

# Consolidated Financial Statements

Year ended March 31, 2023

 **INFRONEER Holdings Inc.**

## INFRONEER Holdings Inc. and Subsidiaries Consolidated Balance Sheets

|   | March 31                 |                          |   |
|---|--------------------------|--------------------------|---|
|   | 2023                     | 2022                     | 2023  |
| <b>ASSETS</b>   | <b>(Millions of yen)</b> | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)<br/>(Note 3)</b> |
| <b>Current assets:</b>  |                          |                          |   |
| Cash and time deposits (Note 9)                                       | ¥ 88,800                 | ¥ 78,036                 | \$ 665,019                                      |
| Trade receivables: (Notes 9 and 27)                                   |                          |                          |   |
| Notes   | 17,073                   | 10,650                   | 127,859   |
| Accounts  | 279,015                  | 300,152                  | 2,089,530                                       |
| Allowance for doubtful accounts                                       | (140)                    | (118)                    | (1,048)   |
|   | <u>295,948</u>           | <u>310,684</u>           | <u>2,216,341</u>                                |
| Marketable securities   | 30                       | 30                       | 225   |
| Inventories (Notes 8 and 9)   | 38,055                   | 20,703                   | 284,992   |
| Other current assets  | 51,900                   | 43,149                   | 388,677   |
| Total current assets  | <u>474,733</u>           | <u>452,602</u>           | <u>3,555,254</u>                                |
| <b>Investments and other assets:</b>                                  |                          |                          |   |
| Investments in securities (Notes 5 and 9)                             | 100,430                  | 120,124                  | 752,116   |
| Deferred tax assets   | 1,077                    | 841                      | 8,066   |
| Right to operate public facilities (Note 9)                           | 105,144                  | 109,721                  | 787,419   |
| Assets related to replacement investment to operate public facilities | 27,159                   | 24,122                   | 203,392   |
| Goodwill  | 13,159                   | 19,892                   | 98,547  |
| Other intangible fixed assets   | 13,652                   | 14,989                   | 102,239   |
| Long-term loans receivable  | 267                      | 222                      | 2,000   |
| Claims provable in bankruptcy and other                               | 220                      | 354                      | 1,647   |
| Asset for retirement benefits   | 16,568                   | 14,907                   | 124,077   |
| Other investments (Note 9)  | 18,134                   | 5,418                    | 135,804   |
| Allowance for doubtful accounts                                       | (268)                    | (402)                    | (2,007)   |
| Total investments and other assets                                    | <u>295,542</u>           | <u>310,188</u>           | <u>2,213,300</u>                                |
| <b>Property and equipment, at cost:</b>                               |                          |                          |   |
| (Notes 9 and 21)  |                          |                          |   |
| Buildings and structures  | 107,958                  | 107,477                  | 808,492   |
| Machinery and equipment   | 146,932                  | 145,015                  | 1,100,367                                       |
| Vehicles  | 10,138                   | 9,951                    | 75,923  |
| Tools, furniture and fixtures   | 18,036                   | 16,682                   | 135,071   |
| Land  | 81,242                   | 83,599                   | 608,418   |
| Construction in progress  | 3,851                    | 2,550                    | 28,840  |
| Leased assets   | 1,514                    | 1,334                    | 11,338  |
|   | <u>369,671</u>           | <u>366,608</u>           | <u>2,768,449</u>                                |
| Accumulated depreciation  | (213,407)                | (203,029)                | (1,598,195)                                     |
| Property and equipment, net   | <u>156,264</u>           | <u>163,579</u>           | <u>1,170,254</u>                                |
| <b>Deferred assets</b>  | <u>24</u>                | <u>63</u>                | <u>179</u>                                      |
| <b>TOTAL ASSETS</b>   | <u>¥ 926,563</u>         | <u>¥ 926,432</u>         | <u>\$ 6,938,987</u>                             |

The accompanying notes are an integral part of the statements.

|  | March 31          |                   |   |
|--|-------------------|-------------------|---|
|  | 2023              | 2022              | 2023                                    |
| <b>LIABILITIES AND NET ASSETS</b>  | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars)<br>(Note 3) |
| <b>Current liabilities:</b>  |                   |                   |   |
| Short-term debt (Note 9)   | ¥ 47,611          | ¥ 85,687          | \$ 356,557                              |
| Trade payables   | 116,171           | 110,998           | 869,999                                 |
| Lease obligations  | 134               | 236               | 1,004                                   |
| Advances on construction work in progress                                  | 37,807            | 34,863            | 283,135                                 |
| Accrued income taxes   | 10,273            | 10,897            | 76,934                                  |
| Provision for repairs and warranty   | 154               | 182               | 1,153                                   |
| Provision for bonuses for employees  | 8,265             | 8,080             | 61,896                                  |
| Provision for bonuses for directors  | 488               | 407               | 3,655                                   |
| Provision for share awards   | —                 | 380               | —                                       |
| Provision for warranties for completed construction                        | 1,082             | 1,084             | 8,103                                   |
| Provision for loss on construction contracts                               | 342               | 836               | 2,561                                   |
| Liabilities related to right to operate public facilities                  | 4,664             | 4,555             | 34,928                                  |
| Liabilities related to replacement investment to operate public facilities | 1,030             | 1,016             | 7,714                                   |
| Other current liabilities  | 70,253            | 40,016            | 526,121                                 |
| Total current liabilities  | 298,274           | 299,237           | 2,233,760                               |
| <b>Long-term liabilities:</b>  |                   |                   |   |
| Long-term debt (Note 9)  | 106,780           | 107,799           | 799,670                                 |
| Lease obligations  | 413               | 452               | 3,093                                   |
| Liability for retirement benefits  | 17,056            | 16,768            | 127,732                                 |
| Deferred tax liabilities   | 10,018            | 14,305            | 75,024                                  |
| Provision for share awards   | 169               | —                 | 1,266                                   |
| Liabilities related to right to operate public facilities                  | 99,590            | 103,844           | 745,825                                 |
| Liabilities related to replacement investment to operate public facilities | 28,226            | 24,589            | 211,383                                 |
| Other long-term liabilities  | 3,722             | 3,573             | 27,874                                  |
| Total long-term liabilities  | 265,974           | 271,330           | 1,991,867                               |
| <b>Commitments and contingent liabilities</b><br>(Note 15)                 |                   |                   |   |
| <b>Net Assets</b>  |                   |                   |   |
| <b>Shareholders' equity:</b>   |                   |                   |   |
| Common stock   | 20,000            | 20,000            | 149,779                                 |
| Additional paid-in capital   | 106,455           | 134,117           | 797,237                                 |
| Retained earnings  | 234,130           | 198,274           | 1,753,389                               |
| Treasury stock, at cost  | (18,396)          | (24,343)          | (137,767)                               |
| Total shareholders' equity   | 342,189           | 328,048           | 2,562,638                               |
| <b>Accumulated other comprehensive income:</b>                             |                   |                   |   |
| Unrealized gain on investments in securities                               | 9,850             | 18,275            | 73,766                                  |
| Deferred gains or losses on hedges   | (453)             | 4                 | (3,392)                                 |
| Foreign currency translation adjustments                                   | 191               | (96)              | 1,430                                   |
| Retirement benefits liability adjustments                                  | 915               | 680               | 6,852                                   |
| Total accumulated other comprehensive income                               | 10,503            | 18,863            | 78,656                                  |
| <b>Non-controlling interests</b>   |                   |                   |   |
| Total net assets   | 362,315           | 355,865           | 2,713,360                               |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                                    | ¥ 926,563         | ¥ 926,432         | \$ 6,938,987                            |

The accompanying notes are an integral part of the statements.

## INFRONEER Holdings Inc. and Subsidiaries

### Consolidated Statements of Income

For the year ended March 31

|  | 2023              | 2022              | 2023                                    |
|--|-------------------|-------------------|---|
|  | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars)<br>(Note 3) |
| <b>Net sales</b> (Note 28)                                       | ¥ 709,641         | ¥ 682,913         | \$ 5,314,469                            |
| <b>Cost of sales</b> (Notes 8 and 18)                            | 611,517           | 591,303           | 4,579,623                               |
| Gross profit   | 98,124            | 91,610            | 734,846                                 |
| <b>Selling, general and administrative expenses</b><br>(Note 16) | 57,629            | 54,120            | 431,581                                 |
| Operating profit   | 40,495            | 37,490            | 303,265                                 |
| <b>Other income (expenses):</b>                                  |                   |                   |   |
| Interest and dividend income                                     | 2,435             | 2,475             | 18,236                                  |
| Interest expenses  | (2,264)           | (2,572)           | (16,955)                                |
| Gain on sale of fixed assets (Note 19)                           | 609               | 332               | 4,561                                   |
| Gain on sale of investments in securities                        | 11,701            | 7,808             | 87,628                                  |
| Loss on retirement of fixed assets (Note 20)                     | (426)             | (529)             | (3,190)                                 |
| Loss on valuation of investments in securities                   | (258)             | (687)             | (1,932)                                 |
| Foreign exchange gain, net                                       | 113               | 543               | 846                                     |
| Gain on equity method investments                                | 1,033             | 653               | 7,736                                   |
| Impairment loss on fixed assets (Note 7)                         | (1,462)           | (495)             | (10,949)                                |
| Other, net   | (171)             | (494)             | (1,281)                                 |
|  | 11,310            | 7,034             | 84,700                                  |
| Profit before income taxes                                       | 51,805            | 44,524            | 387,965                                 |
| <b>Income taxes:</b>   |                   |                   |   |
| Current  | 15,762            | 14,650            | 118,041                                 |
| Deferred   | (779)             | 95                | (5,834)                                 |
|  | 14,983            | 14,745            | 112,207                                 |
| Profit   | 36,822            | 29,779            | 275,758                                 |
| Profit attributable to non-controlling interests                 | 951               | 3,090             | 7,122                                   |
| Profit attributable to owners of parent (Note 30)                | ¥ 35,871          | ¥ 26,689          | \$ 268,636                              |

For the year ended March 31

|                             | 2023     | 2022    | 2023         |
|-----------------------------|----------|---------|--------------|
|                             | Yen      | Yen     | U.S. dollars |
| <b>Per share:</b> (Note 30) |          |         |              |
| Earnings per share          | ¥ 138.39 | ¥ 94.73 | \$ 1.04      |

The accompanying notes are an integral part of the statements.

## INFRONEER Holdings Inc. and Subsidiaries

### Consolidated Statements of Comprehensive Income

|  | For the year ended March 31 |                   |   |
|--|-----------------------------|-------------------|---|
|  | 2023                        | 2022              | 2023                                    |
|  | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars)<br>(Note 3) |
| <b>Profit</b>  | ¥ 36,822                    | ¥ 29,779          | \$ 275,758                              |
| <b>Other comprehensive income:</b>   |                             |                   |   |
| Unrealized loss on investments in securities                                       | (8,414)                     | (11,080)          | (63,012)                                |
| Deferred gains or losses on hedges   | (451)                       | 47                | (3,378)                                 |
| Foreign currency translation adjustments   | 306                         | (72)              | 2,292                                   |
| Retirement benefits liability adjustments  | 253                         | 1,322             | 1,895                                   |
| Share of other comprehensive income of companies<br>accounted for by equity method | (7)                         | 43                | (52)                                    |
| Total other comprehensive loss<br>(Note 22)  | (8,313)                     | (9,740)           | (62,255)                                |
| <b>Total comprehensive income</b>  | <b>¥ 28,509</b>             | <b>¥ 20,039</b>   | <b>\$ 213,503</b>                       |
| <b>Total comprehensive income attributable to:</b>                                 |                             |                   |   |
| Owners of parent   | ¥ 27,510                    | ¥ 17,029          | \$ 206,021                              |
| Non-controlling interests  | 999                         | 3,010             | 7,482                                   |

The accompanying notes are an integral part of the statements.

## INFRONEER Holdings Inc. and Subsidiaries

### Consolidated Statements of Changes in Net Assets

(Millions of yen)

|  | Shareholders' equity |                            |                   |                         |                            |
|--|----------------------|----------------------------|-------------------|-------------------------|----------------------------|
|  | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| <b>Balance at April 1, 2022</b>  | ¥ 20,000             | ¥ 134,117                  | ¥ 198,274         | ¥ (24,343)              | ¥ 328,048                  |
| Cumulative effects of changes in accounting policies   |                      |                            |                   |                         | —                          |
| Restated balance   | 20,000               | 134,117                    | 198,274           | (24,343)                | 328,048                    |
| Changes during the year:   |                      |                            |                   |                         |                            |
| Cash dividends paid at ¥40.0 per share   |                      | (10,722)                   |                   |                         | (10,722)                   |
| Profit attributable to owners of parent  |                      |                            | 35,871            |                         | 35,871                     |
| Acquisition of treasury stock  |                      |                            |                   | (12,173)                | (12,173)                   |
| Disposal of treasury stock   |                      | (20)                       |                   | 1,601                   | 1,581                      |
| Cancellation of treasury stock   |                      | (16,920)                   |                   | 16,920                  | —                          |
| Change in equity attributable to parent arising from transactions with non-controlling interests |                      |                            |                   | (401)                   | (401)                      |
| Change in scope of consolidation   |                      |                            | (15)              |                         | (15)                       |
| Increase by share transfers  |                      |                            |                   |                         | —                          |
| Net changes other than shareholders' equity  |                      |                            |                   |                         |                            |
| Total changes during the year  | —                    | (27,662)                   | 35,856            | 5,947                   | 14,141                     |
| <b>Balance at March 31, 2023</b>   | ¥ 20,000             | ¥ 106,455                  | ¥ 234,130         | ¥ (18,396)              | ¥ 342,189                  |

(Millions of yen)

|  | Accumulated other comprehensive income       |                                    |  |   |  | Non-controlling interests | Total net assets |
|--|--|------------------------------------|--|---|--|---------------------------|------------------|
|  | Unrealized gain on investments in securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Retirement benefits liability adjustments | Total accumulated other comprehensive income |                           |                  |
| <b>Balance at April 1, 2022</b>  | ¥ 18,275                                     | ¥ 4                                | ¥ (96)                                   | ¥ 680                                     | ¥ 18,863                                     | ¥ 8,954                   | ¥ 355,865        |
| Cumulative effects of changes in accounting policies   |  |                                    |  |   |  |                           | —                |
| Restated balance   | 18,275                                       | 4                                  | (96)                                     | 680                                       | 18,863                                       | 8,954                     | 355,865          |
| Changes during the year:   |  |                                    |  |   |  |                           |                  |
| Cash dividends paid at ¥40.0 per share   |  |                                    |  |   |  |                           | (10,722)         |
| Profit attributable to owners of parent  |  |                                    |  |   |  |                           | 35,871           |
| Acquisition of treasury stock  |  |                                    |  |   |  |                           | (12,173)         |
| Disposal of treasury stock   |  |                                    |  |   |  |                           | 1,581            |
| Cancellation of treasury stock   |  |                                    |  |   |  |                           | —                |
| Change in equity attributable to parent arising from transactions with non-controlling interests |  |                                    |  |   |  |                           | (401)            |
| Change in scope of consolidation   |  |                                    |  |   |  |                           | (15)             |
| Increase by share transfers  |  |                                    |  |   |  |                           | —                |
| Net changes other than shareholders' equity  | (8,425)                                      | (457)                              | 287                                      | 235                                       | (8,360)                                      | 669                       | (7,691)          |
| Total changes during the year  | (8,425)                                      | (457)                              | 287                                      | 235                                       | (8,360)                                      | 669                       | 6,450            |
| <b>Balance at March 31, 2023</b>   | ¥ 9,850                                      | ¥ (453)                            | ¥ 191                                    | ¥ 915                                     | ¥ 10,503                                     | ¥ 9,623                   | ¥ 362,315        |

The accompanying notes are an integral part of the statements.

(Millions of yen)

|  | Shareholders' equity |                            |                   |                         |                            |
|--|----------------------|----------------------------|-------------------|-------------------------|----------------------------|
|  | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| <b>Balance at April 1, 2021</b>  | ¥ 28,463             | ¥ 37,550                   | ¥ 178,526         | ¥ (2,833)               | ¥ 241,706                  |
| Cumulative effects of changes in accounting policies   |                      |                            | (177)             |                         | (177)                      |
| Restated balance   | 28,463               | 37,550                     | 178,349           | (2,833)                 | 241,529                    |
| Changes during the year:   |                      |                            |                   |                         |                            |
| Cash dividends paid at ¥38.0 per share   |                      |                            | (7,144)           |                         | (7,144)                    |
| Profit attributable to owners of parent  |                      |                            | 26,689            |                         | 26,689                     |
| Acquisition of treasury stock  |                      |                            |                   | (22,407)                | (22,407)                   |
| Disposal of treasury stock   |                      | 590                        | 0                 | 1,374                   | 1,964                      |
| Cancellation of treasury stock   |                      | (97,783)                   | (141)             | 97,924                  | —                          |
| Change in equity attributable to parent arising from transactions with non-controlling interests |                      | (79)                       |                   | 0                       | (79)                       |
| Change in scope of consolidation   |                      | (27)                       | 521               |                         | 494                        |
| Increase by share transfers  | (8,463)              | 193,866                    |                   | (98,401)                | 87,002                     |
| Net changes other than shareholders' equity  |                      |                            |                   |                         |                            |
| Total changes during the year  | (8,463)              | 96,567                     | 19,925            | (21,510)                | 86,519                     |
| <b>Balance at March 31, 2022</b>   | ¥ 20,000             | ¥ 134,117                  | ¥ 198,274         | ¥ (24,343)              | ¥ 328,048                  |



(Millions of yen)

|  | Accumulated other comprehensive income       |                                    |  |   |  | Non-controlling interests | Total net assets |
|--|--|------------------------------------|--|---|--|---------------------------|------------------|
|  | Unrealized gain on investments in securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Retirement benefits liability adjustments | Total accumulated other comprehensive income |                           |                  |
| <b>Balance at April 1, 2021</b>  | ¥ 29,218                                     | ¥ (20)                             | ¥ 2                                      | ¥ (883)                                   | ¥ 28,317                                     | ¥ 97,505                  | ¥ 367,528        |
| Cumulative effects of changes in accounting policies   |  |                                    |  |   |  |                           | (177)            |
| Restated balance   | 29,218                                       | (20)                               | 2  | (883)                                     | 28,317                                       | 97,505                    | 367,351          |
| Changes during the year:   |  |                                    |  |   |  |                           |                  |
| Cash dividends paid at ¥38.0 per share   |  |                                    |  |   |  |                           | (7,144)          |
| Profit attributable to owners of parent  |  |                                    |  |   |  |                           | 26,689           |
| Acquisition of treasury stock  |  |                                    |  |   |  |                           | (22,407)         |
| Disposal of treasury stock   |  |                                    |  |   |  |                           | 1,964            |
| Cancellation of treasury stock   |  |                                    |  |   |  |                           | —                |
| Change in equity attributable to parent arising from transactions with non-controlling interests |  |                                    |  |   |  |                           | (79)             |
| Change in scope of consolidation   |  |                                    |  |   |  |                           | 494              |
| Increase by share transfers  |  |                                    |  |   |  |                           | 87,002           |
| Net changes other than shareholders' equity  | (10,943)                                     | 24                                 | (98)                                     | 1,563                                     | (9,454)                                      | (88,551)                  | (98,005)         |
| Total changes during the year  | (10,943)                                     | 24                                 | (98)                                     | 1,563                                     | (9,454)                                      | (88,551)                  | (11,486)         |
| <b>Balance at March 31, 2022</b>   | ¥ 18,275                                     | ¥ 4                                | ¥ (96)                                   | ¥ 680                                     | ¥ 18,863                                     | ¥ 8,954                   | ¥ 355,865        |

