated in the Corporation Tax Act.

Intangible fixed assets (excluding lease assets)

The straight-line method is used.

Useful lives are based on the same standard as stipulated in the Corporation Tax Act.

Software for internal use is amortized using the straight-line method over the estimated useful life (5 years).

Lease assets

Lease assets relating to finance lease transactions that do not involve transfer of ownership

The straight-line method is used, where the lease period is deemed as the useful life and the residual value is set as zero.

(iii) Standards for recording of allowances

Allowance for doubtful accounts

To provide for losses due to bad debts such as accounts receivable and loans receivable, an allowance for doubtful accounts is provided for the estimated uncollectible amount based on the historical percentage of bad debts with respect to ordinary accounts receivable, and by taking into account the collectability of individual accounts for specific doubtful accounts.

Allowance for compensation for completed construction

To provide for expenses relating to defect liability on completed constructions, an allowance is recorded based on past actual compensation and taking into account future estimates.

Allowance for loss on construction

To provide for future losses on construction contracts, an estimated loss on construction contracts not yet delivered at the end of the consolidated accounting year under review is recorded.

Allowance for officer stock benefits

To provide for future payments of Company shares to directors (excluding outside directors) in accordance with the Officer Stock Benefit Rules, the estimated amount of stock benefit obligations as of the end of the consolidated accounting year under review is recorded.

Allowance for officer retirement benefits

To provide for the payment of retirement benefits to officers, some consolidated subsidiaries record the required amount at the end of the consolidated accounting year under review based on internal rules.

(iv)Recording standards for revenue and expenses

Principal performance obligations in the principal business

The Company and its consolidated subsidiaries are principally engaged in the construction business (civil engineering and building construction) based on construction contracts with customers, the principal performance obligations of which are new construction and repair of civil engineering structures and buildings. Other major performance obligations in the development business and other businesses include real estate sales.

The usual time at which performance obligations are satisfied (the usual time at which revenue is recognized)

Standards for recording amount of completed construction contracts and cost of completed construction contracts

In the construction business, revenue is recognized over a certain period of time as performance obligations are satisfied, based on a reasonable estimate of the degree of completion of construction in progress at the end of the consolidated accounting year. With respect to progress estimates and revenue recognition, the estimated final construction profit is multiplied by the ratio of construction costs already incurred to the estimated final construction costs (cost proportion method), which is added to the relevant construction costs already incurred, and recorded as construction completed. When the degree of progress cannot be reasonably estimated, but it is expected that the costs incurred will be recovered, revenue is recognized on a cost recovery basis. When the time required to satisfy a performance obligation is very short, revenue is recognized when the performance obligation is satisfied.

Revenue recording standards for real estate sales

For real estate sales, revenue is recognized at the time the property is delivered.

(v) Other material matters supporting the preparation of the consolidated financial statements

Accounting treatment for retirement benefits

Method of attributing estimated retirement benefits to periods of service

In the calculation of retirement benefit obligations, the estimated amount of retirement benefits is attributed to the period until the end of the consolidated accounting year under review based on the benefit calculation method.

Method of treatment of actuarial gains and losses and prior service cost

Actuarial gains and losses are amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence in each consolidated accounting year, and the amount is amortized from the consolidated accounting year following occurrence.

Prior service costs are amortized using the straight-line method over a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence.

Accounting principles and procedures adopted in cases where the relevant accounting standards are not clearly defined

Joint ventures relating to construction work are not recognized as separate entities, but are incorporated into the Group's accounting, and the amount of work completed and cost of work completed are recorded in proportion to the equity interest in the joint venture.

2. Notes on Accounting Estimates

Amount of revenue recognized over a certain period of time as performance obligations are satisfied

・Completed construction recorded in the consolidated accounting year under review 110,664 million yen

・Other information helpful in understanding the estimates

(i) Calculation method

The amount of completed work recognized over a certain period of time as performance obligations are satisfied is calculated by multiplying the degree of completion by the total construction revenue, and the percentage of completion is estimated based on the cost proportion method.