(Thousands of U.S. dollars)  
(Note 3)

|  | Shareholders' equity |                            |                   |                         |                            |
|--|----------------------|----------------------------|-------------------|-------------------------|----------------------------|
|  | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| <b>Balance at April 1, 2022</b>  | \$ 149,779           | \$ 1,004,396               | \$ 1,484,865      | \$ (182,304)            | \$ 2,456,736               |
| Cumulative effects of changes in accounting policies   |                      |                            |                   |                         | —                          |
| Restated balance   | 149,779              | 1,004,396                  | 1,484,865         | (182,304)               | 2,456,736                  |
| Changes during the year:   |                      |                            |                   |                         |                            |
| Cash dividends paid at \$0.30 per share  |                      | (80,296)                   |                   |                         | (80,296)                   |
| Profit attributable to owners of parent  |                      |                            | 268,636           |                         | 268,636                    |
| Acquisition of treasury stock  |                      |                            |                   | (91,163)                | (91,163)                   |
| Disposal of treasury stock   |                      | (150)                      |                   | 11,990                  | 11,840                     |
| Cancellation of treasury stock   |                      | (126,713)                  |                   | 126,713                 | —                          |
| Change in equity attributable to parent arising from transactions with non-controlling interests |                      |                            |                   | (3,003)                 | (3,003)                    |
| Change in scope of consolidation   |                      |                            | (112)             |                         | (112)                      |
| Increase by share transfers  |                      |                            |                   |                         | —                          |
| Net changes other than shareholders' equity  |                      |                            |                   |                         |                            |
| Total changes during the year  | —                    | (207,159)                  | 268,524           | 44,537                  | 105,902                    |
| <b>Balance at March 31, 2023</b>   | \$ 149,779           | \$ 797,237                 | \$ 1,753,389      | \$ (137,767)            | \$ 2,562,638               |

(Thousands of U.S. dollars)  
(Note 3)

|  | Accumulated other comprehensive income       |                                    |  |   |  | Non-controlling interests | Total net assets |
|--|--|------------------------------------|--|---|--|---------------------------|------------------|
|  | Unrealized gain on investments in securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Retirement benefits liability adjustments | Total accumulated other comprehensive income |                           |                  |
| <b>Balance at April 1, 2022</b>  | \$ 136,861                                   | \$ 30                              | \$ (719)                                 | \$ 5,092                                  | \$ 141,264                                   | \$ 67,056                 | \$ 2,665,056     |
| Cumulative effects of changes in accounting policies   |  |                                    |  |   |  |                           | —                |
| Restated balance   | 136,861                                      | 30                                 | (719)                                    | 5,092                                     | 141,264                                      | 67,056                    | 2,665,056        |
| Changes during the year:   |  |                                    |  |   |  |                           |                  |
| Cash dividends paid at \$0.30 per share  |  |                                    |  |   |  |                           | (80,296)         |
| Profit attributable to owners of parent  |  |                                    |  |   |  |                           | 268,636          |
| Acquisition of treasury stock  |  |                                    |  |   |  |                           | (91,163)         |
| Disposal of treasury stock   |  |                                    |  |   |  |                           | 11,840           |
| Cancellation of treasury stock   |  |                                    |  |   |  |                           | —                |
| Change in equity attributable to parent arising from transactions with non-controlling interests |  |                                    |  |   |  |                           | (3,003)          |
| Change in scope of consolidation   |  |                                    |  |   |  |                           | (112)            |
| Increase by share transfers  |  |                                    |  |   |  |                           | —                |
| Net changes other than shareholders' equity  | (63,095)                                     | (3,422)                            | 2,149                                    | 1,760                                     | (62,608)                                     | 5,010                     | (57,598)         |
| Total changes during the year  | (63,095)                                     | (3,422)                            | 2,149                                    | 1,760                                     | (62,608)                                     | 5,010                     | 48,304           |
| <b>Balance at March 31, 2023</b>   | \$ 73,766                                    | \$ (3,392)                         | \$ 1,430                                 | \$ 6,852                                  | \$ 78,656                                    | \$ 72,066                 | \$ 2,713,360     |

The accompanying notes are an integral part of the statements.

## INFRONEER Holdings Inc. and Subsidiaries

### Consolidated Statements of Cash Flows

|  | For the year ended March 31 |                   |   |
|--|-----------------------------|-------------------|---|
|  | 2023                        | 2022              | 2023                                    |
|  | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars)<br>(Note 3) |
| <b>Cash Flows from Operating Activities:</b>                               |                             |                   |   |
| Profit before income taxes   | ¥ 51,805                    | ¥ 44,524          | \$ 387,965                              |
| Depreciation   | 24,598                      | 24,890            | 184,213                                 |
| Impairment loss on fixed assets  | 1,462                       | 495               | 10,949                                  |
| Amortization of goodwill   | 6,732                       | 6,748             | 50,416                                  |
| Increase (decrease) in allowance for doubtful accounts                     | (111)                       | 85                | (831)                                   |
| Increase (decrease) in provision for loss on construction contracts        | (494)                       | 206               | (3,700)                                 |
| Increase (decrease) in liability for retirement benefits                   | (1,172)                     | (2,986)           | (8,777)                                 |
| Interest and dividend income   | (2,435)                     | (2,475)           | (18,236)                                |
| Interest expenses  | 2,264                       | 2,572             | 16,955                                  |
| Foreign exchange gain  | (91)                        | (170)             | (681)                                   |
| Gain on equity method investment   | (1,033)                     | (653)             | (7,736)                                 |
| Loss (gain) on sales of short-term and long-term investment securities     | (11,688)                    | (7,808)           | (87,531)                                |
| Loss (gain) on valuation of short-term and long-term investment securities | 258                         | 687               | 1,932                                   |
| Loss (gain) on sale of fixed assets  | (599)                       | (309)             | (4,486)                                 |
| Loss on retirement of fixed assets   | 426                         | 529               | 3,190                                   |
| Decrease (increase) in trade receivables                                   | 15,074                      | (41,622)          | 112,889                                 |
| Decrease (increase) in construction work in progress                       | (16,306)                    | (1,238)           | (122,115)                               |
| Decrease (increase) in other inventories                                   | (1,003)                     | (288)             | (7,511)                                 |
| Decrease (increase) in consumption tax receivables                         | (4,111)                     | 1,391             | (30,787)                                |
| Increase (decrease) in trade payables                                      | 23,514                      | 123               | 176,095                                 |
| Increase (decrease) in advances on construction work in progress           | 2,725                       | (2,119)           | 20,408                                  |
| Increase (decrease) in deposits  | 6,815                       | (20,841)          | 51,037                                  |
| Other  | (10,130)                    | (2,949)           | (75,863)                                |
| Sub-total  | 86,500                      | (1,208)           | 647,795                                 |
| Receipt of interest and dividend income                                    | 2,753                       | 3,132             | 20,617                                  |
| Payment of interest expenses   | (1,978)                     | (2,286)           | (14,813)                                |
| Payment of income taxes  | (16,321)                    | (15,971)          | (122,228)                               |
| Net cash provided by (used in) operating activities                        | 70,954                      | (16,333)          | 531,371                                 |

|   | For the year ended March 31 |                   |   |
|---|-----------------------------|-------------------|---|
|   | 2023                        | 2022              | 2023                                    |
|   | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars)<br>(Note 3) |
| <b>Cash Flows from Investing Activities:</b>  |                             |                   |   |
| Acquisition of property and equipment and intangible assets                                       | (20,043)                    | (21,698)          | (150,101)                               |
| Acquisition of concession-based private finance initiative right                                  | (4,268)                     | (4,168)           | (31,963)                                |
| Acquisition of replacement investment in concession-based private finance initiative              | (883)                       | (1,677)           | (6,613)                                 |
| Proceeds from sale of property and equipment and intangible assets                                | 2,670                       | 686               | 19,996                                  |
| Acquisition of investments in securities  | (169)                       | (4,551)           | (1,266)                                 |
| Proceeds from sale and redemption of investments in securities                                    | 21,963                      | 11,018            | 164,480                                 |
| Acquisition of stocks of subsidiaries and affiliates  | (3,198)                     | (3,311)           | (23,950)                                |
| Lending of long-term loans receivable   | (573)                       | (21)              | (4,291)                                 |
| Collection of long-term loans receivable  | 38                          | 705               | 285                                     |
| Other   | (830)                       | 469               | (6,216)                                 |
| Net cash provided by (used in) investing activities   | (5,293)                     | (22,548)          | (39,639)                                |
| <b>Cash Flows from Financing Activities:</b>  |                             |                   |   |
| Net increase (decrease) in short-term loans   | (51,310)                    | 72,490            | (384,258)                               |
| Proceeds from long-term borrowings  | 15,000                      | —                 | 112,334                                 |
| Repayment of long-term loans  | (8,582)                     | (21,894)          | (64,270)                                |
| Repayment of non-recourse loans   | (846)                       | (1,314)           | (6,336)                                 |
| Proceeds from issuance of bonds   | 12,937                      | —                 | 96,885                                  |
| Redemption of bonds   | —                           | (5,000)           | —                                       |
| Payment of finance lease obligations  | (306)                       | (434)             | (2,292)                                 |
| Proceeds from sale of treasury stocks   | —                           | 1,691             | —                                       |
| Acquisition of treasury stock   | (12,173)                    | (17,877)          | (91,163)                                |
| Payment of cash dividends   | (10,722)                    | (7,144)           | (80,296)                                |
| Payment of cash dividends to non-controlling shareholders   | (316)                       | (5,304)           | (2,367)                                 |
| Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation    | —                           | 160               | —                                       |
| Others  | (66)                        | (86)              | (494)                                   |
| Net cash provided by (used in) financing activities   | (56,384)                    | 15,288            | (422,257)                               |
| <b>Effect of exchange rate change on cash and cash equivalents</b>                                | 91                          | 163               | 682                                     |
| <b>Increase (decrease) in cash and cash equivalents</b>   | 9,368                       | (23,430)          | 70,157                                  |
| <b>Cash and cash equivalents at beginning of the year</b>   | 76,018                      | 98,976            | 569,295                                 |
| <b>Increase in cash and equivalents resulting from inclusion of subsidiaries in consolidation</b> | 629                         | 472               | 4,710                                   |
| <b>Cash and cash equivalents at end of the year (Note 24)</b>                                     | ¥ 86,015                    | ¥ 76,018          | \$ 644,162                              |

The accompanying notes are an integral part of the statements.

# INFRONEER Holdings Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### 1. Basis of Presenting Consolidated Financial Statements

#### (1) Accounting principles and presentation

INFRONEER Holdings Inc. (the “Company”) and its consolidated subsidiaries (the “Group”) maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

#### (2) Scope of consolidation

The Company has fifty-seven (57) subsidiaries (“controlled companies”, wherein the decision-making body of entity is controlled) as of March 31, 2023. The accompanying consolidated financial statements include the accounts of the Company and twenty-eight (28) significant subsidiaries, controlled directly or indirectly by the Company, as listed below:

## Consolidated subsidiaries:

| Name of subsidiary                                      | Segment<br>(Main business)   | Equity<br>ownership<br>percentage | March 31, 2023       |                                |  |
|---|--|-----------------------------------|----------------------|--------------------------------|--|
|   |  |                                   | Common stock         |                                |  |
|   |  |                                   | (Millions<br>of yen) | (Thousands<br>of U.S. dollars) |  |
| Maeda Corporation                                       | Building and Civil<br>Engineering                                    | 100.0%<br>*{-}                    | ¥ 28,463             | \$ 213,158                     |  |
| Maeda Road<br>Construction Co., Ltd                     | Road Civil Engineering   | 100.0%<br>*{-}                    | 19,351               | 144,919                        |  |
| Maeda Seisakusho<br>Co., Ltd.                           | Machinery  | 100.0%<br>*{-}                    | 3,160                | 23,665                         |  |
| Aichi Road Conces-<br>sion Co., Ltd.                    | Infrastructure Operation<br>(Maintenance and<br>management of roads) | 50.0<br>*{50.0}                   | 480                  | 3,595                          |  |
| Anonymous Asso-<br>ciation-Aichi Road<br>Concession     | Infrastructure Operation<br>(Maintenance and<br>management of roads) | —<br>*{-}                         | —                    | —                              |  |
| JM Corporation  | Other<br>(Building)  | 100.0<br>*{100.0}                 | 350                  | 2,621                          |  |
| Fujimi Koken Co., Ltd.                                  | Other<br>(Production and sales of<br>construction materials)         | 50.0<br>*{50.0}<br>**[33.3]       | 250                  | 1,872                          |  |
| FBS Co., Ltd.   | Other<br>(Building)  | 75.0<br>*{75.0}<br>**[25.0]       | 100                  | 749                            |  |
| Thai Maeda Corpora-<br>tion Ltd.                        | Other<br>(Building)  | 45.0<br>*{45.0}<br>**[4.0]        | ***20                | 586                            |  |
| Miotsukushi Industrial<br>Water Concession<br>Co., Ltd. | Infrastructure Operation<br>(Waterworks)                             | 71.0<br>*{71.0}                   | 100                  | 749                            |  |

## 18 other subsidiaries

\* The corresponding figures represent the indirect ownership percentage included in “Equity ownership percentage.”

\*\* The corresponding figure represents the ownership percentage of those closely related or with ties to the Company not included in “Equity ownership percentage.”

\*\*\* The amount is presented as millions of Thai Baht.

Note: Effective from the current fiscal year, MAEDA AMERICA Inc., INFRONEER Digital Solutions Inc., and JAPAN BIO FUEL Co., Ltd. are included in the scope of consolidation due to their new establishment. Nihon Segment Kogyo Co., Ltd. is included in the scope of consolidation due to acquisition of shares, and Miotsukushi Industrial Water Concession Co., Ltd., which was a non-consolidated subsidiary, is included in the scope of consolidation due to its increased materiality.

In addition, Anonymous Association-Happo Wind Development, which had been a consolidated subsidiary, was excluded from the scope of consolidation due to the sale of equity interest in anonymous associations. Aoisangyo CO., Ltd. and Keihinrecyclecenter CO., Ltd. were excluded from the scope of consolidation due to merger by absorption, and Maeda Pacific Corporation was excluded from the scope of consolidation due to liquidation.

The accounts of the other twenty-nine (29) subsidiaries have not been consolidated with the Company because of the insignificant amount of total assets, net sales, net profit, and retained earnings, but one (1) of the non-consolidated subsidiaries is accounted for by the equity method.

### **(3) Investments in non-consolidated subsidiaries and affiliates**

As of March 31, 2023, the Company has twenty-four (24) affiliates (“influenced companies” wherein the financial and operating or business decision-making body of an entity that is not a subsidiary can be influenced to a material degree).

Investments in one (1) non-consolidated subsidiary and five (5) affiliates are accounted for by the equity method, under which the Company’s equity in the net profit of these affiliates is included in consolidated profit with appropriate elimination of inter-company profit as of March 31, 2023, and for the year then ended. The remaining investments in non-consolidated subsidiaries and affiliates are stated at cost since the investments do not have a material effect on consolidated net profit and retained earnings in the consolidated financial statements.

Major non-consolidated subsidiary accounted for by the equity method;  
J. CITY Corporation

Major affiliates accounted for by the equity method;  
Toyo Construction Co., Ltd.

Major non-consolidated subsidiary not accounted for by the equity method;  
Chiba City Consumer Life PFI Service Co., Ltd.

Major affiliate not accounted for by the equity method;  
Toyota City Eastern School Lunch Center Co., Ltd

### **(4) Fiscal year of consolidated subsidiaries**

Of the consolidated subsidiaries, Maeda Pacific Corporation has a fiscal year ending December 31 and Nihon Segment Kogyo Co., Ltd. has a fiscal year ending February 28. Therefore, in preparing the consolidated financial statements, the financial statements for these subsidiaries’ fiscal year are used, and necessary adjustments are made for significant transactions that occurred between the end of subsidiaries’ fiscal year and the end of fiscal year for the consolidated financial statements.



## 2. Summary of Significant Accounting Policies

### (1) Recognition of revenues and expenses

The Group applies the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) and recognizes revenue based on the following five-step approach.

- Step 1. Identify the contract(s) with a customer
- Step 2. Identify the performance obligations in the contract
- Step 3. Determine the transaction price
- Step 4. Allocate the transaction price to the performance obligations in the contract
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation

The identification of performance obligations and the point in time at which revenue is recognized in the Group’s principal operations are as follows.

#### 1) Revenue recognition with regard to construction work

The Group enters into construction contracts with customers, mainly in the civil engineering, building, and road civil engineering businesses, to construct buildings or structures and to perform the related services. The Group identifies the work it performs with respect to these contracts as performance obligations.

Under the construction contracts, assets are created or increased in value by satisfying performance obligations by the Group, and as the assets are created or increased in value, a customer gains control over the assets. Therefore, the performance obligations are satisfied over a period of time, and they are satisfied according to the progress of construction over the contract period.

For construction contracts for which the progress toward satisfying performance obligations can be reasonably estimated, the percentage of completion is estimated by the input method based on the cost incurred, and revenue is recognized over a period of time as the performance obligation to transfer goods or services to the customer is satisfied because the Group determines that the use of the percentage of the estimated total cost incurred for the construction to be delivered faithfully depicts the increase in assets by satisfying the performance obligations. Except for the initial stages of a contract, revenue is recognized on a cost recovery basis for construction projects for which the progress of completion cannot be reasonably estimated.

For construction contracts with a very short period of time between the transaction commencement date and the point in time when the performance obligation is expected to be fully satisfied, revenue is recognized when the performance obligation is fully satisfied.

The transaction price is determined by the construction contract, and the consideration for the transaction is received in accordance with the payment terms determined by each construction contract. For construction projects that require a long period of time from the satisfaction of performance obligations to the receipt of consideration from the customer and for which a significant financing component is recognized, an adjustment shall be made for the portion that corresponds to financial income.

#### 2) Revenue recognition with regard to sales of merchandise, product manufacturing, and sales

The Group manufactures and sells asphalt mixture, emulsion, and other construction materials in the road civil engineering business, and sells construction equipment products and manufactures and sells industrial machinery and other equipment in the machinery business. The Group recognizes the work it performs with respect to these as performance obligations.

For the sale of these goods and products in the road civil engineering business, the Group recognizes revenue at the time of their shipment of the products because the Group determines that control is transferred to the customer when the product is shipped to the customer, as shipment and acceptance inspection occur at approximately the same time due to the nature of asphalt mixtures. In addition, in the machinery business, the Group recognizes revenue at the time of delivery of the goods or products because the Group determines that control is transferred to the customer when the goods or products are delivered to the customer.

The Group does not recognize a significant financing component because the consideration is generally received within approximately one year of satisfaction of the performance obligation.

### 3) Revenue recognition with regard to renewable energy and concession businesses

In the infrastructure management business, the Group sells electricity from renewable energy sources and maintains, manages, and operates public facilities for which the Group holds operating rights. In these businesses, revenue is recognized at a point in time because the performance obligation is satisfied when the services are rendered to the customer in accordance with power supply contracts, facility use contracts, etc. with customers.

The Group does not recognize a significant financing component because the consideration is generally received within approximately one year of satisfaction of the performance obligation.

## (2) Financial instruments

### 1) Securities

Bonds held to maturity: Stated using the amortized cost method (straight-line method)

Available-for-sale securities:

Securities other than shares, etc. that do not have a market price:

Stated at fair value (Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount, and sales costs are calculated based on the moving average method).

Shares, etc. that do not have a market price: Stated mainly at cost using the moving-average method.

### 2) Derivatives and hedge accounting

Stated at fair value except those accounted for under deferred hedge accounting.

Hedge accounting:

#### i) Method of hedge accounting

Deferred hedge accounting is applied. Forward foreign exchange contracts that qualify for hedge accounting are accounted for using the allocation method, and interest rate swaps that meet the requirements for exceptional treatment are accounted for using the exceptional accounting treatment.

#### ii) Hedging instruments and hedged items

Hedging instruments: Derivative transactions (interest rate swaps and forward foreign exchange contracts)

Hedged items: Assets or liabilities with potential losses due to market fluctuations, etc., for which cash flows are fixed and fluctuations are avoided.

#### iii) Hedging policy

The purpose is to avoid the risk of future fluctuations in interest rates and foreign exchange rates.

#### iv) Assessment of hedge effectiveness

The cumulative cash flow fluctuation of the hedged items and the hedging instruments are compared for the respective past periods.

## (3) Inventories

Costs on uncompleted construction contracts are stated at the specific identification cost.

Real estate held for sale, merchandise and finished products, project costs for development and others and materials in stock are stated at the specific identification cost (method of writing down the book value when the profitability declines). Certain consolidated subsidiaries state materials in stock at cost using the last purchase price method (method of writing down the book value when the profitability declines).

## (4) Property and equipment (except leased assets)

Depreciation of property and equipment (except leased assets) is determined by the declining-balance method. However, the straight-line method is applied to buildings (except facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

Useful lives and residual values of property and equipment are in accordance with the Corporation Tax Act of Japan.

Certain assets of consolidated subsidiaries are depreciated using either the straight-line method or the units-of-production method. The useful life of assets depreciated using the straight-line method is based on their economic useful life.

## **(5) Intangible fixed assets (except leased assets) and long-term prepaid expense**

The straight-line method is applied. Some rights to operate public facilities and assets related to replacement investment to operate public facilities are amortized using the units-of-production method. Software for internal use is amortized using the straight-line method over the estimated useful life (5 years).