(ii) Important assumptions

In cases where an agreement on the consideration for design changes, etc. in construction work is not finalized in a timely manner through an agreement etc., the total amount of construction revenue is estimated based on the nature of the instructed changes in construction work, etc.

Total construction costs are estimated by considering various factors such as weather conditions, construction conditions, material prices, and other estimates.

(iii) Impact on the Consolidated Financial Statements in the following fiscal year

Any change in important assumptions may affect the amount of work completed as recorded in the Consolidated Financial Statements in the following fiscal year.

3. Additional Information

(Overview of performance-based stock compensation plan for directors)

(1) Overview of transactions

The Company introduced a performance-based stock compensation plan, the "Stock Benefit Trust (BBT (Board Benefit Trust))" (the "Plan"), for directors (excluding outside directors) from the 2019 fiscal year. The purpose of the Plan is to clarify the linkage between directors' remuneration and the Company's business performance and share value, and to have directors share not only the benefits of higher share prices but also the risk of lower share prices with shareholders, thereby increasing their awareness of the need to contribute to improving the Company's business performance over the medium to long term and increasing its corporate value.

(2) The Plan is a performance-linked share-based remuneration plan in which a trust created under the Plan (the trust established pursuant to the Plan is hereinafter referred to as the "Trust") will acquire the Company's shares using money contributed by the Company as the source of funds and directors are provided with the Company's shares and cash equivalent to the market value of the Company' shares (the "the Company's Shares, Etc.") through the Trust in accordance with the rules for performance-linked share-based remuneration established by the Company. As a general rule, directors shall be entitled to receive the Company's Shares, Etc. at the time of retirement. Company shares remaining in trust

The Company shares remaining in trust are recorded as treasury stock under net assets at their book value in the trust (excluding the amount of incidental expenses). The book value and number of shares of treasury stock is 98 million yen (87 thousand shares) for the consolidated accounting year under review.

4. Notes on Consolidated Balance Sheet

(1) Assets provided as security

Assets provided as security

Expenditures for development projects, etc.	7,846 million yen
Buildings and structures	455 million yen
Total	8,302 million yen

Secured obligations

Short-term loans	1,656 million yen
Long-term loans	5,329 million yen
Total	6,986 million yen

In addition to the above assets, the following assets are pledged as business guarantee deposits, etc.

Current assets - other	6 million yen
Investment securities	64 million yen
Investments and other assets - other	210 million yen
Total	281 million yen

(2) Accumulated depreciation of tangible fixed assets 12,785 million yen

(3) Accounting treatment for notes maturing at the end of the fiscal year, etc.

For accounting treatment for notes maturing at the end of the fiscal year, etc., settlement is made on the clearance date or settlement date.

As the last day of the fiscal year under review was a bank holiday, the following matured notes are included in the balance at the end of the fiscal year under review.

Electronically recorded monetary claims	2 million yen
Notes payable	21 million yen
Electronically recorded obligations	37 million yen

(4) Syndicated term loan agreement

The Company has executed a syndicated term loan agreement (total amount: 10,000 million yen) with a transacting financial institution, which includes the following financial covenants.

(i) The amount of net assets on the consolidated balance sheet as of the end of each fiscal year shall be maintained at 75% of the amount of net assets on the consolidated balance sheet as of the March 2023 settlement period end date or 75% of the amount of net assets on the consolidated balance sheet as of the end of the immediately preceding fiscal year, whichever is higher.

(ii) The amount of net assets on the non-consolidated balance sheet as of the end of each fiscal year shall be maintained at 75% of the amount of net assets on the non-consolidated balance sheet as of the March 2023 settlement period end date or 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the immediately preceding fiscal year, whichever is higher.

(iii) Ordinary income/loss as shown in the consolidated statement of income for each fiscal year shall not be a loss for two consecutive fiscal years.

(iv) Ordinary income/loss as shown in the non-consolidated statement of income for each fiscal year shall not be a loss for two consecutive fiscal years.

5. Notes on Consolidated Statement of Changes in Shareholders' Equity

(1) Class and total number of shares outstanding at the end of the consolidated accounting year under review

Ordinary shares	19,310 thousand shares

(2) Matters relating to dividends

(i) Dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders Meeting on June 29, 2023	Ordinary shares	1,153	60.00	March 31, 2023	June 30, 2023

(Note) The total amount of dividends resolved at the Ordinary General Shareholders' Meeting held on June 29, 2023 includes a dividend of 5 million yen for the Company shares held by the Stock Benefit Trust (BBT).

(ii) Dividends with a record date in the consolidated accounting year under review but with an effective date in the following consolidated accounting year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders Meeting on June 27, 2024	Ordinary shares	1,345	Retained earnings	70.00	March 31, 2024	June 28, 2024

(Note) The total amount of dividends resolved at the Ordinary General Shareholders' Meeting held on June 27, 2024 includes a dividend of 6 million yen for the Company shares held by the Stock Benefit Trust (BBT).

6. Notes on Financial Instruments

(1) Matters relating to status of financial instruments

The Group's fund management policy is to limit fund management to short-term deposits, etc. based on the funds plan, and fund procurement is mainly through bank borrowings.

The Company has a system in place to mitigate, to the extent possible, customer credit risk associated with trade receivables by thoroughly managing receivables from the credit management of clients at the construction order stage through to the collection of construction payments. Investment securities are mainly stocks of companies with which the Company has business relationships and government bonds for the purpose of pledging them as business guarantee deposits, etc., and the Company periodically monitors the market value and financial conditions of the issuers and reviews its holdings on an ongoing basis.

Loans payable are mainly for funding business transactions. Liquidity risk relating to fund procurement is managed by forecasting the necessary funds balance and formulating a funds plan to effectively and appropriately procure funds.

The Group did not have any derivative transactions at the end of the consolidated accounting year under review.

(2) Matters relating to fair value, etc., of financial instruments

The amounts reported in the consolidated balance sheet as of March 31, 2024, their fair values, and the difference between the two are as follows. Stocks and other securities with no market value are not included in the following table (see Note 4).

		Amount recorded in consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Assets				
(1)	Marketable securities and investment securities Other marketable securities	2,591	2,591	–
Liabilities				
(2)	Long-term loans (Note 2)	18,576	18,562	△14

(Note 1) "Cash and deposits," "Notes receivable, accounts receivable from completed construction contracts," "Notes payable, accounts payable for construction contracts," and "Short-term loans" are omitted because their fair values are close to their book values due to cash and short term settlements.

(Note 2) "(2) Long-term loans" also includes long-term loans scheduled for repayment within one year.

(Note 3) Investments in partnerships and other similar entities in which the Company's ownership interest is recorded on the consolidated balance sheet at a net amount are omitted. The amount of such investments in the consolidated balance sheet is 165 million yen.

(Note 4) Stocks and other securities with no market price

Asset class	Amount recorded in consolidated balance sheet

Unlisted stocks (millions of yen)	2,012

(Note 5) Explanation of valuation techniques and inputs used in the calculation of fair value

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

Level 1 fair value: Fair value calculated based on quoted market prices for the assets or liabilities for which such fair value is calculated and are formed in an active market

Level 2 fair value: Fair value calculated using inputs for fair value calculations other than Level 1 inputs

Level 3 fair value: Fair value calculated using unobservable inputs for fair value calculations

Marketable securities and investment securities

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

Long-term loans

Long-term loans with variable interest rates are classified as Level 2 fair value because their fair value is considered to approximate their book value, as they reflect market interest rates in a short period of time. Those with fixed interest rates are calculated based on the present value of the total principal and interest discounted by the interest rate assumed for obtaining a new similar loan, and are classified as Level 2 fair value.

7. Notes on Rental and Other Real Estate

(1) Matters relating to the status of rental and other real estate

The Group holds office buildings and land for rent in Kanagawa Prefecture and other areas. In addition, the Group also leases some of the land and buildings in Japan used as offices, etc., which are considered real estate that includes the portion used as rental and other real estate.