## **(6) Leased assets**

Leased assets related to finance leases that transfer ownership of the leased assets to the lessee are depreciated using the same depreciation method as that applied to owned fixed assets. Leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are fully depreciated with a residual value of zero using the straight-line method over the lease term.

## **(7) Deferred assets**

Bond issuance expenses, organization expenses and business commencement expenses:  
Bond issuance expenses and organization expenses are fully amortized at the time of expenditure.  
Business commencement expenses are amortized using the straight-line method over 5 years.

## **(8) Allowance for doubtful accounts**

To provide for losses due to bad debt, an allowance is provided for general receivables based on historical bad debt ratios, and for specific doubtful receivables based on individual assessments of collectability.

## **(9) Provision for repairs and warranty**

To provide for major repairs of heavy machinery and equipment, a provision is provided for the estimated repair cost to be borne by the current fiscal year.

## **(10) Provision for bonuses for employees**

To provide for the payment of bonuses to employees, a provision is provided for the portion of the estimated amount of bonuses to be paid, which is to be borne by the Company in the current fiscal year.

## **(11) Provision for bonuses for directors**

To provide for the payment of bonuses to officers, a provision is provided for the estimated amount of bonuses to be paid in the current fiscal year.

## **(12) Provision for warranties for completed construction**

To provide for expenses related to contractual non-conformities and other costs related to completed construction works, a provision is recorded based on actual results in a certain period of time in the past.

## **(13) Provision for loss on construction contracts**

To provide for future losses on construction contracts, a provision is provided for estimated losses on construction contracts in progress at the end of the current fiscal year for which losses are expected and the amount of such losses can be reasonably estimated.

## **(14) Provision for share awards**

To provide for future delivery of the Company's shares to officers in accordance with the Regulations on Stock Benefits for Officers, a provision is provided for the estimated amount of stock benefit obligations as of the end of the current fiscal year.

## (15) Accounting method for retirement benefits

### 1) Method of attributing estimated retirement benefits to periods

In calculating the retirement benefit obligation, the estimated amount of retirement benefits is attributed to the period up to the end of the current fiscal year based on the benefit formula method. Certain consolidated subsidiaries use the straight-line attribution method.

### 2) Accounting method for actuarial gains or losses and prior service cost

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 to 15 years) within the average remaining service period of employees at the time of their occurrence, with each amount recognized as an expense starting from the following fiscal year.

Prior service cost is amortized by the straight-line method over a certain number of years (10 to 15 years) within the average remaining service period of employees at the time the cost is incurred.

### 3) Adoption of the simplified method by small enterprises, etc.

Certain consolidated subsidiaries adopt the simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses, using the retirement benefit amount required for voluntary termination at the end of the fiscal year as the retirement benefit obligation.

## (16) Amortization of goodwill

Goodwill is amortized on a straight-line basis over 5 years. In case the amount is not material, goodwill is expensed immediately.

## (17) Scope of funds in the consolidated statement of cash flows

For the preparation of the consolidated statements of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, time deposits with maturities of three months or less, certificates of deposit, and commercial paper.

## (18) Other policies

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

Accounting method for construction joint ventures (JV):

Assets, liabilities, revenues, and expenses are recognized primarily in proportion to the percentage of the members' investment.

## (19) Significant accounting estimates

### 1) Recognition of completed construction contracts for which revenue is recognized over a certain period of time

(a) Carrying amounts in the consolidated financial statements for the years ended March 31, 2023 and 2022 are as follows:

|                                  | For the year ended March 31 |                   |                             |
|----------------------------------|-----------------------------|-------------------|-----------------------------|
|                                  | 2023                        | 2022              | 2023                        |
|                                  | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Completed construction contracts | ¥ 362,654                   | ¥ 354,779         | \$ 2,715,899                |
| Other contracts                  | 53,559                      | 50,914            | 401,101                     |

**(b) Information on the nature of significant accounting estimates for identified items**

**i) Calculation method**

For construction projects for which the progress toward satisfying performance obligations can be reasonably estimated, the revenues for the portion of construction completed by the end of the current fiscal year are recognized after estimating the progress using the input method based on the cost incurred.

**ii) Key assumptions used in making the accounting estimates and the effect on the next year's consolidated financial statements**

The following key assumptions are used in the calculation of the amount of completed construction contracts based on the method of recognizing revenues over a certain period of time. The impact on the consolidated financial statements for the following fiscal year is as follows.

**Total construction revenue**

In the course of construction, there are cases in which a portion of total construction revenue is recorded based on estimates due to design changes agreed upon with the customer, etc., for which such consideration is not fixed in a timely manner (the portion of total construction revenue recorded based on such estimates is hereinafter referred to as "contract amount not yet contracted"). The contract amount not yet contracted is continually reviewed as the estimates may change due to the progress of negotiations with the client or the conclusion of a contract.

**Total construction costs**

Total construction costs are continuously reviewed because construction projects are highly customized in terms of specifications and work content, and because changes in the construction period, unexpected costs, fluctuations in unit prices of construction materials and labor, and changes in design may occur during the course of construction.

As mentioned above, the recognition of construction revenue based on the method of recognizing revenue over a certain period of time requires estimates based on certain assumptions and involves uncertainty and the judgment of those responsible for the construction site and others. Therefore, changes in such assumptions and estimates may have a certain impact on the amount of completed construction contracts in the consolidated financial statements for the next fiscal year.

**2) Valuation of goodwill**

**(a) Carrying amounts in the consolidated financial statements as of March 31, 2023 and 2022 are as follows:**

|          | March 31          |                   |                             |
|----------|-------------------|-------------------|-----------------------------|
|          | 2023              | 2022              | 2023                        |
|          | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Goodwill | ¥ 13,159          | ¥ 19,892          | \$ 98,547                   |

**(b) Information on the nature of significant accounting estimates for identified items**

**i) Calculation method**

Goodwill was recognized when Maeda Road Construction Co., Ltd. became a subsidiary on March 19, 2020, and has been amortized based on a reasonable estimate of the period over which the goodwill will be effective.

**ii) Key assumptions used in making the accounting estimates and the effect on the next year's consolidated financial statements**

For goodwill resulting from business investments, the Group applied the "Accounting Standard for Impairment of Fixed Assets," etc. For the goodwill recognized when Maeda Road Construction Co., Ltd. became a subsidiary, the Company grouped assets by road civil engineering business as a unit, and continuously checks whether there is any deviation from the assumptions made at the time of the investment decision to identify signs of impairment and to recognize and measure impairment losses. In the current fiscal year, as a result of comparing the actual operating profit of Maeda Road Construction Co., Ltd. with the operating profit in the business plan used to calculate the stock price at the time of acquisition, the Company determined that there were no signs of impairment.

If the estimates and assumptions need to be revised due to uncertain future changes in economic conditions or other factors, an impairment loss may be recognized in the consolidated financial statements in the following fiscal year or later.

**(20) Changes in accounting policies**

**Application of Implementation Guidance on Accounting Standard for Fair Value Measurement**

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Guidance") has been applied from the beginning of the current fiscal year, and the new accounting policies prescribed by the Fair Value Measurement Guidance will be prospectively applied in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Guidance. There are no effects from the application of the Fair Value Measurement Guidance on the consolidated financial statements.

**(21) Accounting standards issued but not yet effective**

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

**1) Overview**

The classification of income taxes to be recorded when other comprehensive income is taxed and the treatment of tax effects regarding sales of shares of subsidiaries when the group taxation regime is applied are established.

**2) Scheduled date of adoption**

The Company expects to adopt the accounting standards and the guidance from the beginning of the fiscal year ending March 31, 2025.

**3) Impact of adoption of revised accounting standards and related implementation guidance**

The Company is currently evaluating the effect of adopting the accounting standards and the guidance on its consolidated financial statements.

**(22) Additional information**

**Transactions to offer the Company's shares to employees, etc. through trust**

**(a) Stock Benefit Trust Disposition-type Employee Stock Ownership Plan**

The Company conducts transactions to offer the Company's shares to the employee stock ownership plan through a trust, with the aim of enhancing the Company and Group employees' benefits and providing incentives for those employees to increase the corporate value.

## 1) Descriptions of transactions

In March 2022, the Company introduced the “ESOP”.

To initiate the ESOP, the Company concluded the “Stock Benefit Trust (Disposition-type ESOP) Agreement” (hereinafter the trust established pursuant to the agreement shall be referred to as the “ESOP Trust”), whereby the Company is to act as the administrator and the role of trustee is assigned to Mizuho Trust & Banking Co., Ltd. (hereinafter the “Trustee”). In addition, an agreement was concluded under which the Trustee is to re-entrust shares of the Company and other assets of the ESOP Trust to an account with ancillary trustee, Custody Bank of Japan, Ltd. (hereinafter the “Trust Account E”). The Trust Account E acquires shares of the Company that the Maeda Corporation Employee Stock Holding Partnership, the Maeda Road Employee Stock Holding Partnership, and the Maeda Seisakusho Employee Stock Holding Partnership (hereinafter collectively the “Stock Holding Partnership”), is expected to obtain over five years after the trust was set up, and periodically sells its holdings to the Stock Holding Partnership. If, by the time of the ESOP Trust’s termination, gains equivalent to capital gains on sales of shares are accumulated within the ESOP Trust through sales of Company’s shares by the Trust Account E to the Stock Holding Partnership, then those gains will be distributed as residual assets to Stock Holding Partnership enrollees that meet the requirements for eligible beneficiaries. Furthermore, to guarantee funds borrowed by the Trustee that enable the Trust Account E to acquire the Company’s shares, the Company is to repay any such remaining borrowings pursuant to a guarantee agreement, in the event there are any remaining borrowings equivalent to losses on sales of shares due to a downturn in the price of Company’s shares up until termination of the ESOP Trust.

## 2) Company’s shares remaining in trust

The Company’s shares remaining in trust are recorded as treasury stock in the part of net assets at the book value in trust (excluding the amount as ancillary expenses). The book value of the relevant treasury stock was ¥3,356 million (\$25,133 thousand) and ¥4,502 million, and the number of shares was 3,267 thousand shares and 4,221 thousand shares as of March 31, 2023 and 2022, respectively.

## 3) Book value of borrowings recorded using the gross method

Related borrowings amounted to ¥3,621 million (\$27,118 thousand) and ¥4,545 million as of March 31, 2023 and 2022, respectively.

### (b) Board Benefit Trust (BBT)

Maeda Corporation, a consolidated subsidiary of the Company, used to provide a performance-based stock compensation plan called “Board Benefit Trust (BBT)” for directors (excluding outside directors) and executive officers of Maeda Corporation (hereinafter the “Directors”). However, Maeda Corporation has introduced a new performance-based stock compensation plan called “Board Benefit Trust (BBT)” (hereinafter the “Plan”) since September 1, 2022, in replacement of the conventional BBT for Directors, in order to further clarify the linkage among the rewards for directors (excluding outside directors) and executive officers of the Company (hereinafter the “Subject Directors”) and the Company’s performance and the value of the stock. Subject Directors share not only the benefits of share price rises but also the risks of share price declines with shareholders, thereby enhancing their awareness to contribute to improving the Company’s performance and increasing its corporate value over the medium to long term. Accordingly, the operating entity of “Board Benefit Trust (BBT)” was changed from Maeda Corporation to the Company, and the trust assets were transferred to the Company.

## 1) Descriptions of transactions

The Plan is a performance-based stock compensation plan, under which the Company’s shares are acquired through a trust (the trust to be established under the Plan is hereinafter referred to as the “Trust”) with money contributed by the Company as the source of funds, and the Company’s shares and money equivalent to the amount obtained by converting the Company’s shares to market value (hereinafter the “Company’s Shares, etc.”) are delivered to the Subject Directors in accordance with the Company’s Regulations on Stock Benefits for Officers. The period when Subject Directors receive benefits shall in principle be a certain period after each of the Company’s medium-term management plan period (the initial subject period and each of the three fiscal years beginning after the initial subject period has elapsed).

## 2) Company's shares remaining in trust

The Company's shares remaining in trust are recorded as treasury stock in the consolidated balance sheets at the book value in trust (excluding the amount as ancillary expenses). The book value of the relevant treasury stock was ¥304 million (\$2,277 thousand) and ¥549 million, and the number of shares was 377 thousand shares and 657 thousand shares as of March 31, 2023 and 2022, respectively.

## 3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥133.53= U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2023. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.



## 4. Financial Instruments

### (1) Financial instruments

#### 1) Policy for financial instruments

The Group raises funds mainly necessary for the construction business according to its financial planning by means of borrowings from banks and bonds. Temporary surplus funds are managed by means of safe and secured financial instruments. The Group has a policy of utilizing derivative transactions in order to hedge its exposure to the risks mentioned below, but not for trading or speculative purposes.

#### 2) Financial instruments, risks, and risks management

Notes and accounts of trade receivables are exposed to the credit risks of the clients. The Group attempts to reduce the risks of failure or delay in collection of debt by the routine confirmation of the debt balances and examination of credit standing of each client in accordance with the project award control procedures, the accounting rules, and other rules of the Group.

Marketable securities and investments in securities include mainly the securities of subsidiaries, affiliates, and business partners. Marketable securities of the business partners are exposed to the stock market fluctuation risks, and the Group, examining the fair values and financial status of such companies, makes continuous review of the possession situation, by taking the market situation and the relationship with such companies into consideration.

Trade payables, electronically recorded monetary claims, and others as liabilities are to be paid mostly within one year. Certain foreign currency trade payables are exposed to the foreign exchange market fluctuation risks, but they are constantly maintained within the amount of the same foreign currency trade receivables. Forward foreign exchange contracts are utilized against the payment for part of the amount fixed by the long-term contract in order to hedge the exchange rate fluctuation risks.

Loans and bonds are utilized for the purpose of operating funds (mainly from short-term debt) and M&A, investments in facilities and others (mainly from long-term debt). Variable interest loans are exposed to interest rate fluctuation risks. Regarding part of long-term debt, interest rate swap transactions are utilized per each contract in order to hedge the interest rate fluctuation risks and fix interest payments.

Liabilities related to right to operate public facilities are the accounts payable for rights to operate public facilities, etc. and they will be paid over the operating period. The accompanying interest payments are fixed.

Liquidity risks related to funding are managed through the timely preparation and updating of funding plans by the department in charge based on reports from each department, as well as by maintaining the funding liquidity in hand. The Cash Management System (CMS) is operated among the consolidated subsidiaries and affiliates in order to promote mutual exploitation of surplus funds within the Group. It enhances efficiency of funding, and is useful for the maintenance and management of the funding liquidity in hand.

The derivative transactions are conducted and managed in accordance with the Group's regulations for authority for approval, and such transactions are conducted only with highly-rated financial institutions in order to reduce the credit risks. The explanation for hedging instruments, hedged items, policy for hedge accounting and evaluation of effectiveness of hedging activities are provided in aforementioned "2) Derivatives and hedge accounting" of "(2) Financial instruments" in Note "2. Summary of Significant Accounting Policies."

#### 3) Supplemental explanation on fair value of financial instruments

The measurement of fair values of financial instruments are based on the fair market value. The financial instruments without market value are evaluated by reasonable assessment. Such evaluations based on variable factors may change in line with the adoption of new assumptions.

## (2) Fair value of financial instruments

Book value on the consolidated balance sheet and fair value of financial instruments and their differences as of March 31, 2023 and 2022 are summarized as follows:

| (Millions of yen)  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| <b>March 31, 2023</b>  |                   |                   |                   |
|  | <b>Book value</b> | <b>Fair value</b> | <b>Difference</b> |
| (a) Trade receivables  | ¥ 296,088         | ¥ 295,715         | ¥ (373)           |
| (b) Marketable securities and investments in securities                                  | 75,640            | 86,469            | 10,829            |
| Total assets   | <u>¥ 371,728</u>  | <u>¥ 382,184</u>  | <u>¥ 10,456</u>   |
| (a) Corporate bonds  | ¥ 48,000          | ¥ 47,493          | ¥ (507)           |
| (b) Long-term loans  | 54,887            | 55,065            | 178               |
| (c) Long-term non-recourse loans   | 3,894             | 3,889             | (5)               |
| (d) Liabilities related to right to operate public facilities<br>(long-term liabilities) | 99,590            | 110,372           | 10,782            |
| Total liabilities  | <u>¥ 206,371</u>  | <u>¥ 216,819</u>  | <u>¥ 10,448</u>   |
| (a) Derivative transactions  | ¥ 20              | ¥ 20              | ¥ —               |

| (Thousands of U.S. dollars)  |                     |                     |                   |
|--|---------------------|---------------------|-------------------|
| <b>March 31, 2023</b>  |                     |                     |                   |
|  | <b>Book value</b>   | <b>Fair value</b>   | <b>Difference</b> |
| (a) Trade receivables  | \$ 2,217,389        | \$ 2,214,596        | \$ (2,793)        |
| (b) Marketable securities and investments in securities                                  | 566,464             | 647,562             | 81,098            |
| Total assets   | <u>\$ 2,783,853</u> | <u>\$ 2,862,158</u> | <u>\$ 78,305</u>  |
| (a) Corporate bonds  | \$ 359,470          | \$ 355,673          | \$ (3,797)        |
| (b) Long-term loans  | 411,046             | 412,379             | 1,333             |
| (c) Long-term non-recourse loans   | 29,162              | 29,125              | (37)              |
| (d) Liabilities related to right to operate public facilities<br>(long-term liabilities) | 745,825             | 826,571             | 80,746            |
| Total liabilities  | <u>\$ 1,545,503</u> | <u>\$ 1,623,748</u> | <u>\$ 78,245</u>  |
| (a) Derivative transactions  | \$ 150              | \$ 150              | \$ —              |

Notes: 1. Information on “Cash” is omitted. Information on “Time deposits,” “Electronically recorded monetary claims,” “Trade payables,” “Short-term loans,” “Current portion of bonds payable,” “Current portion of long-term non-recourse loans,” and “Liabilities related to right to operate public facilities” (current liabilities) is omitted because their fair values approximate their book values due to their short maturities.

2. Stocks without market prices and investments in partnerships are not included in “(b) Marketable securities and investments in securities.” The book value of such financial instruments on the consolidated balance sheet are as follows.

|                                    | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
|------------------------------------|--------------------------|------------------------------------|
| Stocks, etc. without market prices | ¥ 18,496                 | \$ 138,516                         |
| Investments in partnerships, etc.* | 6,323                    | 47,353                             |

\* Investments in partnerships, etc. are mainly investments in silent partnerships, investments in investment partnerships, and preferred securities to special purpose companies. In accordance with Paragraph 24-16 of the ASBJ Guidance No. 31 “Implementation Guidance on Accounting Standard for Fair Value Measurement,” they are not subject to disclosure of fair value.

3. The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.
4. Repayment schedule of monetary receivables, marketable securities, and investments in securities with maturities after the consolidated balance sheet date

(Millions of yen)

|   | <b>March 31, 2023</b>    |   |   |                          |
|---|--------------------------|---|---|--------------------------|
|   | <b>Within<br/>1 year</b> | <b>Over 1 year<br/>within 5<br/>years</b> | <b>Over 5 years<br/>within 10<br/>years</b> | <b>Over<br/>10 years</b> |
| (1) Cash and time deposits                                  | ¥ 88,575                 | ¥ —                                       | ¥ —   | ¥ —                      |
| (2) Trade receivables –<br>Notes and accounts               | 264,600                  | 30,799                                    | 286   | 403                      |
| (3) Marketable securities and<br>investments in securities: |                          |   |   |                          |
| Held-to-maturity securities                                 |                          |   |   |                          |
| National/Municipal bonds                                    | —                        | 100                                       | —   | —                        |
| Corporate bonds   | 30                       | —   | —   | —                        |
| Available-for-sale securities w/<br>maturities              |                          |   |   |                          |
| National/Municipal bonds                                    | —                        | —   | 20  | —                        |
| Corporate bonds   | —                        | —   | 84  | —                        |
| <b>Total</b>  | <b>¥ 353,205</b>         | <b>¥ 30,899</b>                           | <b>¥ 390</b>                                | <b>¥ 403</b>             |

(Thousands of U.S dollars)

|   | <b>March 31, 2023</b>    |   |   |                          |
|---|--------------------------|---|---|--------------------------|
|   | <b>Within<br/>1 year</b> | <b>Over 1 year<br/>within 5<br/>years</b> | <b>Over 5 years<br/>within 10<br/>years</b> | <b>Over<br/>10 years</b> |
| (1) Cash and time deposits                                    | \$ 663,334               | \$ —                                      | \$ —  | \$ —                     |
| (2) Trade receivables –<br>Notes and accounts                 | 1,981,577                | 230,652                                   | 2,142                                       | 3,018                    |
| (3) Marketable securities and invest-<br>ments in securities: |                          |   |   |                          |
| Held-to-maturity securities                                   |                          |   |   |                          |
| National/Municipal bonds                                      | —                        | 749                                       | —   | —                        |
| Corporate bonds   | 225                      | —   | —   | —                        |
| Available-for-sale securities w/ma-<br>turities               |                          |   |   |                          |
| National/Municipal bonds                                      | —                        | —   | 150   | —                        |
| Corporate bonds   | —                        | —   | 629   | —                        |
| <b>Total</b>  | <b>\$ 2,645,136</b>      | <b>\$ 231,401</b>                         | <b>\$ 2,921</b>                             | <b>\$ 3,018</b>          |

5. Repayment schedule of corporate bonds, long-term debt, and lease obligations after the consolidated balance sheet date  
Repayment schedule of corporate bonds, long-term loans and lease obligations after the consolidated balance sheet date is presented in “9. Short-Term Debt, Long-Term Debt and Lease Obligations.”