(2) Matters relating to fair value, etc., of rental and other real estate

	Amount recorded in consolidated balance sheet (millions of yen)	Fair value (millions of yen)
Rental and other real estate	13,352	13,309
Real estate including the portion used as rental and other real estate	318	569

(Note 1) The amount recorded in the consolidated balance sheet is the acquisition cost less accumulated depreciation.

(Note 2) The fair value at the end of the consolidated accounting year under review is mainly based on real estate appraisals by outside real estate appraisers, and provided that there have been no significant changes in certain appraised values or indices that are considered to appropriately reflect market prices since the most recent appraisal date, the fair value is adjusted by using such appraised values or indices.

8. Notes on Revenue Recognition

(1) Disaggregated information on revenue arising from contracts with customers

(Unit: million yen)

	Civil engineering projects	Construction projects	Development projects etc.	Total
Sales				
Public	48,176	11,427	35	59,639
Private	19,885	41,728	9,788	71,401
Revenue arising from contracts with customers	68,062	53,155	9,823	131,041
Other revenue	—	—	1,007	1,007
Total	68,062	53,155	10,830	132,049

(2) Supporting information for understanding revenue arising from contracts with customers

As stated in "1. Notes on Material Matters Supporting the Preparation of the Consolidated Financial Statements (3) Matters relating to accounting policies, (iv) Recording standards for revenue and expenses".

(3) Information for understanding the amounts of revenue in the consolidated accounting year under review and in subsequent accounting years

(i) Balance of contract assets, contract liabilities, etc.

(Unit: million yen)

Receivables arising from contracts with customers (beginning of term balance)	19,795
Receivables arising from contracts with customers (end of term balance)	20,759
Contract assets (beginning of term balance)	39,782
Contract assets (end of term balance)	55,511
Contract liabilities (beginning of term balance)	8,797
Contract liabilities (end of term balance)	8,476

Contract assets mainly relate to the rights of the Company and its consolidated subsidiaries to consideration for construction projects under construction agreements for which performance obligations have been satisfied but not yet invoiced. Contract assets are reclassified as receivables arising from contracts with customers when the rights of the Company and its consolidated subsidiaries to the consideration become unconditional.

Contract liabilities mainly relate to the portion of unfulfilled performance obligations with respect to advances received under the terms of a construction project pursuant to a construction agreement. The contract liabilities are reversed upon revenue recognition.

Of the amount of revenue recognized in the consolidated accounting year under review, the amount included in the contract liability balance at the beginning of the term was 7,922 million yen.

In the consolidated accounting year under review, the amount of revenue recognized from performance obligations satisfied in previous terms was 2,095 million yen.

(ii) Transaction price allocated to remaining performance obligations

In the consolidated accounting year under review, the total transaction price allocated to unfulfilled (or partially fulfilled) performance obligations at the end of the consolidated accounting year under review was 202,762 million yen. The performance obligations are mainly related to construction projects pursuant to construction contracts and are expected to be recognized as revenue between one and seven years after the end of the term.

9. Notes on Per-Share Information

Net assets per share	2,549.14 yen

(Note) The Company shares held by the Stock Benefit Trust (BBT) are included in the number of treasury stock deducted from the number of shares outstanding at the end of the period for the purpose of calculating net assets per share. The number of shares of treasury stock at the end of the period was 171 thousand shares, of which 87 thousand shares were held by the Stock Benefit Trust (BBT).

Net income per share	177.86 yen

(Note) The Company shares held by the Stock Benefit Trust (BBT) are included in treasury stock, which is deducted in the calculation of the average number of shares during the period for the purpose of calculating net income per share. The average number of shares during the period was 173 thousand shares, of which 90 thousand shares were held by the Stock Benefit Trust (BBT).