(Millions of yen)

|  | <b>March 31, 2022</b> |                   |                   |
|--|-----------------------|-------------------|-------------------|
|  | <b>Book value</b>     | <b>Fair value</b> | <b>Difference</b> |
| (a) Trade receivables  | ¥ 310,802             | ¥ 310,780         | ¥ (22)            |
| (b) Marketable securities and investments in securities                                  | 97,593                | 106,295           | 8,702             |
| Total assets   | <u>¥ 408,395</u>      | <u>¥ 417,075</u>  | <u>¥ 8,680</u>    |
| (a) Corporate bonds  | ¥ 45,000              | ¥ 44,710          | ¥ (290)           |
| (b) Long-term loans  | 52,852                | 52,936            | 84                |
| (c) Long-term non-recourse loans   | 9,947                 | 9,942             | (5)               |
| (d) Liabilities related to right to operate public facilities<br>(long-term liabilities) | 103,844               | 114,850           | 11,006            |
| Total liabilities  | <u>¥ 211,643</u>      | <u>¥ 222,438</u>  | <u>¥ 10,795</u>   |
| (a) Derivative transactions  | ¥ 7                   | ¥ 7               | ¥ —               |

- Notes:
- Information on “Cash and time deposits,” “Electronically recorded monetary claims,” “Trade payables,” “Current portion of long-term non-recourse loans,” and “Liabilities related to right to operate public facilities (current liabilities)” is omitted because they are in cash and their fair values approximate their book values due to their short maturities.
  - Stocks without market prices and investments in partnerships are not included in “(b) Marketable securities and investments in securities.” The book value of such financial instruments on the consolidated balance sheet are as follows.

|                                    | <b>(Millions of yen)</b> |
|------------------------------------|--------------------------|
| Stocks, etc. without market prices | ¥ 18,058                 |
| Investments in partnerships, etc.* | 4,502                    |

- \* Investments in partnerships, etc. are mainly investments in silent partnerships, investments in investment partnerships, and preferred securities to special purpose companies. In accordance with Paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019, hereinafter referred to as the “Implementation Guidance on Accounting Standard for Fair Value Measurement”), they are not subject to disclosure of fair value.
- The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.
  - Repayment schedule of monetary receivables, marketable securities, and investments in securities with maturities after the consolidated balance sheet date

(Millions of yen)

|   | March 31, 2022   |                               |                                    |                  |
|---|------------------|-------------------------------|------------------------------------|------------------|
|   | Within<br>1 year | Over 1 year<br>within 5 years | Over 5 years<br>within 10<br>years | Over<br>10 years |
| (1) Cash and time deposits                                    | ¥ 77,777         | ¥ —                           | ¥ —                                | ¥ —              |
| (2) Trade receivables –<br>Notes and accounts                 | 276,937          | 33,711                        | 100                                | 55               |
| (3) Marketable securities and invest-<br>ments in securities: |                  |                               |                                    |                  |
| Held-to-maturity securities                                   |                  |                               |                                    |                  |
| Corporate bonds   | 30               | —                             | —                                  | —                |
| Available-for-sale securities w/ma-<br>turities               |                  |                               |                                    |                  |
| National/Municipal bonds                                      | —                | —                             | 20                                 | —                |
| Corporate bonds   | —                | 30                            | 84                                 | —                |
| Total   | ¥ 354,744        | ¥ 33,741                      | ¥ 204                              | ¥ 55             |

5. Repayment schedule of corporate bonds, long-term debt, and lease obligations after the consolidated balance sheet date  
 Repayment schedule of corporate bonds, long-term loans and lease obligations after the consolidated balance sheet date is presented in “9. Short-Term Debt, Long-Term Debt and Lease Obligations.”

### (3) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

- Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.
- Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.
- Level 3 fair value: Fair value measured using unobservable inputs.  
 If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

## 1) Financial instruments measured at fair value

(Millions of yen)

|  | March 31, 2023 |         |         |          |
|--|----------------|---------|---------|----------|
|  | Fair value     |         |         |          |
|  | Level 1        | Level 2 | Level 3 | Total    |
| Marketable securities and investments in securities: |                |         |         |          |
| Available-for-sale securities                        |                |         |         |          |
| Stocks   | ¥ 68,702       | ¥ —     | ¥ —     | ¥ 68,702 |
| National bonds                                       | 20             | —       | —       | 20       |
| Corporate bonds                                      | —              | —       | —       | —        |
| Investment trust                                     | —              | 171     | —       | 171      |
| Derivative transactions:                             |                |         |         |          |
| Interest rate related                                | —              | 20      | —       | 20       |
| Total assets   | ¥ 68,722       | ¥ 191   | ¥ —     | ¥ 68,913 |

(Millions of yen)

|  | March 31, 2022 |         |         |          |
|--|----------------|---------|---------|----------|
|  | Fair value     |         |         |          |
|  | Level 1        | Level 2 | Level 3 | Total    |
| Marketable securities and investments in securities: |                |         |         |          |
| Available-for-sale securities                        |                |         |         |          |
| Stocks   | ¥ 91,280       | ¥ —     | ¥ —     | ¥ 91,280 |
| National bonds                                       | 20             | —       | —       | 20       |
| Corporate bonds                                      | —              | —       | 31      | 31       |
| Investment trust                                     | —              | 176     | —       | 176      |
| Derivative transactions:                             |                |         |         |          |
| Interest rate related                                | —              | 7       | —       | 7        |
| Total assets   | ¥ 91,300       | ¥ 183   | ¥ 31    | ¥ 91,514 |

(Thousands of U.S dollars)

|  | March 31, 2023 |          |         |            |
|--|----------------|----------|---------|------------|
|  | Fair value     |          |         |            |
|  | Level 1        | Level 2  | Level 3 | Total      |
| Marketable securities and investments in securities: |                |          |         |            |
| Available-for-sale securities                        |                |          |         |            |
| Stocks   | \$ 514,506     | \$ —     | \$ —    | \$ 514,506 |
| National bonds                                       | 150            | —        | —       | 150        |
| Corporate bonds                                      | —              | —        | —       | —          |
| Investment trust                                     | —              | 1,281    | —       | 1,281      |
| Derivative transactions:                             |                |          |         |            |
| Interest rate related                                | —              | 150      | —       | 150        |
| Total assets   | \$ 514,656     | \$ 1,431 | \$ —    | \$ 516,087 |

## 2) Financial instruments other than those measured at fair value

(Millions of yen)

|   | March 31, 2023 |           |         |           |
|---|----------------|-----------|---------|-----------|
|   | Fair value     |           |         |           |
|   | Level 1        | Level 2   | Level 3 | Total     |
| Trade receivables –<br>Notes and accounts   | ¥ —            | ¥ 295,715 | ¥ —     | ¥ 295,715 |
| Marketable securities and investments in securities:                              |                |           |         |           |
| Shares of subsidiaries and affiliates   | 17,448         | —         | —       | 17,448    |
| Held-to-maturity securities   |                |           |         |           |
| Municipal bonds   | —              | 100       | —       | 100       |
| Investment trust  | —              | 28        | —       | 28        |
| Total assets  | ¥ 17,448       | ¥ 295,843 | ¥ —     | ¥ 313,291 |
| Corporate bonds   | ¥ —            | ¥ 47,493  | ¥ —     | ¥ 47,493  |
| Long-term loans   | —              | 55,065    | —       | 55,065    |
| Non-recourse loans  | —              | 3,889     | —       | 3,889     |
| Liabilities related to right to operate public facilities (long-term liabilities) | —              | 110,372   | —       | 110,372   |
| Total liabilities   | ¥ —            | ¥ 216,819 | ¥ —     | ¥ 216,819 |

(Millions of yen)

|   | March 31, 2022 |           |         |           |
|---|----------------|-----------|---------|-----------|
|   | Fair value     |           |         |           |
|   | Level 1        | Level 2   | Level 3 | Total     |
| Trade receivables –<br>Notes and accounts   | ¥ —            | ¥ 310,780 | ¥ —     | ¥ 310,780 |
| Marketable securities and investments in securities:                              |                |           |         |           |
| Shares of subsidiaries and affiliates   | 14,762         | —         | —       | 14,762    |
| Held-to-maturity securities   |                |           |         |           |
| Investment trust  | —              | 27        | —       | 27        |
| Total assets  | ¥ 14,762       | ¥ 310,807 | ¥ —     | ¥ 325,569 |
| Corporate bonds   | ¥ —            | ¥ 44,709  | ¥ —     | ¥ 44,709  |
| Long-term loans   | —              | 52,936    | —       | 52,936    |
| Non-recourse loans  | —              | 9,943     | —       | 9,943     |
| Liabilities related to right to operate public facilities (long-term liabilities) | —              | 114,850   | —       | 114,850   |
| Total liabilities   | ¥ —            | ¥ 222,438 | ¥ —     | ¥ 222,438 |

(Thousands of U.S dollars)

|   | <b>March 31, 2023</b> |                |                |              |
|---|-----------------------|----------------|----------------|--------------|
|   | <b>Fair value</b>     |                |                |              |
|   | <b>Level 1</b>        | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| Trade receivables –<br>Notes and accounts   | \$ —                  | \$ 2,214,596   | \$ —           | \$ 2,214,596 |
| Marketable securities and investments in securities:                              |                       |                |                |              |
| Shares of subsidiaries and affiliates   | 130,667               | —              | —              | 130,667      |
| Held-to-maturity securities   |                       |                |                |              |
| Municipal bonds   | —                     | 749            | —              | 749          |
| Investment trust  | —                     | 210            | —              | 210          |
| Total assets  | \$ 130,667            | \$ 2,215,555   | \$ —           | \$ 2,346,222 |
| Corporate bonds   | \$ —                  | \$ 355,673     | \$ —           | \$ 355,673   |
| Long-term loans   | —                     | 412,379        | —              | 412,379      |
| Non-recourse loans  | —                     | 29,125         | —              | 29,125       |
| Liabilities related to right to operate public facilities (long-term liabilities) | —                     | 826,571        | —              | 826,571      |
| Total liabilities   | \$ —                  | \$ 1,623,748   | \$ —           | \$ 1,623,748 |

Notes: 1. A description of the valuation techniques and inputs used in the fair value measurements

**Trade receivables –Notes and accounts**  
The fair value of these receivables is calculated based on the interest rate for each receivable classified by a certain period of time, taking into account the period until maturity and credit risk, and is classified as Level 2 fair value.

**Marketable securities and investments in securities**

Listed stocks and national bonds are valued using quoted market prices. Since listed stocks and national bonds are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, even if they are valued using quoted market prices, their fair value is classified as Level 2 fair value if the market is not active. A principal example is municipal bonds. Private placement bonds are classified as Level 3 fair value because the discount rate is unobservable. In principle, the fair value of private placement bonds is calculated by discounting the total amount of principal and interest by the discount rate that incorporates credit risk and other risk factors for each category and each coverage ratio based on internal ratings. The fair value of investment trusts is calculated based on the prices provided by correspondent financial institutions and is classified as Level 2 fair value.

**Corporate bonds**

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

**Long-term loans and non-recourse loans**

The fair value of these loans is calculated by discounting the total amount of principal and interest at the interest rate that would be applicable to a similar new loan and is classified as Level 2 fair value.

**Liabilities related to right to operate public facilities (long-term liabilities)**

The fair value of these liabilities is calculated by discounting future cash flows by a reasonable interest rate based on the yield of national bonds, according to the scheduled payment period, and is classified as Level 2 fair value.

**Derivative transactions**

The fair value of interest rate swaps is calculated based on the price quoted by the counterparty financial institutions and is classified as Level 2 fair value.

2. Information about Level 3 fair value of financial instruments measured at fair value  
Note is omitted due to the immateriality of the financial instruments classified as Level 3.



## 5. Fair Value Information on Marketable Securities and Investments in Securities

Fair value information on marketable securities and investments in securities as of March 31, 2023 and 2022 is summarized as follows:

### (1) Held-to-maturity securities

| (Millions of yen)  |            |            |                        |
|--|------------|------------|------------------------|
| March 31, 2023   |            |            |                        |
|  | Book value | Fair value | Unrealized gain (loss) |
| Securities with fair value that exceeds book value         |            |            |                        |
| National/Municipal bonds                                   | ¥ 100      | ¥ 100      | ¥ 0                    |
| Corporate bonds, etc.                                      | —          | —          | —                      |
| Sub-total  | 100        | 100        | 0                      |
| Securities with fair value that does not exceed book value |            |            |                        |
| National/Municipal bonds                                   | —          | —          | —                      |
| Corporate bonds, etc.                                      | 30         | 28         | (2)                    |
| Sub-total  | 30         | 28         | (2)                    |
| Total  | ¥ 130      | ¥ 128      | ¥ (2)                  |

| (Millions of yen)  |            |            |                        |
|--|------------|------------|------------------------|
| March 31, 2022   |            |            |                        |
|  | Book value | Fair value | Unrealized gain (loss) |
| Securities with fair value that exceeds book value         |            |            |                        |
| Corporate bonds, etc.                                      | ¥ —        | ¥ —        | ¥ —                    |
| Securities with fair value that does not exceed book value |            |            |                        |
| Corporate bonds, etc.                                      | 30         | 27         | (3)                    |
| Total  | ¥ 30       | ¥ 27       | ¥ (3)                  |

| (Thousands of U.S dollars)                                 |            |            |                        |
|--|------------|------------|------------------------|
| March 31, 2023   |            |            |                        |
|  | Book value | Fair value | Unrealized gain (loss) |
| Securities with fair value that exceeds book value         |            |            |                        |
| National/Municipal bonds                                   | \$ 749     | \$ 749     | \$ 0                   |
| Corporate bonds, etc.                                      | —          | —          | —                      |
| Sub-total  | 749        | 749        | 0                      |
| Securities with fair value that does not exceed book value |            |            |                        |
| National/Municipal bonds                                   | —          | —          | —                      |
| Corporate bonds, etc.                                      | 225        | 210        | (15)                   |
| Sub-total  | 225        | 210        | (15)                   |
| Total  | \$ 974     | \$ 959     | \$ (15)                |

## (2) Available-for-sale securities

(Millions of yen)

|  | <b>March 31, 2023</b> |                         |                               |
|--|-----------------------|-------------------------|-------------------------------|
|  | <b>Book value</b>     | <b>Acquisition cost</b> | <b>Unrealized gain (loss)</b> |
| Securities with book value that exceeds acquisition cost         |                       |                         |                               |
| Stocks   | ¥ 60,403              | ¥ 41,055                | ¥ 19,348                      |
| Bonds  |                       |                         |                               |
| National/ Municipal bonds  | 20                    | 20                      | 0                             |
| Other  | —                     | —                       | —                             |
| Other  | 102                   | 97                      | 5                             |
| Sub-total  | ¥ 60,525              | ¥ 41,172                | ¥ 19,353                      |
| Securities with book value that does not exceed acquisition cost |                       |                         |                               |
| Stocks   | ¥ 8,299               | ¥ 9,237                 | ¥ (938)                       |
| Bonds  |                       |                         |                               |
| National/ Municipal bonds  | —                     | —                       | —                             |
| Other  | —                     | —                       | —                             |
| Other  | 70                    | 84                      | (14)                          |
| Sub-total  | ¥ 8,369               | ¥ 9,321                 | ¥ (952)                       |
| Total  | ¥ 68,894              | ¥ 50,493                | ¥ 18,401                      |

(Millions of yen)

|  | <b>March 31, 2022</b> |                         |                               |
|--|-----------------------|-------------------------|-------------------------------|
|  | <b>Book value</b>     | <b>Acquisition cost</b> | <b>Unrealized gain (loss)</b> |
| Securities with book value that exceeds acquisition cost         |                       |                         |                               |
| Stocks   | ¥ 80,308              | ¥ 48,406                | ¥ 31,902                      |
| Bonds  |                       |                         |                               |
| National/ Municipal bonds  | 20                    | 20                      | 0                             |
| Other  | 31                    | 30                      | 1                             |
| Other  | 109                   | 97                      | 12                            |
| Sub-total  | ¥ 80,468              | ¥ 48,553                | ¥ 31,915                      |
| Securities with book value that does not exceed acquisition cost |                       |                         |                               |
| Stocks   | ¥ 10,971              | ¥ 12,236                | ¥ (1,264)                     |
| Bonds  |                       |                         |                               |
| National/ Municipal bonds  | —                     | —                       | —                             |
| Other  | 0                     | 0                       | —                             |
| Other  | 68                    | 84                      | (17)                          |
| Sub-total  | ¥ 11,039              | ¥ 12,320                | ¥ (1,281)                     |
| Total  | ¥ 91,507              | ¥ 60,873                | ¥ 30,634                      |

(Thousands of U.S. dollars)

|  | March 31, 2023 |                  |                        |
|--|----------------|------------------|------------------------|
|  | Book value     | Acquisition cost | Unrealized gain (loss) |
| Securities with book value that exceeds acquisition cost         |                |                  |                        |
| Stocks   | \$ 452,355     | \$ 307,458       | \$ 144,897             |
| Bonds  |                |                  |                        |
| National/ Municipal bonds  | 150            | 150              | 0                      |
| Other  | —              | —                | —                      |
| Other  | 764            | 727              | 37                     |
| Sub-total  | \$ 453,269     | \$ 308,335       | \$ 144,934             |
| Securities with book value that does not exceed acquisition cost |                |                  |                        |
| Stocks   | \$ 62,151      | \$ 69,176        | \$ (7,025)             |
| Bonds  |                |                  |                        |
| National/ Municipal bonds  | —              | —                | —                      |
| Other  | —              | —                | —                      |
| Other  | 524            | 629              | (105)                  |
| Sub-total  | \$ 62,675      | \$ 69,805        | \$ (7,130)             |
| Total  | \$ 515,944     | \$ 378,140       | \$ 137,804             |

Note: Unlisted stocks, etc. (book value: ¥6,021 million (\$45,091 thousand) and ¥6,617 million as of March 31, 2023 and 2022, respectively) are not included in “Available-for-sale securities” since they are stocks, etc. without market prices.

### (3) Gains and losses on sale of available-for-sale securities

(Millions of yen)

|                           | For the year ended March 31, 2023 |              |              |
|---------------------------|-----------------------------------|--------------|--------------|
|                           | Proceeds from sale                | Gain on sale | Loss on sale |
| Stocks                    | ¥ 21,934                          | ¥ 11,672     | ¥ 12         |
| Bonds                     |                                   |              |              |
| National/ Municipal bonds | —                                 | —            | —            |
| Other                     | 29                                | 29           | —            |
| Other                     | —                                 | —            | —            |
| Total                     | ¥ 21,963                          | ¥ 11,701     | ¥ 12         |

(Millions of yen)

|                           | For the year ended March 31, 2022 |              |              |
|---------------------------|-----------------------------------|--------------|--------------|
|                           | Proceeds from sale                | Gain on sale | Loss on sale |
| Stocks                    | ¥ 11,018                          | ¥ 7,808      | ¥ 0          |
| Bonds                     |                                   |              |              |
| National/ Municipal bonds | —                                 | —            | —            |
| Other                     | —                                 | —            | —            |
| Other                     | —                                 | —            | —            |
| Total                     | ¥ 11,018                          | ¥ 7,808      | ¥ 0          |

(Thousands of U.S. dollars)

|                           | For the year ended March 31, 2023 |              |              |
|---------------------------|-----------------------------------|--------------|--------------|
|                           | Proceeds from sale                | Gain on sale | Loss on sale |
| Stocks                    | \$ 164,263                        | \$ 87,411    | \$ 90        |
| Bonds                     |                                   |              |              |
| National/ Municipal bonds | —                                 | —            | —            |
| Other                     | 217                               | 217          | —            |
| Other                     | —                                 | —            | —            |
| Total                     | \$ 164,480                        | \$ 87,628    | \$ 90        |

#### (4) Impairment loss on securities

Impairment loss on marketable securities (¥228 million (\$1,707 thousand) for available-for-sale securities and ¥30 million (\$225 thousand) for bonds) amounted to ¥258 million (\$1,932 thousand) for the year ended March 31, 2023.

Impairment loss on marketable securities (for available-for-sale securities) amounted to ¥687 million for the year ended March 31, 2022.

#### (5) Investments in non-consolidated subsidiaries and affiliates

|                                | March 31          |                   |                             |
|--------------------------------|-------------------|-------------------|-----------------------------|
|                                | 2023              | 2022              | 2023                        |
|                                | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Investment securities (stocks) | ¥ 25,415          | ¥ 22,000          | \$ 190,332                  |

## 6. Derivative Transactions

### (1) Derivative transactions not subject to hedge accounting

For the year ended March 31, 2023:  
Not applicable

For the year ended March 31, 2022:  
Not applicable

### (2) Derivative transactions subject to hedge accounting

Currency-related transactions

For the year ended March 31, 2023:

(Millions of yen)

| Hedge accounting method                                    | Type   | Main hedged item                                  | March 31, 2023   |                              |            |
|--|--|---|------------------|------------------------------|------------|
|  |  |   | Contracted value | Contracted value over 1 year | Fair value |
| Allocation treatment of forward foreign exchange contracts | Forward foreign exchange contracts<br>Buy Euro | Forecasted foreign currency-denominated contracts | ¥909             | ¥91                          | ¥8         |

(Thousands of U.S. dollars)

| Hedge accounting method                                    | Type   | Main hedged item                                  | March 31, 2023   |                              |            |
|--|--|---|------------------|------------------------------|------------|
|  |  |   | Contracted value | Contracted value over 1 year | Fair value |
| Allocation treatment of forward foreign exchange contracts | Forward foreign exchange contracts<br>Buy Euro | Forecasted foreign currency-denominated contracts | \$6,807          | \$681                        | \$60       |

For the year ended March 31, 2022:  
Not applicable

Interest rate-related transactions

(Millions of yen)

| Hedge accounting method                                  | Type  | Main hedged item   | March 31, 2023   |                              | Fair value |
|--|---|--------------------|------------------|------------------------------|------------|
|  |   |                    | Contracted value | Contracted value over 1 year |            |
| Exceptional accounting treatment for interest rate swaps | Interest rate swap transactions -variable interest received and fixed interest paid | Long-term loans    | ¥28,700          | ¥21,980                      | (Note)     |
| Deferred hedge accounting                                | Interest rate swap transactions -variable interest received and fixed interest paid | Non-recourse loans | ¥4,816           | ¥3,894                       | ¥20        |

(Millions of yen)

| Hedge accounting method                                  | Type  | Main hedged item   | March 31, 2022   |                              | Fair value |
|--|---|--------------------|------------------|------------------------------|------------|
|  |   |                    | Contracted value | Contracted value over 1 year |            |
| Exceptional accounting treatment for interest rate swaps | Interest rate swap transactions -variable interest received and fixed interest paid | Long-term loans    | ¥34,420          | ¥26,404                      | (Note)     |
| Deferred hedge accounting                                | Interest rate swap transactions -variable interest received and fixed interest paid | Non-recourse loans | ¥5,662           | ¥4,816                       | ¥7         |

(Thousands of U.S. dollars)

| Hedge accounting method                                  | Type  | Main hedged item   | March 31, 2023   |                              | Fair value |
|--|---|--------------------|------------------|------------------------------|------------|
|  |   |                    | Contracted value | Contracted value over 1 year |            |
| Exceptional accounting treatment for interest rate swaps | Interest rate swap transactions -variable interest received and fixed interest paid | Long-term loans    | \$214,933        | \$164,607                    | (Note)     |
| Deferred hedge accounting                                | Interest rate swap transactions -variable interest received and fixed interest paid | Non-recourse loans | \$36,067         | \$29,162                     | \$150      |

Note: The fair value of interest rate swaps that qualify for exceptional accounting treatment is included in the fair value of the relevant long-term loans because they are accounted for as an integral part of the long-term loans that are hedged.

## 7. Impairment Loss on Fixed Assets

Impairment losses on fixed assets for the years ended March 31, 2023 and 2022 are summarized as follows:

| <u>Location</u> | <u>Type of assets</u>  | <u>Use</u>             | For the year ended March 31 |                             |
|-----------------|--|------------------------|-----------------------------|-----------------------------|
|                 |  |                        | 2023                        | 2023                        |
|                 |  |                        | (Millions of yen)           | (Thousands of U.S. dollars) |
| Tokyo           | Land, building and structure, construction in progress and other                               | For rent and other     | ¥ 973                       | \$ 7,287                    |
| Fukui           | Land, building and structure, machinery and equipment, vehicles, tools, furniture and fixtures | For business use       | 169                         | 1,266                       |
| Kanagawa        | Building and structure, machinery and equipment, vehicles, tools, furniture and fixtures       | For business use       | 73                          | 547                         |
| Ehime           | Building and structure, machinery and equipment, vehicles, tools, furniture and fixtures       | For business use       | 63                          | 472                         |
| Hiroshima       | Land, building and structure, machinery and equipment, vehicles, tools, furniture and fixtures | For business use       | 56                          | 419                         |
| Yamaguchi       | Building and structure, machinery and equipment, vehicles, tools, furniture and fixtures       | For business use       | 36                          | 270                         |
| Iwate, etc.     | Land, building and structure, machinery and equipment, vehicles, tools, furniture and fixtures | For business use, etc. | 92                          | 689                         |

Fixed assets for business use are grouped by business office, and fixed assets for rent, golf courses and the fixed assets to be disposed are grouped based on an individual asset basis.

Due to a decline in profitability of rent assets, etc., the book value of the following assets was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss of ¥1,462 million (\$10,949 thousand) under other expenses.

The major breakdown is ¥662 million (\$4,958 thousand) for buildings and structures, ¥265 million (\$1,985 thousand) for machinery and equipment, vehicles, and tools, furniture and fixtures, ¥412 million (\$3,085 thousand) for land, ¥78 million (\$584 thousand) for construction in progress, and ¥45 million (\$337 thousand) for other.

The recoverable amount of these assets is the higher of net realizable value or value in use. The net realizable value is calculated based on market value, etc., and the value in use is calculated by discounting future cash flows by 3.5%. The value in use is estimated to be zero for those assets with negative future cash flows.

|                 |  | For the year ended March 31 |       |
|-----------------|--|-----------------------------|-------|
|                 |  | 2022                        |       |
|                 |  | (Millions of yen)           |       |
| <u>Location</u> | <u>Type of assets</u>  | <u>Use</u>                  |       |
| Shizuoka        | Land, building and structure, machinery and equipment, vehicles, tools, furniture and fixtures | For business use            | ¥ 331 |
| Tokyo           | Building and structure, machinery and equipment, vehicles, tools, furniture and fixtures       | For rent and other          | 85    |
| Chiba           | Building and structure   | For business use            | 30    |
| Fukushima       | Building and structure, machinery and equipment, vehicles, tools, furniture and fixtures       | For business use            | 20    |
| Shimane         | Land, building and structure, machinery and equipment, vehicles, tools, furniture and fixtures | For business use            | 17    |
| Akita, etc.     | Land, building and structure, machinery and equipment, vehicles, tools, furniture and fixtures | For business use, etc.      | 13    |

Fixed assets for business use are grouped by business office, and fixed assets for rent, golf courses and the fixed assets to be disposed are grouped based on an individual asset basis.

Due to a decline in profitability of business assets, etc., the book value of the following assets was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss of ¥495 million under other expenses.

The major breakdown is ¥208 million for buildings and structures, ¥280 million for machinery and equipment, vehicles, and tools, furniture and fixtures, and ¥7 million for land.

The recoverable amount of these assets is the higher of net realizable value or value in use. The net realizable value is calculated based on market value, etc., while the value in use is estimated to be zero for those assets with negative future cash flows.



## 8. Inventories

Inventories as of March 31, 2023 and 2022 are summarized as follows:

|                                   | March 31          |                   |                             |
|-----------------------------------|-------------------|-------------------|-----------------------------|
|                                   | 2023              | 2022              | 2023                        |
|                                   | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Real estate held for sale         | ¥ 1,895           | ¥ 1,988           | \$ 14,191                   |
| Merchandise and finished products | 2,341             | 1,573             | 17,532                      |
| Construction work in progress     | 30,004            | 13,698            | 224,699                     |
| Materials in stock                | 3,815             | 3,444             | 28,570                      |
| <b>Total</b>                      | <b>¥ 38,055</b>   | <b>¥ 20,703</b>   | <b>\$ 284,992</b>           |

- Notes:
- Inventories are written down based on any decrease in profitability and ¥38 million (\$285 thousand) and ¥33 million of losses on write-downs of inventories for the years ended March 31, 2023 and 2022, respectively, are included in "Cost of Sales" in the Consolidated Statements of Income.
  - The amount of construction work in progress is not offset by the provision for losses on construction contracts and both are presented. The amount of construction work in progress for which a provision for losses on construction contracts is provided is ¥67 million (\$502 thousand) and ¥88 million as of March 31, 2023 and 2022, respectively.

## 9. Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt and lease obligations due within one year as of March 31, 2023 and 2022 are summarized as follows:

|  | March 31          |                   |                             |
|--|-------------------|-------------------|-----------------------------|
|  | 2023              | 2022              | 2023                        |
|  | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Bank loans bearing interest with an average rate of 0.4% per annum   | ¥ 24,600          | ¥ 75,910          | \$ 184,228                  |
| Current portion of long-term loans                                   | 12,088            | 8,583             | 90,527                      |
| Current portion of non-recourse loans                                | 923               | 1,194             | 6,912                       |
| <b>Total short-term debt</b>   | <b>37,611</b>     | <b>85,687</b>     | <b>281,667</b>              |
| Lease obligations due within one year                                | 134               | 236               | 1,004                       |
| Liabilities related to rights to operate public facilities (current) | 4,664             | 4,555             | 34,928                      |
| <b>Total</b>   | <b>¥ 42,409</b>   | <b>¥ 90,478</b>   | <b>\$ 317,599</b>           |

Long-term debt and lease obligations as of March 31, 2023 and 2022 are summarized as follows:

|  | <b>March 31</b>          |                          |                                    |
|--|--------------------------|--------------------------|------------------------------------|
|  | <b>2023</b>              | <b>2022</b>              | <b>2023</b>                        |
|  | <b>(Millions of yen)</b> | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Corporate bonds  |                          |                          |                                    |
| -Issued by Maeda Corporation   |                          |                          |                                    |
| 0.28% 23rd series bonds due in 2023 (with inter-bond pari passu clause)                          | ¥ 10,000<br>(10,000)     | ¥ 10,000                 | \$ 74,890<br>(74,890)              |
| 0.31% 25th series bonds due in 2029 (with inter-bond pari passu clause)                          | 10,000                   | 10,000                   | 74,890                             |
| 0.15% 26th series bonds due in 2024 (with inter-bond pari passu clause)                          | 5,000                    | 5,000                    | 37,444                             |
| 0.48% 27th series bonds due in 2030 (with inter-bond pari passu clause)                          | 10,000                   | 10,000                   | 74,890                             |
| 0.22% 28th series bonds due in 2025 (with inter-bond pari passu clause)                          | 10,000                   | 10,000                   | 74,890                             |
| Corporate bonds  |                          |                          |                                    |
| -Issued by INFRONEER Holdings Inc.   |                          |                          |                                    |
| 0.42% 1st series bonds due in 2027   | 13,000                   | —                        | 97,355                             |
| Sub-total  | 58,000                   | 45,000                   | 434,359                            |
| Long-term loans due in between 2023~2027 bearing interest with an average rate of 0.7% per annum | 66,975                   | 61,434                   | 501,573                            |
| Long-term non-recourse loans   | 4,816                    | 11,142                   | 36,067                             |
|  | 71,791                   | 72,576                   | 537,640                            |
| Less -Portion due within one year  | (13,010)                 | (9,777)                  | (97,432)                           |
| Total  | 58,781                   | 62,799                   | 440,208                            |
| Lease obligations due after one year   | 413                      | 452                      | 3,093                              |
| Liabilities related to right to operate public facilities due after one year                     | 99,590                   | 103,844                  | 745,825                            |
| Total  | ¥ 216,784                | ¥ 212,095                | \$ 1,623,485                       |

Note: The amount in the parenthesis in the column of the balance at the end of the year represents the amount of the current portion of corporate bonds.

Average rates of interest are calculated by the weighted average method using the interest rates and the loan balance as of the year end. Average rates of interest of lease obligations are omitted since the balance of lease obligations in the balance sheets includes the interest thereof.

The annual maturities of short-term debt, corporate bonds, long-term debt, and liabilities related to right to operate public facilities as of March 31, 2023 and 2022 are as follows:

(Millions of yen)

| <b>March 31, 2023</b>           |                            |                            |                       |                              |  |
|---------------------------------|----------------------------|----------------------------|-----------------------|------------------------------|--|
| <b>Year ending<br/>March 31</b> | <b>Short-term<br/>debt</b> | <b>Corporate<br/>bonds</b> | <b>Long-term debt</b> | <b>Non-recourse<br/>debt</b> | <b>Liabilities<br/>related to right<br/>to operate<br/>public facilities</b> |
| 2024                            | ¥ 24,600                   | ¥ 10,000                   | ¥ 12,088              | ¥ 923                        | ¥ 4,664  |
| 2025                            | —                          | 5,000                      | 12,030                | 889                          | 4,719  |
| 2026                            | —                          | 10,000                     | 9,799                 | 1,094                        | 4,775  |
| 2027                            | —                          | —                          | 13,278                | 1,176                        | 4,829  |
| 2028                            | —                          | 13,000                     | 19,780                | 734                          | 4,885  |
| 2029 and<br>thereafter          | —                          | 20,000                     | —                     | —                            | 80,382   |
| Total                           | ¥ 24,600                   | ¥ 58,000                   | ¥ 66,975              | ¥ 4,816                      | ¥ 104,254  |

(Millions of yen)

| <b>March 31, 2022</b>           |                            |                            |                       |                              |  |
|---------------------------------|----------------------------|----------------------------|-----------------------|------------------------------|--|
| <b>Year ending<br/>March 31</b> | <b>Short-term<br/>debt</b> | <b>Corporate<br/>bonds</b> | <b>Long-term debt</b> | <b>Non-recourse<br/>debt</b> | <b>Liabilities<br/>related to right<br/>to operate<br/>public facilities</b> |
| 2023                            | ¥ 75,910                   | ¥ —                        | ¥ 8,583               | ¥ 1,194                      | ¥ 4,555  |
| 2024                            | —                          | 10,000                     | 12,041                | 1,280                        | 4,609  |
| 2025                            | —                          | 5,000                      | 12,030                | 1,254                        | 4,664  |
| 2026                            | —                          | 10,000                     | 9,799                 | 1,471                        | 4,719  |
| 2027                            | —                          | —                          | 14,201                | 1,564                        | 4,774  |
| 2028 and<br>thereafter          | —                          | 20,000                     | 4,780                 | 4,379                        | 85,078   |
| Total                           | ¥ 75,910                   | ¥ 45,000                   | ¥ 61,434              | ¥ 11,142                     | ¥ 108,399  |

(Thousands of U.S. dollars)

| <b>March 31, 2023</b>           |                            |                            |                       |                              |  |
|---------------------------------|----------------------------|----------------------------|-----------------------|------------------------------|--|
| <b>Year ending<br/>March 31</b> | <b>Short-term<br/>debt</b> | <b>Corporate<br/>bonds</b> | <b>Long-term debt</b> | <b>Non-recourse<br/>debt</b> | <b>Liabilities<br/>related to right<br/>to operate<br/>public facilities</b> |
| 2024                            | \$ 184,228                 | \$ 74,890                  | \$ 90,527             | \$ 6,912                     | \$ 34,928  |
| 2025                            | —                          | 37,444                     | 90,092                | 6,658                        | 35,340   |
| 2026                            | —                          | 74,889                     | 73,384                | 8,193                        | 35,760   |
| 2027                            | —                          | —                          | 99,438                | 8,807                        | 36,164   |
| 2028                            | —                          | 97,355                     | 148,132               | 5,497                        | 36,584   |
| 2029 and<br>thereafter          | —                          | 149,781                    | —                     | —                            | 601,977  |
| Total                           | \$ 184,228                 | \$ 434,359                 | \$ 501,573            | \$ 36,067                    | \$ 780,753   |

The assets pledged as collateral for short-term debt and long-term debt as of March 31, 2023 and 2022 are summarized as follows:

|                           | <b>March 31</b>          |                          |                                    |
|---------------------------|--------------------------|--------------------------|------------------------------------|
|                           | <b>2023</b>              | <b>2022</b>              | <b>2023</b>                        |
|                           | <b>(Millions of yen)</b> | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Investments in securities | ¥ 89                     | ¥ 89                     | \$ 667                             |
| Other investments         | 275                      | 401                      | 2,059                              |
| Total                     | ¥ 364                    | ¥ 490                    | \$ 2,726                           |

The assets pledged as collateral for non-recourse debt as of March 31, 2023 and 2022 are summarized as follows:

|  | <b>March 31</b>          |                          |                                    |
|--|--------------------------|--------------------------|------------------------------------|
|  | <b>2023</b>              | <b>2022</b>              | <b>2023</b>                        |
|  | <b>(Millions of yen)</b> | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Cash and time deposits   | ¥ 13,357                 | ¥ 13,353                 | \$ 100,030                         |
| Trade receivables  | 1,424                    | 1,447                    | 10,664                             |
| Materials in stock   | —                        | * 24                     | —                                  |
| Buildings and structures   | —                        | * 1                      | —                                  |
| Machinery and equipment, vehicles, and tools, furniture and fixtures | 2                        | * 5,511                  | 15                                 |
| Right to operate public facilities                                   | 104,727                  | 109,721                  | 784,296                            |
| Total  | ¥ 119,510                | ¥ 130,057                | \$ 895,005                         |

\* ¥24 million of materials in stock, ¥1 million of buildings and structures and ¥5,507 million of machinery and equipment, vehicles, and tools, furniture and fixtures are pledged as a revolving mortgage for factory foundation of a consolidated subsidiary for the year ended March 31, 2022.

## 10. Lease Transactions

### Finance lease contracts: (as lessee)

Finance lease contracts that do not transfer ownership

Leased assets include:

property and equipment, which mainly consist of machinery for rent in the construction machinery sales and related service business of a consolidated subsidiary, Maeda Seisakusho Co., Ltd.

Depreciation cost of leased assets is computed by:

as stated in “Note 2. Summary of Significant Accounting Policies (6) Leased assets.”

### Operating lease contracts:

Outstanding minimum lease payments under non-cancelable operating lease contracts

|                        | March 31          |                   |                             |
|------------------------|-------------------|-------------------|-----------------------------|
|                        | 2023              | 2022              | 2023                        |
|                        | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| <b>(As lessee)</b>     |                   |                   |                             |
| Minimum lease payments |                   |                   |                             |
| Within one year        | ¥ 451             | ¥ 162             | \$ 3,378                    |
| Over one year          | 2,794             | 2,556             | 20,924                      |
| Total                  | <u>¥ 3,245</u>    | <u>¥ 2,718</u>    | <u>\$ 24,302</u>            |
| <b>(As lessor)</b>     |                   |                   |                             |
| Minimum lease payments |                   |                   |                             |
| Within one year        | ¥ 576             | ¥ 557             | \$ 4,314                    |
| Over one year          | 4,437             | 5,007             | 33,228                      |
| Total                  | <u>¥ 5,013</u>    | <u>¥ 5,564</u>    | <u>\$ 37,542</u>            |

## 11. Retirement Benefit Plans

The Group has a corporate pension fund plan and an employees' pension fund plan as defined benefit pension plans, as well as defined contribution pension plans and the retirement lump sum payment plans.