Statement of Changes in Shareholders’ Equity
(From April 1, 2023 to March 31, 2024)

(amounts less than 1 million yen are discarded)

	Shareholders’ Equity							
	Stated capital	Capital surplus			Retained earnings		Treasury stock	Total shareholders’ equity
		Capital reserves	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings		
Beginning of term balance	5,519	2,980	3,256	6,236	31,563	31,563	△575	42,743
Changes during the term								
Dividends of surplus					△1,153	△1,153		△1,153
Net income					2,982	2,982		2,982
Disposal of treasury stock			△1	△1			11	10
Acquisition of treasury stock							△3	△3
Items other than shareholders’ equity								
Total change during the term	–	–	△1	△1	1,829	1,829	8	1,836
End of term balance	5,519	2,980	3,254	6,235	33,392	33,392	△567	44,580

	Valuation and translation adjustments, etc.		Total net assets
	Valuation adjustments for other marketable securities	Total valuation and translation adjustments, etc.	
Beginning of term balance	639	639	43,383
Changes during the term			
Dividends of surplus			△1,153
Net income			2,982
Disposal of treasury stock			10
Acquisition of treasury stock			△3
Change in items other than shareholders’ equity during the term (net)	318	318	318
Total change during the term	318	318	2,155
End of term balance	957	957	45,538

Notes to the Non-Consolidated Financial Statements

1. Notes on Matters Relating to Material Accounting Policies

(1) Valuation standards and methods for assets

(i) Valuation standards and methods for marketable securities

Shares of subsidiaries and affiliates

Cost-basis method based on the moving average method

Other marketable securities

Other than stocks and other securities with no market price

Fair value method (unrealized gains and losses are included directly in net assets, and the cost of securities sold is determined by the moving-average method.

Stocks and other securities with no market price

Cost-basis method based on the moving average method

(ii) Valuation standards and methods for inventory assets

Expenditures for unfinished work

Cost basis method based on the specific identification method

Current assets - other (Real estate for sale)

Cost basis method based on the specific identification method (balance sheet amount is calculated by writing down the book value based on a decline in profitability)

(2) Method of depreciation of fixed assets

(i) Tangible fixed assets (excluding lease assets)

The declining-balance method is used (the straight-line method is applied to buildings (excluding building ancillary facilities) acquired on or after April 1, 1998 and to building ancillary facilities and structures acquired on or after April 1, 2016).

The useful lives and residual values are based on the same standard as stipulated in the Corporation Tax Act.

(ii) Intangible fixed assets (excluding lease assets)

The straight-line method is used.

Useful lives are based on the same standard as stipulated in the Corporation Tax Act.

Software for internal use is amortized using the straight-line method over the estimated useful life (5 years).

(iii) Lease assets

Lease assets relating to finance lease transactions that do not involve transfer of ownership

The straight-line method is used, where the lease period is deemed as the useful life and the residual value is set as zero.

(3) Standards for recording of allowances

(i) Allowance for doubtful accounts

To provide for losses due to bad debts such as accounts receivable and loans receivable, an allowance for doubtful accounts is provided for the estimated uncollectible amount based on the historical percentage of bad debts with respect to ordinary accounts receivable, and by taking into account the collectability of individual accounts for specific doubtful accounts.

(ii) Allowance for compensation for completed construction

To provide for expenses relating to defect liability on completed constructions, an allowance is recorded based on past actual compensation and taking into account future estimates.

(iii) Allowance for loss on construction

To provide for future losses on construction contracts, an estimated loss on construction contracts not yet delivered at the end of the fiscal year under review is recorded.

(iv) Allowance for retirement benefits

To provide for the payment of retirement benefits to employees, the Company records an amount based on projected benefit obligations and pension assets as of the end of the fiscal year under review. In the event that the pension assets to be recognized at the end of the fiscal year under review exceed the amount of the projected benefit obligations less unrecognized actuarial gains or losses, the excess is recorded as prepaid pension costs and included in investments and other assets.

Method of attributing estimated retirement benefits to periods of service

In the calculation of retirement benefit obligations, the estimated amount of retirement benefits is attributed to the period until the end of the fiscal year under review based on the benefit calculation method.

Method of treatment of actuarial gains and losses and prior service cost

Actuarial gains and losses are amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence in each fiscal year, and the amount is amortized from the fiscal year following occurrence.

Prior service costs are amortized using the straight-line method over a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence.

(v) Allowance for officer stock benefits

To provide for future payments of Company shares to directors (excluding outside directors) in accordance with the Officer Stock Benefit Rules, the estimated amount of stock benefit obligations as of the end of the fiscal year under review is recorded.

(4) Recording standards for revenue and expenses

(i) Principal performance obligations in the principal business

The Company is principally engaged in the construction business (civil engineering and building construction) based on construction contracts with customers, the principal performance obligations of which are new construction and repair of civil engineering structures and buildings.

(ii) The usual time at which performance obligations are satisfied (the usual time at which revenue is recognized)

Revenue is recognized over a certain period of time as performance obligations are satisfied, based on a reasonable estimate of the degree of completion of construction in progress at the end of the fiscal year. With respect to progress estimates and revenue recognition, the estimated final construction profit is multiplied by the ratio of construction costs already incurred to the estimated final construction costs (cost proportion method), which is added to the relevant construction costs already incurred, and recorded as construction completed. When the degree of progress cannot be reasonably estimated, but it is expected that the costs incurred will be recovered, revenue is recognized on a cost recovery basis. When the time required to satisfy a performance obligation is very short, revenue is recognized when the performance obligation is satisfied.

(5) Other material matters supporting the preparation of the financial statements

(i) Accounting treatment for retirement benefits

In the financial statements, the accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service costs for retirement benefits differs from the method of accounting for these items in the Consolidated Financial Statements.

(ii) Accounting principles and procedures adopted in cases where the relevant accounting standards are not clearly defined

Joint ventures relating to construction work are not recognized as separate entities, but are incorporated into the Group's accounting, and the amount of work completed and cost of work completed are recorded in proportion to the percentage interest in the joint venture.

2. Notes on Accounting Estimates

Amount of revenue recognized over a certain period of time as performance obligations are satisfied

・Completed construction recorded in the fiscal year under review 108,078 million yen

・Other information helpful in understanding the estimates

Same as set forth in the Notes to the Consolidated Financial Statements.

3. Additional Information

(Overview of performance-based stock compensation plan for directors)

(1) Overview of transactions

The Company introduced a performance-based stock compensation plan, the "Stock Benefit Trust (BBT) (= Board Benefit Trust)" (the "Plan"), for directors (excluding outside directors) from the 2019 fiscal year. The purpose of the Plan is to clarify the linkage between directors' remuneration and the Company's business performance and share value, and to have directors share not only the benefits of higher share prices but also the risk of lower share prices with shareholders, thereby increasing their awareness of the need to contribute to improving the Company's business performance over the medium to long term and increasing its corporate value.

(2) The Plan is a performance-linked share-based remuneration plan in which a trust created under the Plan (the trust established pursuant to the Plan is hereinafter referred to as the "Trust") will acquire the Company's shares using money contributed by the Company as the source of funds and directors are provided with the Company's shares and cash equivalent to the market value of the Company' shares (the "the Company's Shares, Etc.") through the Trust in accordance with the rules for performance-linked share-based remuneration established by the Company. As a general rule, directors shall be entitled to receive the Company's Shares, Etc. at the time of retirement. Company shares remaining in trust

The Company shares remaining in trust are recorded as treasury stock under net assets at their book value in the trust (excluding the amount of incidental expenses). The book value and number of shares of treasury stock is 98 million yen (87 thousand shares) for the fiscal year under review.

4. Notes on Balance Sheet

(1) Assets provided as security

The following assets have been pledged as business guarantee deposits, etc.

Marketable securities	6 million yen
Investment securities	64 million yen
Investments and other assets - other	210 million yen
Total	281 million yen

(2) Accumulated depreciation of tangible fixed assets 10,237 million yen

(3) Short-term receivables from subsidiaries and affiliates 1,387 million yen

Short-term obligations to subsidiaries and affiliates 4,259 million yen

(4) Accounting treatment for notes maturing at the end of the fiscal year, etc.