The Group may provide extra severance payments, which are not subject to the pension obligation calculated in accordance with the retirement benefit accounting, to employees upon retirement and in other circumstances.

Certain consolidated subsidiaries calculate the liabilities for retirement benefits and retirement benefit expenses by using the simplified method.

As of March 31, 2023, the Group has two corporate pension funds and a single employees' pension fund, and 17 companies of the Group have the retirement lump sum payment plan.

### Defined benefit plans

The changes in the retirement benefit obligation for the years ended March 31, 2023 and 2022 are as follows:

|  | For the year ended March 31 |                           |                                     |
|--|-----------------------------|---------------------------|-------------------------------------|
|  | 2023<br>(Millions of yen)   | 2022<br>(Millions of yen) | 2023<br>(Thousands of U.S. dollars) |
| Balance at the beginning of the year                     | ¥ 68,078                    | ¥ 69,606                  | \$ 509,833                          |
| Service cost   | 2,637                       | 2,714                     | 19,748                              |
| Interest cost  | 214                         | 159                       | 1,603                               |
| Actuarial gain and loss                                  | (1,295)                     | (753)                     | (9,698)                             |
| Retirement benefit paid                                  | (3,695)                     | (3,780)                   | (27,672)                            |
| Prior service cost                                       | 657                         | —                         | 4,920                               |
| Increase resulting from change in scope of consolidation | —                           | 132                       | —                                   |
| Balance at the end of the year                           | ¥ 66,596                    | ¥ 68,078                  | \$ 498,734                          |

The changes in plan assets for the years ended March 31, 2023 and 2022 are as follows:

|                                      | For the year ended March 31 |                           |                                     |
|--------------------------------------|-----------------------------|---------------------------|-------------------------------------|
|                                      | 2023<br>(Millions of yen)   | 2022<br>(Millions of yen) | 2023<br>(Thousands of U.S. dollars) |
| Balance at the beginning of the year | ¥ 66,217                    | ¥ 63,372                  | \$ 495,896                          |
| Expected return on plan assets       | 955                         | 1,064                     | 7,152                               |
| Actuarial gain and loss              | (824)                       | 728                       | (6,171)                             |
| Contributions by the Company         | 2,646                       | 3,835                     | 19,816                              |
| Retirement benefit paid              | (2,886)                     | (2,782)                   | (21,613)                            |
| Balance at the end of the year       | ¥ 66,108                    | ¥ 66,217                  | \$ 495,080                          |

The following table reconciles the Group's funded benefit obligation and plan assets to the liabilities and assets for retirement benefits recognized in the consolidated balance sheet as of March 31, 2023 and 2022.

|   | <b>March 31</b>          |                          |                                    |
|---|--------------------------|--------------------------|------------------------------------|
|   | <b>2023</b>              | <b>2022</b>              | <b>2023</b>                        |
|   | <b>(Millions of yen)</b> | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Funded retirement benefit obligation                        | ¥ 49,541                 | ¥ 51,310                 | \$ 371,010                         |
| Plan assets at fair value                                   | (66,109)                 | (66,217)                 | (495,087)                          |
|   | (16,568)                 | (14,907)                 | (124,077)                          |
| Unfunded retirement benefit obligation                      | 17,056                   | 16,768                   | 127,732                            |
| Net liability for retirement benefits in the balance sheets | 488                      | 1,861                    | 3,655                              |
| Liability for retirement benefits                           | 17,056                   | 16,768                   | 127,732                            |
| Asset for retirement benefits                               | (16,568)                 | (14,907)                 | (124,077)                          |
| Net liability for retirement benefits in the balance sheets | ¥ 488                    | ¥ 1,861                  | \$ 3,655                           |

The components of retirement benefit expense for the years ended March 31, 2023 and 2022 are as follows:

|   | <b>For the year ended March 31</b> |                          |                                    |
|---|------------------------------------|--------------------------|------------------------------------|
|   | <b>2023</b>                        | <b>2022</b>              | <b>2023</b>                        |
|   | <b>(Millions of yen)</b>           | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Service cost                            | ¥ 2,637                            | ¥ 2,714                  | \$ 19,748                          |
| Interest cost                           | 214                                | 159                      | 1,603                              |
| Expected return on plan assets          | (955)                              | (1,064)                  | (7,152)                            |
| Amortization of actuarial gain and loss | 498                                | 652                      | 3,729                              |
| Amortization of prior service cost      | (17)                               | (20)                     | (127)                              |
| Other                                   | —                                  | 2                        | —                                  |
| Retirement benefit expense              | ¥ 2,377                            | ¥ 2,443                  | \$ 17,801                          |

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are as follows:

|                         | <b>For the year ended March 31</b> |                          |                                    |
|-------------------------|------------------------------------|--------------------------|------------------------------------|
|                         | <b>2023</b>                        | <b>2022</b>              | <b>2023</b>                        |
|                         | <b>(Millions of yen)</b>           | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Prior service cost      | ¥ (674)                            | ¥ (20)                   | \$ (5,048)                         |
| Actuarial gain and loss | 969                                | 2,133                    | 7,257                              |
| Total                   | ¥ 295                              | ¥ 2,113                  | \$ 2,209                           |



The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 are as follows:

|                                      | <b>March 31</b>          |                          |                                    |
|--------------------------------------|--------------------------|--------------------------|------------------------------------|
|                                      | <b>2023</b>              | <b>2022</b>              | <b>2023</b>                        |
|                                      | <b>(Millions of yen)</b> | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Unrecognized prior service cost      | ¥ (493)                  | ¥ 181                    | \$ (3,692)                         |
| Unrecognized actuarial gain and loss | 3,319                    | 2,351                    | 24,856                             |
| Total                                | ¥ 2,826                  | ¥ 2,532                  | \$ 21,164                          |

The plan assets at fair value, by major category, as a percentage of total plan assets as of March 31, 2023 and 2022 are as follows:

|                       | <b>March 31</b> |             |
|-----------------------|-----------------|-------------|
|                       | <b>2023</b>     | <b>2022</b> |
| Bonds                 | 44.1%           | 44.8%       |
| Stocks                | 25.5%           | 26.5%       |
| Cash on hand in banks | 1.9%            | 1.4%        |
| Other                 | 28.5%           | 27.2%       |
| Total                 | 100.0%          | 100.0%      |

The current and projected allocations of plan assets and the current and expected future long-term investment rates of return on various assets constituting the plan assets are considered in determining the expected long-term rate of return on plan assets.

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

|   | <b>March 31</b> |             |
|---|-----------------|-------------|
|   | <b>2023</b>     | <b>2022</b> |
| Discount rates (Notes 1 and 2)          | 0.4% - 0.6%     | 0.3% - 0.6% |
| Expected rates of return on plan assets | 1.0% - 2.2%     | 1.0% - 2.8% |
| Expected rates of salary increase       | 2.5% - 2.7%     | 2.5% - 2.7% |

- Notes:
1. A method using multiple discount rates set for each period of projected benefit payments is used, but the discount rates are expressed as a weighted average.
  2. Certain consolidated subsidiaries use a single weighted-average discount rate that reflects the estimated period of payment of retirement benefits and the amounts expected to be paid in each period.

The Group contributions to the defined contribution pension plans were ¥847 million (\$6,343 thousand) and ¥835 million for the years ended March 31, 2023 and 2022, respectively.

One of the consolidated subsidiaries participates in a multi-employer pension fund plan as a defined benefit plan, which is accounted for in the same manner as a defined contribution plan since it is impracticable to reasonably estimate an amount of plan assets for the contributions made by the Company.

Contributions made to the multi-employer pension fund plan for the years ended March 31, 2023 and 2022 were ¥22 million (\$165 thousand) and ¥21 million, respectively.

Funded status of the entire multi-employer pension fund plan as of March 31, 2022 and 2021 was as follows.

|  | <b>March 31</b>          |                          |                                    |
|--|--------------------------|--------------------------|------------------------------------|
|  | <b>2022</b>              | <b>2021</b>              | <b>2022</b>                        |
|  | <b>(Millions of yen)</b> | <b>(Millions of yen)</b> | <b>(Thousands of U.S. dollars)</b> |
| Fair value of plan assets  | ¥ 23,884                 | ¥ 22,659                 | \$ 178,866                         |
| Total amount of actuarial loss on past service liability and minimum actuarial reserve | 19,461                   | 19,750                   | 145,743                            |
| Difference   | ¥ 4,423                  | ¥ 2,909                  | \$ 33,123                          |

The main factors in the difference in the funded status of the entire multi-employer pension fund plan above consist of a separate reserve of ¥1,198 million (\$8,972 thousand) and ¥1,198 million, an amount equivalent to the risk of financial deterioration of ¥5,097 million (\$38,171 thousand) and ¥5,097 million, and the present value of the amount available for additional contributions of ¥(1,871) million (\$14,012 thousand) and ¥(3,386) million for the years ended March 31, 2022 and 2021, respectively.

The Group employees enrolled in the entire multi-employer pension fund plan as of March 31, 2022 and 2021 constituted 2.52% and 2.63%, respectively. The percentage does not correspond to the percentage of the Group's actual contribution.

## 12. Stock Option

1. Among transactions in which shares are delivered without consideration as compensation to directors, details, scale, and changes in the pre-delivery type are as follows:

### (1) Details of pre-delivery type

|   | <b>2022 Pre-delivery type</b>  |
|---|--|
| Classification and number of grantees     | Four (4) Directors of the Company (Note 1)<br>Six (6) Executive officers of the Company (Note 2)   |
| Number of shares granted by type of stock | Common stock 122,629 shares  |
| Date of grant                             | July 22, 2022  |
| Transfer restriction period               | From July 22, 2022 (the "Allotment date") to the date of retirement of any director or executive officer of the Company  |
| Conditions for cancellation               | On the condition that the subject officer has continuously held the position of director or executive officer of the Company during the period determined by the Company based on the term of office, etc. of each subject officer, the Company will cancel the restriction on transfer of all the allotted shares of common stock of the Company at the expiration of the restriction period.                         |
|   | <b>2021 Pre-delivery type</b>  |
| Classification and number of grantees     | Four (4) Directors of the Company (Note 1)<br>Seven (7) Executive officers of the Company (Note 2)   |
| Number of shares granted by type of stock | Common stock 102,669 shares  |
| Date of grant                             | November 18, 2021  |
| Transfer restriction period               | From November 18, 2021 (the "Allotment date") to the date of retirement of any director or executive officer of the Company  |
| Conditions for cancellation               | On the condition that the subject officer has continuously held the position of director or executive officer of the Company during the period from October 1, 2021 to the date of the Company's annual general meeting of shareholders to be held in 2022, the Company will cancel the restriction on transfer of all the allotted shares of common stock of the Company at the expiration of the restriction period. |
| Notes:                                    | <ol style="list-style-type: none"> <li>1. Excluding outside Directors.</li> <li>2. Executive officers who concurrently serve as directors are excluded.</li> </ol>   |

## (2) Scale of pre-delivery type and its changes

The information is on the pre-delivery type where the number of shares with unreleased restrictions on transfer existed in the current fiscal year.

### 1) Amount of expenses recorded

|   | March 31          |     |                   |    |                             |     |
|---|-------------------|-----|-------------------|----|-----------------------------|-----|
|   | 2023              |     | 2022              |    | 2023                        |     |
|   | (Millions of yen) |     | (Millions of yen) |    | (Thousands of U.S. dollars) |     |
| Remuneration for directors in general and administrative expenses | ¥                 | 117 | ¥                 | 63 | \$                          | 876 |

### 2) Number of shares

|   | 2022 Pre-delivery type |
|---|------------------------|
| Unreleased as of the end of the previous fiscal year (shares) | —                      |
| Granted (shares)  | 122,629                |
| Acquired without consideration (shares)                       | —                      |
| Released restrictions on transfer (shares)                    | —                      |
| Unreleased as of the end of the current fiscal year (shares)  | 122,629                |

  

|   | 2021 Pre-delivery type |
|---|------------------------|
| Unreleased as of the end of the previous fiscal year (shares) | 102,669                |
| Granted (shares)  | —                      |
| Acquired without consideration (shares)                       | —                      |
| Released restrictions on transfer (shares)                    | 10,295                 |
| Unreleased as of the end of the current fiscal year (shares)  | 92,374                 |

### 3) Unit price information

Fair unit price at the grant date: ¥926 (\$6.93) for 2022 pre-delivery type and ¥922 for 2021 pre-delivery type

#### 2. Method of estimating fair unit price

The unit price is the closing price of shares of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of the resolution of the Board of Directors.

#### 3. Method of estimating the number of shares with unreleased restrictions on transfer

For pre-delivery, a method to reflect only the actual number of shares acquired without consideration is basically used, since it is difficult to reasonably estimate the number of shares to be acquired without consideration.

### 13. Income Taxes

Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

|   | March 31          |                   |                             |
|---|-------------------|-------------------|-----------------------------|
|   | 2023              | 2022              | 2023                        |
|   | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Deferred tax assets:                            |                   |                   |                             |
| Net loss carried forward                        | ¥ 235             | ¥ 776             | \$ 1,760                    |
| Liability for retirement benefits               | 5,452             | 5,735             | 40,830                      |
| Write-down of inventories and other             | 2,863             | 4,325             | 21,441                      |
| Impairment loss on fixed assets                 | 4,117             | 4,521             | 30,832                      |
| Provision for bonuses for employees             | 3,142             | 3,097             | 23,530                      |
| Allowance for doubtful accounts                 | 218               | 242               | 1,633                       |
| Provision for losses on construction contracts  | 138               | 260               | 1,033                       |
| Unrealized inter-company profit of fixed assets | 427               | 569               | 3,198                       |
| Evaluation difference on capital consolidation  | 3,868             | 3,971             | 28,967                      |
| Other   | 6,696             | 6,021             | 50,146                      |
| Total   | 27,156            | 29,517            | 203,370                     |
| Less – Valuation allowance                      | (16,191)          | (19,256)          | (121,254)                   |
| Deferred tax assets                             | 10,965            | 10,261            | 82,116                      |
| Deferred tax liabilities:                       |                   |                   |                             |
| Unrealized gain on investment in securities     | (5,343)           | (8,960)           | (40,013)                    |
| Evaluation difference on capital consolidation  | (7,388)           | (8,007)           | (55,328)                    |
| Asset for retirement benefits                   | (5,062)           | (5,029)           | (37,909)                    |
| Retained earnings of affiliates                 | (260)             | (82)              | (1,947)                     |
| Other   | (1,853)           | (1,647)           | (13,877)                    |
| Total deferred tax liabilities                  | (19,906)          | (23,725)          | (149,074)                   |
| Net deferred tax liabilities                    | ¥ (8,941)         | ¥ (13,464)        | \$ (66,958)                 |

(Change in presentation)

“Provision for bonuses for employees,” which was included in “Other” under “Deferred tax assets” in the previous fiscal year, is separately presented in the current fiscal year, in consideration of its materiality.

As a result, ¥9,118 million presented as “Other” in the previous fiscal year has been reclassified as “Provision for bonuses for employees” of ¥3,097 million and “Other” of ¥6,021 million.

The major components of the difference between the statutory tax rate and effective income tax rate for the years ended March 31, 2023 and 2022 are as follows:

|   | For the year ended March 31 |       |
|---|-----------------------------|-------|
|   | 2023                        | 2022  |
| Statutory tax rate                      | 30.6%                       | 30.6% |
| Changes in the tax rate resulting from: |                             |       |
| Non-deductible expenses                 | 0.9                         | 0.8   |
| Non-taxable income                      | (0.3)                       | (0.2) |
| Per capita levy                         | 0.6                         | 0.7   |
| Special deductible income taxes         | (0.6)                       | (0.8) |
| Retained earnings of affiliates         | 0.3                         | (0.1) |
| Amortization of goodwill                | 4.0                         | 4.6   |
| Elimination of dividend income          | 0.1                         | 0.7   |
| Gain on equity method investments       | (0.6)                       | (0.4) |
| Less-Valuation allowance and other      | (6.1)                       | (2.8) |
| Effective income tax rate               | 28.9%                       | 33.1% |

## 14. Shareholders' Equity

The Companies Act of Japan provides that an amount equivalent to 10% of the amount of the deduction from surplus as a result of the payment of dividends of surplus be recorded as additional paid-in capital or retained earnings reserves, until the sum of the additional paid-in capital and the retained earnings reserves equals 25% of the common stock amount. Such a distribution of dividends of surplus can be made by resolution of a shareholders meeting, or by the Board of Directors if certain conditions are met.

## 15. Commitments and Contingent Liabilities

The contingent liabilities of the Company as of March 31, 2023 and 2022 are summarized as follows:

|  | March 31          |                   |                             |
|--|-------------------|-------------------|-----------------------------|
|  | 2023              | 2022              | 2023                        |
|  | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Endorsed trade notes receivable                  | ¥ 2,657           | ¥ 8,243           | \$ 19,898                   |
| Guarantees on securitized trade notes receivable | —                 | 12                | —                           |
| Loan guarantee for                               |                   |                   |                             |
| Asai Construction Co., Ltd.                      | 665               | 765               | 4,980                       |
| Ozu Biomass Power Co., Ltd.*                     | 691               | —                 | 5,175                       |
| ENE SEA BASE KAGOSHIMA Co., Ltd.*                | 30                | —                 | 225                         |
| Izumon Retailing Co., Ltd.*                      | 41                | 46                | 307                         |
| Letters of guarantee for                         |                   |                   |                             |
| Maeda Vietnam Co., Ltd.*                         | 1,634             | 393               | 12,237                      |
| Sompo Japan Insurance Inc.                       | 776               | —                 | 5,811                       |
| Total  | ¥ 6,494           | ¥ 9,459           | \$ 48,633                   |

\*Company affiliates

## 16. Selling, General and Administrative Expenses

The major items of selling, general and administrative expenses in the consolidated statements of income for the years ended March 31, 2023 and 2022 are as follows:

|                                     | For the year ended March 31 |                   |                             |
|-------------------------------------|-----------------------------|-------------------|-----------------------------|
|                                     | 2023                        | 2022              | 2023                        |
|                                     | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Salaries to employees               | ¥ 19,556                    | ¥ 17,666          | \$ 146,454                  |
| Experimental research costs         | 6,455                       | 7,125             | 48,341                      |
| Amortization of goodwill            | 6,732                       | 6,748             | 50,416                      |
| Retirement benefit expenses         | 1,089                       | 1,068             | 8,155                       |
| Provision for bonuses for employees | 3,162                       | 3,160             | 23,680                      |
| Allowance for doubtful accounts     | 52                          | 6                 | 389                         |
| Provision for bonuses for directors | 488                         | 247               | 3,655                       |

## 17. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2023 and 2022 are as follows:

|                                   | For the year ended March 31 |                   |                             |
|-----------------------------------|-----------------------------|-------------------|-----------------------------|
|                                   | 2023                        | 2022              | 2023                        |
|                                   | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Research and development expenses | ¥ 4,917                     | ¥ 5,670           | \$ 36,823                   |

## 18. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2023 and 2022 amounted to ¥221 million (\$1,655 thousand) and ¥390 million, respectively.

## 19. Gain on Sale of Fixed Assets

The details of gain on sale of fixed assets for the years ended March 31, 2023 and 2022 are as follows:

|   | For the year ended March 31 |                   |                             |
|---|-----------------------------|-------------------|-----------------------------|
|   | 2023                        | 2022              | 2023                        |
|   | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Land  | ¥ 532                       | ¥ 129             | \$ 3,984                    |
| Buildings   | 15                          | 69                | 113                         |
| Machinery and equipment, vehicles, tools, furniture, and fixtures | 62                          | 134               | 464                         |
| Total   | ¥ 609                       | ¥ 332             | \$ 4,561                    |

## 20. Loss on Retirement of Fixed Assets

The details of loss on retirement of fixed assets for the years ended March 31, 2023 and 2022 are as follows:

|   | For the year ended March 31 |                   |                             |
|---|-----------------------------|-------------------|-----------------------------|
|   | 2023                        | 2022              | 2023                        |
|   | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Buildings   | ¥ 227                       | ¥ 224             | \$ 1,700                    |
| Machinery and equipment, vehicles, tools, furniture, and fixtures | 136                         | 244               | 1,018                       |
| Others  | 63                          | 61                | 472                         |
| Total   | ¥ 426                       | ¥ 529             | \$ 3,190                    |

## 21. Reduction Entry Resulting from Government Subsidy

Excluded from the acquisition cost of tangible fixed assets due to receiving government subsidies for the years ended March 31, 2023 and 2022 are as follows:

|                          | For the year ended March 31 |                   |                             |
|--------------------------|-----------------------------|-------------------|-----------------------------|
|                          | 2023                        | 2022              | 2023                        |
|                          | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Buildings and structures | ¥ 287                       | ¥ 287             | \$ 2,149                    |



## 22. Consolidated Statement of Comprehensive Income

The reclassification adjustments and tax effects associated with other comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

|  | For the year ended March 31 |                           |                                     |
|--|-----------------------------|---------------------------|-------------------------------------|
|  | 2023<br>(Millions of yen)   | 2022<br>(Millions of yen) | 2023<br>(Thousands of U.S. dollars) |
| <u>Unrealized loss on investments in securities</u>                                    |                             |                           |                                     |
| Recognized amount for the year   | ¥ (740)                     | ¥ (9,793)                 | \$ (5,542)                          |
| Amount of reclassification adjustments   | (11,234)                    | (6,120)                   | (84,131)                            |
| Before tax effect adjustment   | (11,974)                    | (15,913)                  | (89,673)                            |
| Amount of tax effect   | 3,560                       | 4,833                     | 26,661                              |
| Sub-total  | ¥ (8,414)                   | ¥ (11,080)                | \$ (63,012)                         |
| <u>Deferred gains or losses on hedges</u>  |                             |                           |                                     |
| Recognized amount for the year   | ¥ (655)                     | ¥ 50                      | \$ (4,905)                          |
| Amount of reclassification adjustments   | —                           | —                         | —                                   |
| Before tax effect adjustment   | (655)                       | 50                        | (4,905)                             |
| Amount of tax effect   | 204                         | (3)                       | 1,527                               |
| Sub-total  | ¥ (451)                     | ¥ 47                      | \$ (3,378)                          |
| <u>Foreign currency translation adjustments</u>  |                             |                           |                                     |
| Recognized amount for the year   | ¥ (46)                      | ¥ (72)                    | \$ (344)                            |
| Amount of reclassification adjustments   | 352                         | —                         | 2,636                               |
| Sub-total  | ¥ 306                       | ¥ (72)                    | \$ 2,292                            |
| <u>Retirement benefits liability adjustments</u>                                       |                             |                           |                                     |
| Recognized amount for the year   | ¥ (186)                     | ¥ 1,481                   | \$ (1,393)                          |
| Amount of reclassification adjustments   | 481                         | 632                       | 3,602                               |
| Before tax effect adjustment   | ¥ 295                       | ¥ 2,113                   | \$ 2,209                            |
| Amount of tax effect   | (42)                        | (791)                     | (314)                               |
| Sub-total  | ¥ 253                       | ¥ 1,322                   | \$ 1,895                            |
| <u>Share of other comprehensive income of companies accounted for by equity method</u> |                             |                           |                                     |
| Recognized amount for the year   | ¥ (3)                       | ¥ (2)                     | \$ (22)                             |
| Amount of reclassification adjustments   | (4)                         | 45                        | (30)                                |
| Sub-total  | ¥ (7)                       | ¥ 43                      | \$ (52)                             |
| Total other comprehensive loss   | ¥ (8,313)                   | ¥ (9,740)                 | \$ (62,255)                         |

## 23. Consolidated Statement of Changes in Net Assets

### (1) Type and number of outstanding stock and treasury stock

For the year ended March 31, 2023:

|                                       | Type | (Thousands of shares)    |                       |
|---------------------------------------|------|--------------------------|-----------------------|
|                                       |      | <b>Outstanding stock</b> | <b>Treasury stock</b> |
|                                       |      | <b>Common stock</b>      | <b>Common stock</b>   |
| Number of shares as of April 1, 2022  |      | 291,070                  | 26,694                |
| Increase during the year              |      | —                        | 13,294                |
| Decrease during the year              |      | 16,225                   | 17,659                |
| Number of shares as of March 31, 2023 |      | <u>274,845</u>           | <u>22,329</u>         |

- Notes:
1. The decrease of 16,225 thousand issued shares is due to the cancellation of treasury stock in May 2022 based on the resolution of the Board of Directors of the Company.
  2. The number of shares of treasury stock at the beginning of the current fiscal year includes 4,221 thousand shares of the Company's shares held by the "ESOP" implemented by the Company, and 657 thousand shares held by the Board Benefit Trust (BBT).
  3. The increase of 13,294 thousand shares in treasury stock is composed of an increase of 12,057 thousand shares from the acquisition of treasury stock based on a resolution of the Board of Directors, an increase of 4 thousand shares from the purchase of shares of less than one unit, and an increase of 1,232 thousand shares due to the change in equity.
  4. The decrease of 17,659 thousand shares in treasury stock is due to the decrease of 16,225 thousand shares resulting from the cancellation of treasury stock in May 2022 based on the resolution of the Board of Directors of the Company, the decrease of 479 thousand shares due to treasury stock disposal as restricted stock compensation, and the decrease of 954 thousand shares due to the sale of shares to the employee stock holding partnership through the "ESOP."
  5. The number of treasury stock at the end of the current fiscal year includes 3,267 thousand shares held by the "ESOP" introduced by the Company and 377 thousand shares held by the BBT.

For the year ended March 31, 2022:

|                                       |      | (Thousands of shares) |                |
|---------------------------------------|------|-----------------------|----------------|
|                                       | Type | Outstanding stock     | Treasury stock |
|                                       |      | Common stock          | Common stock   |
| Number of shares as of April 1, 2021  |      | 194,608               | 7,348          |
| Increase during the year              |      | 391,539               | 121,994        |
| Decrease during the year              |      | 295,077               | 102,648        |
| Number of shares as of March 31, 2022 |      | 291,070               | 26,694         |

- Notes:
1. The increase in issued shares is due to the establishment of the Company by means of a joint share transfer (hereinafter the "Share Transfer") conducted by Maeda Corporation, Maeda Road Construction Co., Ltd. and Maeda Seisakusho Co., Ltd. on October 1, 2021.
  2. The decrease of 295,077 thousand issued shares represents a decrease of 160 thousand shares due to the cancellation of treasury stock in September 2021 based on the resolution of the Board of Directors of Maeda Corporation, a decrease of 194,447 thousand shares in issued shares of Maeda Corporation, which became a wholly owned subsidiary, and a decrease of 100,469 thousand shares due to the cancellation of treasury stock in November 2021 based on the resolution of the Board of Directors of the Company.
  3. The number of shares of treasury stock at the beginning of the current fiscal year includes 496 thousand shares of the Company's shares held by the "ESOP" implemented by Maeda Corporation, and 657 thousand shares held by the Board Benefit Trust (BBT) introduced by Maeda Corporation.
  4. The increase of 121,994 thousand shares in treasury stock is composed of 100,675 thousand shares of the Company allocated to subsidiaries as a result of the Share Transfer, an increase of 17,066 thousand shares from the acquisition of treasury stock based on a resolution of the Board of Directors, an increase of 20 thousand shares from the acquisition of shares with transfer restrictions without compensation, an increase of 10 thousand shares from the purchase of shares of less than one unit, and an increase of 4,221 thousand shares from the acquisition of Company shares by the "ESOP" that the Company has introduced.
  5. The decrease of 102,648 thousand shares in treasury stock is due to the decrease of 160 thousand shares resulting from the cancellation of treasury stock in September 2021 based on the resolution of the Board of Directors of Maeda Corporation, the decrease of 100,469 thousand shares resulting from the cancellation of treasury stock in November 2021 based on the resolution of the Board of Directors of the Company, the decrease of 1,762 thousand shares due to the disposal of treasury stock based on a resolution of the Board of Directors, the decrease of 164 thousand shares due to treasury stock disposal as restricted stock compensation, and the decrease of 92 thousand shares due to the sale of shares to the employee stock holding partnership through the "ESOP" introduced by Maeda Corporation.
  6. The number of treasury stock at the end of the current fiscal year includes 4,221 thousand shares held by the "ESOP" introduced by the Company and 657 thousand shares held by the BBT introduced by Maeda Corporation.

## (2) Dividends

### 1) Payment of dividends

For the year ended March 31, 2023:

| (Resolution)                                     | Type of shares | Total amount of dividends           | Source of dividend         | Dividend per share | Record date    | Effective date |
|--|----------------|-------------------------------------|----------------------------|--------------------|----------------|----------------|
| Board of Directors' meeting held on May 13, 2022 | Common shares  | ¥10,770 million (\$80,656 thousand) | Additional paid-in capital | ¥40.0 (\$0.30)     | March 31, 2022 | June 24, 2022  |

- Notes:
- The total amount of dividends is the amount after deducting dividends on parent company shares held by subsidiaries and affiliates.
  - The total amount of dividends resolved by the Board of Directors at a meeting held on May 13, 2022 includes dividends of ¥169 million (\$1,266 thousand) for the Company's shares held by the "ESOP" introduced by the Company, and dividends of ¥26 million (\$195 thousand) for Maeda Corporation's shares held by the Board Benefit Trust (BBT) introduced by Maeda Corporation.

For the year ended March 31, 2022:

The Company was established on October 1, 2021 by means of a joint share transfer as a wholly owning parent company of Maeda Corporation, Maeda Road Construction, Co., Ltd., and Maeda Seisakusho Co., Ltd., and for that reason the amount of dividends paid is the amount resolved at Maeda Corporation, which was the former parent company that became a wholly owned subsidiary through the joint share transfer.

| (Resolution)                                       | Type of shares | Total amount of dividends | Dividend per share | Record date    | Effective date |
|--|----------------|---------------------------|--------------------|----------------|----------------|
| General shareholders meeting held on June 23, 2021 | Common shares  | ¥7,144 million            | ¥38.0              | March 31, 2021 | June 24, 2021  |

- Notes:
- The total amount of dividends is the amount after deducting dividends on parent company shares held by subsidiaries and affiliates.
  - The total amount of dividends resolved at the general shareholders meeting held on June 23, 2021 includes dividends of ¥3 million for Maeda Corporation's shares held by the "ESOP" introduced by Maeda Corporation, and dividends of ¥25 million for Maeda Corporation's shares held by the Board Benefit Trust (BBT) introduced by Maeda Corporation.

## 2) Dividends with the record date that falls within the fiscal year under review but the effective date in the following fiscal year

For the year ended March 31, 2023:

| <b>(Resolution)</b>                             | <b>Type of shares</b> | <b>Total amount of dividends</b>        | <b>Source of dividend</b> | <b>Dividend per share</b> | <b>Record date</b> | <b>Effective date</b> |
|---|-----------------------|---|---------------------------|---------------------------|--------------------|-----------------------|
| Board of Directors' meeting held on May 8, 2023 | Common shares         | ¥14,089 million<br>(\$105,512 thousand) | Retained earnings         | ¥55.0<br>(\$0.41)         | March 31, 2023     | June 21, 2023         |

- Notes:
1. The total amount of dividends is the amount after deducting dividends on parent company shares held by subsidiaries and affiliates.
  2. The total amount of dividends resolved by the Board of Directors at a meeting held on May 8, 2023 includes dividends of ¥180 million (\$1,348 thousand) for the Company's shares held by the "ESOP," and dividends of ¥21 million (\$157 thousand) for the Company's shares held by the Board Benefit Trust (BBT).

For the year ended March 31, 2022:

| <b>(Resolution)</b>                              | <b>Type of shares</b> | <b>Total amount of dividends</b> | <b>Source of dividend</b>  | <b>Dividend per share</b> | <b>Record date</b> | <b>Effective date</b> |
|--|-----------------------|----------------------------------|----------------------------|---------------------------|--------------------|-----------------------|
| Board of Directors' meeting held on May 13, 2022 | Common shares         | ¥10,770 million                  | Additional paid-in capital | ¥40.0                     | March 31, 2022     | June 24, 2022         |

- Notes:
1. The total amount of dividends is the amount after deducting dividends on parent company shares held by subsidiaries and affiliates.
  2. The total amount of dividends resolved by the Board of Directors at a meeting held on May 13, 2022 includes dividends of ¥169 million for the Company's shares held by the "ESOP" introduced by the Company, and dividends of ¥26 million for Maeda Corporation's shares held by the Board Benefit Trust (BBT) introduced by Maeda Corporation.

## 24. Consolidated Statement of Cash Flows

### (1) Cash and cash equivalents at year end

The balances of “Cash and time deposits” in the consolidated balance sheets are reconciled to “Cash and cash equivalents at end of the year” in the consolidated statements of cash flows as follows:

|  | March 31          |                   |                             |
|--|-------------------|-------------------|-----------------------------|
|  | 2023              | 2022              | 2023                        |
|  | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Cash and time deposits                       | ¥ 88,800          | ¥ 78,036          | \$ 665,019                  |
| Less – Time deposits over 3 months           | (2,499)           | (1,842)           | (18,715)                    |
| Less – Separate deposits in trusts (Note)    | (286)             | (176)             | (2,142)                     |
| Cash and cash equivalents at end of the year | ¥ 86,015          | ¥ 76,018          | \$ 644,162                  |

Note: Included in “ESOP” and Board Benefit Trust (BBT)

### (2) Significant non-cash transactions

For the year ended March 31, 2023:

Not applicable

For the year ended March 31, 2022:

The Company was established on October 1, 2021 by means of a joint share transfer (hereinafter the “Share Transfer”) as a wholly owning parent company of Maeda Corporation, Maeda Road Construction, Co., Ltd., and Maeda Seisakusho Co., Ltd. As a result of the Share Transfer, additional paid-in capital increased by ¥193,866 million and treasury stock increased by ¥(98,401) million, while common stock and non-controlling interests decreased by ¥8,463 million and ¥87,002 million, respectively.

## 25. Investment and Rental Properties

Certain consolidated subsidiaries own rental properties such as office buildings, facilities for lease and others in Tokyo, Fukuoka, and the other major cities in Japan. Profit on rental properties was ¥956 million (\$7,159 thousand), gain on sale of fixed assets was ¥415 million (\$3,108 thousand), loss on sale of fixed assets was ¥1 million (\$7 thousand), and impairment loss on rental properties was ¥838 million (\$6,276 thousand) for the year ended March 31, 2023.

Profit on rental properties was ¥903 million, and impairment loss on rental properties was ¥54 million for the year ended March 31, 2022.

The book value, increase or decrease in book value during the year, and fair value of rental properties for the years ended March 31, 2023 and 2022 are as follows:

|   | March 31          |                   |                             |
|---|-------------------|-------------------|-----------------------------|
|   | 2023              | 2022              | 2023                        |
|   | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Book value at the beginning of the year | ¥ 19,793          | ¥ 19,672          | \$ 148,229                  |
| Increase or decrease during the year    | (2,594)           | 121               | (19,426)                    |
| Book value at the end of the year       | ¥ 17,199          | ¥ 19,793          | \$ 128,803                  |
| Fair value as of the year end           | ¥ 31,163          | ¥ 33,422          | \$ 233,378                  |

- Notes:
1. Book value represents the acquisition cost less accumulated depreciation cost and accumulated impairment loss.
  2. Increase in book value results mainly from the renovation of rental office building in the amount of ¥506 million (\$3,789 thousand). Decrease in book value results mainly from the sale of rental office building, rental residential building and land in the amount of ¥2,084 million (\$15,607 thousand), and an impairment loss in the amount of ¥838 million (\$6,276 thousand) for the year ended March 31, 2023.  
Increase in book value results mainly from the purchase of rental building in the amount of ¥596 million. Decrease in book value results mainly from change in scope of consolidation in the amount of ¥165 million for the year ended March 31, 2022.
  3. Fair values of main properties are based on real property appraisal from outside real estate appraisers.

## 26. Operations for Public Facilities, etc.

Aichi Road Concession Co., Ltd., a consolidated subsidiary, has been selected as a management company, and it runs operations for public facilities as follows;

### 1. Summary of rights to operate public facilities

|                                   |  |                                  |                                      |                                  |                                      |
|-----------------------------------|--|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Descriptions of public facilities | Toll Road Operation Management in Aichi Prefecture   |                                  |                                      |                                  |                                      |
|                                   | 4 Roads in Chita Area consisting of Minami Chita Road, Chita Hanto Road, Chita Odan Road, and Access Road to Chubu Centrair Int'l Airport  | Sanage Green Road                | Kinuura Tunnel                       | Kinuura Toyota Road              | Nagoya Seto Road                     |
|                                   | Rights are made on above-mentioned roads respectively  |                                  |                                      |                                  |                                      |
| Terms of payments                 | Pay in lump sum as rights are obtained, and the remaining balances are paid annually   |                                  |                                      |                                  | Pay in full as right is obtained     |
| Duration of rights                | October 1, 2016 to March 31, 2046  | October 1, 2016 to June 22, 2029 | October 1, 2016 to November 29, 2029 | October 1, 2016 to March 5, 2034 | October 1, 2016 to November 26, 2044 |
| Remaining duration of rights      | April 1, 2023 to March 31, 2046  | April 1, 2023 to June 22, 2029   | April 1, 2023 to November 29, 2029   | April 1, 2023 to March 5, 2034   | April 1, 2023 to November 26, 2044   |
| Summary of profit-share clause    | <p>Increased and decreased revenues belong to or are compensated as follows, provided that the revenue amounts of each fiscal-year end are increased or decreased compared to the scheduled revenue amounts;</p> <ul style="list-style-type: none"> <li>• Within 6% of increase (or decrease)<br/>Belong to Aichi Road Concession Co., Ltd.</li> <li>• Above 6% of increase<br/>6% or less of increase belongs to Aichi Road Concession Co., Ltd.<br/>6% or above of increase belongs to Aichi Prefectural Road Public Corporation</li> <li>• Above 6% of decrease<br/>6% or less of decrease belongs to Aichi Road Concession Co., Ltd.<br/>6% or above of decrease belongs to Aichi Prefectural Road Public Corporation</li> </ul> |                                  |                                      |                                  |                                      |

### 2. Amortization method of rights to operate public facilities

Unit-of-production method based on traffic volume.

### 3. Information on replacement investments

#### (1) Descriptions and scheduled dates

(4 roads in Chita Area)

| Descriptions of main replacement investments                       | Scheduled dates   |
|--|---|
| Remote monitoring facilities                                       | Year ending March 31, 2024                                    |
| Replacement of main computer system                                | Year ending March 31, 2024                                    |
| Replacement of lanes for Electronic Toll Collection System ("ETC") | From year ending March 31, 2025 to year ending March 31, 2033 |
| Replacement of lanes for Ordinary Toll Collection Machines         | From year ending March 31, 2032 to year ending March 31, 2035 |



(Sanage Green Road)

| Descriptions of main replacement investments | Scheduled dates            |
|--|----------------------------|
| Replacement of road information boards       | Year ending March 31, 2024 |
| ITV cameras                                  | Year ending March 31, 2026 |

(Kinuura Tunnel)

| Descriptions of main replacement investments | Scheduled dates            |
|--|----------------------------|
| Remote monitoring facilities                 | Year ending March 31, 2024 |
| ITV cameras                                  | Year ending March 31, 2024 |

(Kinuura Toyota Road)

| Descriptions of main replacement investments | Scheduled dates            |
|--|----------------------------|
| Replacement of road information displays     | Year ending March 31, 2026 |

(Nagoya Seto Road)

| Descriptions of main replacement investments                       | Scheduled dates   |
|--|---|
| Replacement of lanes for Ordinary Toll Collection Machines         | Year ending March 31, 2031                                    |
| Replacement of road information displays                           | From year ending March 31, 2024 to year ending March 31, 2026 |
| Replacement of lanes for Electronic Toll Collection System ("ETC") | Year ending March 31, 2030                                    |
| Replacement of power receiving and distribution facilities         | Year ending March 31, 2034                                    |

## (2) Accounting treatments for assets and liabilities related to replacement investments adopted by the management company

Regarding the extent of the replacement investments that constitutes capital expenditures (limited to those for which ownership belongs to the management company, etc.), the total amount and timing of expenditures expected to be incurred over the duration of the right of operation are estimated, and the present value of the total amount expected to be incurred is recorded as a liability and the same amount is recorded as an asset at the time of acquisition of the right to operate public facilities.

## (3) Amortization method of assets in replacement investment

Unit-of-production method based on traffic volume.