For accounting treatment for notes maturing at the end of the fiscal year, etc., settlement is made on the clearance date or settlement date.

As the last day of the fiscal year under review was a bank holiday, the following matured notes are included in the balance at the end of the fiscal year under review.

Electronically recorded monetary claims	2 million yen

(5) Syndicated term loan agreement

The Company has executed a syndicated term loan agreement (total amount: 10,000 million yen) with a transacting financial institution, which includes the following financial covenants.

(i) The amount of net assets on the consolidated balance sheet as of the end of each fiscal year shall be maintained at 75% of the amount of net assets on the consolidated balance sheet as of the March 2023 settlement period end date or 75% of the amount of net assets on the consolidated balance sheet as of the end of the immediately preceding fiscal year, whichever is higher.

(ii) The amount of net assets on the non-consolidated balance sheet as of the end of each fiscal year shall be maintained at 75% of the amount of net assets on the non-consolidated balance sheet as of the March 2023 settlement period end date or 75% of the amount of net assets on the non-consolidated balance sheet as of the end of the immediately preceding fiscal year, whichever is higher.

(iii) Ordinary income/loss as shown in the consolidated statement of income for each fiscal year shall not be a loss for two consecutive fiscal years.

(iv) Ordinary income/loss as shown in the non-consolidated statement of income for each fiscal year shall not be a loss for two consecutive fiscal years.

5. Notes on Statement of Income

Transactions with affiliates

Amount of sales to affiliates	142 million yen
Purchases from affiliated companies included in cost of sales	9,260 million yen
Transactions with affiliates other than operating transactions	22 million yen

6. Notes on Statement of Changes in Shareholders’ Equity

Class and number of shares of treasury stock as of the end of the fiscal year under review

Ordinary shares	171 thousand shares

(Note) The number of ordinary shares of treasury stock as of the end of the fiscal year under review includes 87 thousand Company shares held by the Stock Benefit Trust (BBT).

7. Notes on Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by primary cause

Deferred tax assets	
Loss on valuation of real estate for sale	483 million yen
Impairment loss	282 million yen
Other	827 million yen
Deferred tax assets Subtotal	1,593 million yen
Valuation allowance	△1,176 million yen
Deferred tax assets total	417 million yen
Deferred tax liabilities	
Unrealized gains (losses) on marketable securities	△422 million yen
Other	△750 million yen
Deferred tax liabilities total	△1,172 million yen
Net deferred tax liabilities	△755 million yen

8. Notes on Transactions with Related Parties

Affiliates etc.

Category	Name of company etc.	Voting rights held (held by) (%)	Relationship with related party	Transaction details	Transaction amount (millions of yen)	Accounting item	End of term balance (millions of yen)
Subsidiary	E&CS Co., Ltd.	Held Direct: 100.0%	Purchase of construction materials etc.	Purchase of construction materials etc. (Note)	12,115	Accounts payable – construction Receivables	4,118

Transaction conditions and policy for setting transaction conditions

(Note) Prices and other transaction conditions are determined through negotiations in consideration of actual market conditions.

9. Notes on Per-Share Information

Net assets per share 2,379.36 yen

(Note) The Company shares held by the Stock Benefit Trust (BBT) are included in the number of treasury stock deducted from the number of shares outstanding at the end of the period for the purpose of calculating net assets per share. The number of shares of treasury stock at the end of the period was 171 thousand shares, of which 87 thousand shares were held by the Stock Benefit Trust (BBT).

Net income per share 155.87 yen

(Note) The Company shares held by the Stock Benefit Trust (BBT) are included in treasury stock, which is deducted in the calculation of the average number of shares during the period for the purpose of calculating net income per share. The average number of shares during the period was 173 thousand shares, of which 90 thousand shares were held by the Stock Benefit Trust (BBT).