Miotsukushi Industrial Water Concession Co., Ltd., a consolidated subsidiary, has been selected as a management company, and it runs operations for public facilities as follows;

## 1. Summary of rights to operate public facilities

| Descriptions of public facilities | Industrial Water Specified Operation Management, etc. in Osaka City  |
|-----------------------------------|--|
| Terms of payments                 | Payment will be made in installments over the duration of rights (10 years) in accordance with the method stipulated in the implementation contract. |
| Duration of rights                | April 1, 2022 to March 31, 2032  |
| Remaining duration of rights      | April 1, 2023 to March 31, 2032  |

## 2. Amortization method of rights to operate public facilities

Straight-line method over 10 years, the duration of rights

## 3. Information on replacement investments

### (1) Descriptions and scheduled dates

(8 roads of pipelines)

| Replacement investments of main pipelines  | Scheduled dates   |
|--|---|
| From 1 chome, Mitejima, Nishiyodogawa-ku to 3 chome, Kashiwazato, Nishiyodogawa-ku | From year ending March 31, 2028 to year ending March 31, 2030 |
| 2 chome, Chibune, Nishiyodogawa-ku   | From year ending March 31, 2028 to year ending March 31, 2029 |
| 2 chome, Ono, Nishiyodogawa-ku   | From year ending March 31, 2026 to year ending March 31, 2027 |
| From 3 chome, Baika, Konohana-ku to 1 chome, Kasugadekita, Konohana-ku             | From year ending March 31, 2025 to year ending March 31, 2027 |
| 8 chome, Ebie, Fukushima-ku  | From year ending March 31, 2024 to year ending March 31, 2026 |
| From 6 chome, Ebie, Fukushima-ku to 8 chome, Ebie, Fukushima-ku                    | From year ending March 31, 2025 to year ending March 31, 2026 |
| From 1 chome, Nakatsu, Kitaku to 3 chome, Nakatsu, Kitaku                          | From year ending March 31, 2025 to year ending March 31, 2028 |
| 1 chome, Kunijima, Higashiyodogawa-ku  | From year ending March 31, 2027 to year ending March 31, 2028 |

### (2) Accounting treatments for assets and liabilities related to replacement investments adopted by the management company

Regarding the extent of the replacement investments that constitutes capital expenditures (limited to those for which ownership belongs to the management company, etc.), the total amount and timing of expenditures expected to be incurred over the duration of the right of operation are estimated, and the present value of the total amount expected to be incurred is recorded as a liability and the same amount is recorded as an asset at the time of acquisition of the right to operate public facilities.

### (3) Amortization method of assets in replacement investment

Straight-line method over 10 years, the duration of rights

## 27. Revenue Recognition

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

Information on disaggregation of revenue from contracts with customers has been disclosed in “Note 28. Segment Information.”

### (2) Information in understanding revenue from contracts with customers

Information in understanding revenue has been disclosed in “Note 2. Summary of Significant Accounting Policies, (1) Recognition of revenues and expenses.”

### (3) Information on satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the current fiscal year expected to be recognized in and after the following fiscal year

#### 1) Balances of contract assets and contract liabilities

|  | (Millions of yen)                        |                       |
|--|--|-----------------------|
|  | <b>For the year ended March 31, 2023</b> |                       |
|  | <b>Beginning balance</b>                 | <b>Ending balance</b> |
| Receivables from contracts with customers: |  |                       |
| Trade receivables – Notes                  | ¥10,650                                  | ¥17,073               |
| Trade receivables – Accounts               | 86,777                                   | 95,567                |
| Total                                      | ¥97,427                                  | ¥112,640              |
| Contract assets                            | ¥213,375                                 | ¥183,448              |
| Contract liabilities                       | ¥34,863                                  | ¥37,807               |

|  | (Millions of yen)                        |                       |
|--|--|-----------------------|
|  | <b>For the year ended March 31, 2022</b> |                       |
|  | <b>Beginning balance</b>                 | <b>Ending balance</b> |
| Receivables from contracts with customers: |  |                       |
| Trade receivables – Notes                  | ¥13,483                                  | ¥10,650               |
| Trade receivables – Accounts               | 104,335                                  | 86,777                |
| Total                                      | ¥117,818                                 | ¥97,427               |
| Contract assets                            | ¥145,613                                 | ¥213,375              |
| Contract liabilities                       | ¥36,962                                  | ¥34,863               |

|  | (Thousands of U.S. dollars)              |                       |
|--|--|-----------------------|
|  | <b>For the year ended March 31, 2023</b> |                       |
|  | <b>Beginning balance</b>                 | <b>Ending balance</b> |
| Receivables from contracts with customers: |  |                       |
| Trade receivables – Notes                  | \$79,757                                 | \$127,859             |
| Trade receivables – Accounts               | 649,869                                  | 715,697               |
| Total                                      | \$729,626                                | \$843,556             |
| Contract assets                            | \$1,597,956                              | \$1,373,834           |
| Contract liabilities                       | \$261,087                                | \$283,135             |

Contract assets relate to the right to consideration for construction contracts for which contracts have been completed but an invoice has not yet been issued. Once the Company has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers based on construction contracts, and they are reversed as revenue is recognized. Revenue recognized in the current fiscal year and in the previous fiscal year that was included in the contract liability balance at the beginning of the period was ¥32,632 million (\$244,380 thousand) and ¥34,069 million, respectively.

Since the payment terms of construction contracts by the customer vary from contract to contract, there is no clear relationship between the satisfaction of performance obligations and the timing of payment.

The amount of revenue recognized in the current fiscal year and the previous fiscal year from performance obligations that were satisfied (or partially satisfied) in prior periods was not material, and therefore, note has been omitted.

## **2) Transaction price allocated to the remaining performance obligations**

The total transaction prices allocated to the remaining performance obligations at the end of the current fiscal year and at the end of the previous fiscal year are ¥803,057 million (\$6,014,057 thousand) and ¥809,569 million, respectively.

The Company expects to recognize revenue for these remaining performance obligations generally within 10 years as the relevant properties are completed.

## 28. Segment Information

### (1) Segment information

#### 1) Summary of reportable segments:

The reportable segments of the Group are components for which separate financial information is available and whose operating results are evaluated regularly by the Board of Directors to make decisions about how to allocate resources and in assessing performance.

The operations of the Group consist of business and service segments operated by the consolidated subsidiaries, etc. and are composed of five reportable segments as follows:

|                           |   |
|---------------------------|---|
| Building                  | : Contract work for building and other related services   |
| Civil engineering         | : Contract work for civil engineering and other related services  |
| Road civil engineering    | : Contract work for road civil engineering, manufacture and sale of various asphalt mix materials, and other related services |
| Machinery                 | : Production and sales of construction machinery and other related services   |
| Infrastructure management | : Renewable energy and concession operations, and other related services  |

#### 2) Net sales, profit (or loss), and other items by reportable segment

The accounting policies used for the segment reporting are substantially the same as those described in “Summary of Significant Accounting Policies.” Profits of reportable segments are based on operating profit. Inter-segment transactions are transactions among the consolidated subsidiaries and are based on market prices, etc.

### 3) Information on sales, profit or loss, other items by reportable segment

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

|   | Reportable segment |                      |                           |           |                              |           | Other<br>(Note 1) | Total     | Adjustment<br>(Note 2) | Amount<br>recorded in<br>consolidated<br>financial<br>statements<br>(Note 3) |
|---|--------------------|----------------------|---------------------------|-----------|------------------------------|-----------|-------------------|-----------|------------------------|--|
|   | Building           | Civil<br>engineering | Road civil<br>engineering | Machinery | Infrastructure<br>management | Total     |                   |           |                        |  |
| <b>Net sales</b>                            |                    |                      |                           |           |                              |           |                   |           |                        |  |
| Goods transferred<br>at a point in time     | ¥ 9,144            | ¥ 2,206              | ¥ 192,326                 | ¥ 32,361  | ¥ 15,655                     | ¥ 251,692 | ¥ 27,937          | ¥ 279,629 | ¥—                     | ¥ 279,629  |
| Goods transferred<br>over time              | 204,466            | 149,827              | 51,202                    | 57        | —                            | 405,552   | 10,661            | 416,213   | —                      | 416,213  |
| Revenue from<br>contracts with<br>customers | 213,610            | 152,033              | 243,528                   | 32,418    | 15,655                       | 657,244   | 38,598            | 695,842   | —                      | 695,842  |
| Revenue from<br>other sources               | 1,855              | —                    | 169                       | 4,923     | 6,852                        | 13,799    | —                 | 13,799    | —                      | 13,799   |
| Net sales<br>to outside<br>customers        | 215,465            | 152,033              | 243,697                   | 37,341    | 22,507                       | 671,043   | 38,598            | 709,641   | —                      | 709,641  |
| Inter-segment<br>sales or transfers         | 1,808              | 35                   | 4,965                     | 1,699     | —                            | 8,507     | 11,520            | 20,027    | (20,027)               | —  |
| <b>Total</b>                                | ¥ 217,273          | ¥ 152,068            | ¥ 248,662                 | ¥ 39,040  | ¥ 22,507                     | ¥ 679,550 | ¥ 50,118          | ¥ 729,668 | ¥ (20,027)             | ¥ 709,641  |
| <b>Segment profit</b>                       | ¥ 8,733            | ¥ 16,815             | ¥ 4,039                   | ¥ 1,331   | ¥ 7,973                      | ¥ 38,891  | ¥ 1,288           | ¥ 40,179  | ¥ 316                  | ¥ 40,495   |
| <b>Other items:</b>                         |                    |                      |                           |           |                              |           |                   |           |                        |  |
| Depreciation                                | ¥ 3,031            | ¥ 2,161              | ¥ 10,542                  | ¥ 1,683   | ¥ 6,606                      | ¥ 24,023  | ¥ 713             | ¥ 24,736  | ¥ (138)                | ¥ 24,598   |
| Amortization of<br>goodwill                 | ¥—                 | ¥—                   | ¥ 6,732                   | ¥—        | ¥—                           | ¥ 6,732   | ¥—                | ¥ 6,732   | ¥—                     | ¥ 6,732  |

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

|   | Reportable segment |                      |                           |           |                              |           | Other<br>(Note 1) | Total     | Adjustment<br>(Note 2) | Amount<br>recorded in<br>consolidated<br>financial<br>statements<br>(Note 3) |
|---|--------------------|----------------------|---------------------------|-----------|------------------------------|-----------|-------------------|-----------|------------------------|--|
|   | Building           | Civil<br>engineering | Road civil<br>engineering | Machinery | Infrastructure<br>management | Total     |                   |           |                        |  |
| <b>Net sales</b>                            |                    |                      |                           |           |                              |           |                   |           |                        |  |
| Goods transferred<br>at a point in time     | ¥ 8,942            | ¥ 2,718              | ¥ 183,676                 | ¥ 29,668  | ¥ 18,610                     | ¥ 243,614 | ¥ 26,057          | ¥ 269,671 | ¥—                     | ¥ 269,671  |
| Goods transferred<br>over time              | 205,443            | 139,921              | 48,927                    | 52        | —                            | 394,343   | 11,350            | 405,693   | —                      | 405,693  |
| Revenue from<br>contracts with<br>customers | 214,385            | 142,639              | 232,603                   | 29,720    | 18,610                       | 637,957   | 37,407            | 675,364   | —                      | 675,364  |
| Revenue from<br>other sources               | 1,718              | —                    | 165                       | 5,603     | 63                           | 7,549     | —                 | 7,549     | —                      | 7,549  |
| Net sales<br>to outside<br>customers        | 216,103            | 142,639              | 232,768                   | 35,323    | 18,673                       | 645,506   | 37,407            | 682,913   | —                      | 682,913  |
| Inter-segment<br>sales or transfers         | 2,461              | (125)                | 2,832                     | 1,823     | 294                          | 7,285     | 14,765            | 22,050    | (22,050)               | —  |
| <b>Total</b>                                | ¥ 218,564          | ¥ 142,514            | ¥ 235,600                 | ¥ 37,146  | ¥ 18,967                     | ¥ 652,791 | ¥ 52,172          | ¥ 704,963 | ¥ (22,050)             | ¥ 682,913  |
| <b>Segment profit</b>                       | ¥ 8,497            | ¥ 14,661             | ¥ 2,669                   | ¥ 1,694   | ¥ 6,095                      | ¥ 33,616  | ¥ 1,891           | ¥ 35,507  | ¥ 1,983                | ¥ 37,490   |
| <b>Other items:</b>                         |                    |                      |                           |           |                              |           |                   |           |                        |  |
| Depreciation                                | ¥ 3,196            | ¥ 2,086              | ¥ 10,745                  | ¥ 1,792   | ¥ 6,506                      | ¥ 24,325  | ¥ 516             | ¥ 24,841  | ¥ (131)                | ¥ 24,710   |
| Amortization of<br>goodwill                 | ¥—                 | ¥—                   | ¥ 6,748                   | ¥—        | ¥—                           | ¥ 6,748   | ¥—                | ¥ 6,748   | ¥—                     | ¥ 6,748  |

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

|  | Reportable segment |                      |                           |            |                              |              | Other<br>(Note 1) | Total        | Adjustment<br>(Note 2) | Amount<br>recorded in<br>consolidated<br>financial<br>statements<br>(Note 3) |
|--|--------------------|----------------------|---------------------------|------------|------------------------------|--------------|-------------------|--------------|------------------------|--|
|  | Building           | Civil<br>engineering | Road civil<br>engineering | Machinery  | Infrastructure<br>management | Total        |                   |              |                        |  |
| <b>Net sales</b>                             |                    |                      |                           |            |                              |              |                   |              |                        |  |
| <b>Goods transferred at a point in time</b>  | \$ 68,479          | \$ 16,521            | \$ 1,440,320              | \$ 242,350 | \$ 117,240                   | \$ 1,884,910 | \$ 209,219        | \$ 2,094,129 | \$—                    | \$ 2,094,129   |
| <b>Goods transferred over time</b>           | 1,531,236          | 1,122,047            | 383,450                   | 427        | —                            | 3,037,160    | 79,840            | 3,117,000    | —                      | 3,117,000  |
| <b>Revenue from contracts with customers</b> | 1,599,715          | 1,138,568            | 1,823,770                 | 242,777    | 117,240                      | 4,922,070    | 289,059           | 5,211,129    | —                      | 5,211,129  |
| <b>Revenue from other sources</b>            | 13,892             | —                    | 1,266                     | 36,868     | 51,314                       | 103,340      | —                 | 103,340      | —                      | 103,340  |
| <b>Net sales to outside customers</b>        | 1,613,607          | 1,138,568            | 1,825,036                 | 279,645    | 168,554                      | 5,025,410    | 289,059           | 5,314,469    | —                      | 5,314,469  |
| <b>Inter-segment sales or transfers</b>      | 13,540             | 262                  | 37,183                    | 12,724     | —                            | 63,709       | 86,272            | 149,981      | (149,981)              | —  |
| <b>Total</b>                                 | \$ 1,627,147       | \$ 1,138,830         | \$ 1,862,219              | \$ 292,369 | \$ 168,554                   | \$ 5,089,119 | \$ 375,331        | \$ 5,464,450 | \$ (149,981)           | \$ 5,314,469   |
| <b>Segment profit</b>                        | \$ 65,401          | \$ 125,927           | \$ 30,248                 | \$ 9,968   | \$ 59,709                    | \$ 291,253   | \$ 9,646          | \$ 300,899   | \$ 2,366               | \$ 303,265   |
| <b>Other items:</b>                          |                    |                      |                           |            |                              |              |                   |              |                        |  |
| <b>Depreciation</b>                          | \$ 22,699          | \$ 16,184            | \$ 78,948                 | \$ 12,604  | \$ 49,472                    | \$ 179,907   | \$ 5,340          | \$ 185,247   | \$ (1,033)             | \$ 184,214   |
| <b>Amortization of goodwill</b>              | \$—                | \$—                  | \$ 50,416                 | \$—        | \$—                          | \$ 50,416    | \$—               | \$ 50,416    | \$—                    | \$ 50,416  |

- Notes:
1. "Other items" represents business segments which are not included in reportable segments, namely businesses operated by certain subsidiaries.
  2. Adjustment of segment profit includes inter-segment transactions of ¥317 million (\$2,374 thousand) and ¥1,983 million for the years ended March 31, 2023 and 2022, respectively.
  3. Adjustments are made to reconcile segment profit to operating profit reported on the consolidated statement of income.
  4. As assets are not allocated to business segments, the amount of assets for each segment is not shown.

## (2) Related information

### 1) Products and services segment information

Description is omitted since it is described previously in (1) Segment information.

### 2) Geographic segment information

#### (a) Sales

The disclosures of geographic segment information are omitted since sales to outside customers in Japan for the years ended March 31, 2023 and 2022 exceeds 90% of the sales in the Consolidated Statement of Income.

#### (b) Fixed assets

The disclosures of geographic segment information are omitted since fixed assets in Japan as of March 31, 2023 and 2022 exceeds 90% of fixed assets in the Consolidated Balance Sheet.

### 3) Major customer segment information

The disclosure of major customer segment information is omitted since there are no sales to outside customers that account for 10% or more of the net sales in the Consolidated Statement of Income for the years ended March 31, 2023 and 2022.

## (3) Impairment loss on fixed assets by segment

|   | For the year ended March 31 |                   |                             |
|---|-----------------------------|-------------------|-----------------------------|
|   | 2023                        | 2022              | 2023                        |
|   | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Building  | ¥ 845                       | ¥ 69              | \$ 6,328                    |
| Civil engineering                                   | 123                         | —                 | 921                         |
| Road civil engineering                              | 494                         | 425               | 3,700                       |
| Machinery   | 0                           | 1                 | 0                           |
| Infrastructure management                           | —                           | —                 | —                           |
| Other   | —                           | —                 | —                           |
| Adjustment  | —                           | —                 | —                           |
| Amount recorded in consolidated statement of income | ¥ 1,462                     | ¥ 495             | \$ 10,949                   |



#### (4) Amortization and residual value of goodwill information

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

|                                | Building | Civil engineering | Road civil engineering | Machinery | Infrastructure management | Other | Adjustment | Total    |
|--------------------------------|----------|-------------------|------------------------|-----------|---------------------------|-------|------------|----------|
| Amortization                   | ¥ —      | ¥ —               | ¥ 6,732                | ¥ —       | ¥ —                       | ¥ —   | ¥ —        | ¥ 6,732  |
| Balance at the end of the year | ¥ —      | ¥ —               | ¥ 13,159               | ¥ —       | ¥ —                       | ¥ —   | ¥ —        | ¥ 13,159 |

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

|                                | Building | Civil engineering | Road civil engineering | Machinery | Infrastructure management | Other | Adjustment | Total    |
|--------------------------------|----------|-------------------|------------------------|-----------|---------------------------|-------|------------|----------|
| Amortization                   | ¥ —      | ¥ —               | ¥ 6,748                | ¥ —       | ¥ —                       | ¥ —   | ¥ —        | ¥ 6,748  |
| Balance at the end of the year | ¥ —      | ¥ —               | ¥ 19,892               | ¥ —       | ¥ —                       | ¥ —   | ¥ —        | ¥ 19,892 |

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

|                                | Building | Civil engineering | Road civil engineering | Machinery | Infrastructure management | Other | Adjustment | Total     |
|--------------------------------|----------|-------------------|------------------------|-----------|---------------------------|-------|------------|-----------|
| Amortization                   | \$ —     | \$ —              | \$ 50,416              | \$ —      | \$ —                      | \$ —  | \$ —       | \$ 50,416 |
| Balance at the end of the year | \$ —     | \$ —              | \$ 98,547              | \$ —      | \$ —                      | \$ —  | \$ —       | \$ 98,547 |

#### (5) Gain on negative goodwill information

The disclosure of gain on negative goodwill is omitted since the amount is immaterial for the years ended March 31, 2023 and 2022.

## 29. Related Party Information

### (1) Disclosure of related party transactions

For the year ended March 31, 2023:

| Type      | Name                    | Location        | Common stock                      | Business  | Ownership ratio of voting rights | Relation to the related party | Type of transaction               | Amount of transaction                | Account name   | Balance at year end                 |
|-----------|-------------------------|-----------------|-----------------------------------|---|----------------------------------|-------------------------------|-----------------------------------|--------------------------------------|----------------|-------------------------------------|
| Affiliate | HIKARIGAOKA CORPORATION | Nerima-ku Tokyo | ¥1,055 million (\$7,901 thousand) | Sales of construction materials and products<br>Real estate | Direct 23.8%                     | Purchase of work materials    | Purchase of work materials (Note) | ¥57,403 million (\$429,888 thousand) | Trade payables | ¥10,076 million (\$75,459 thousand) |

Note: Prices and other transaction terms are determined through price negotiations based on market prices.

For the year ended March 31, 2022:

Not applicable

### (2) Disclosure of major affiliates

Not applicable

### 30. Per Share Information

|                      | For the year ended March 31 |            |                |
|----------------------|-----------------------------|------------|----------------|
|                      | 2023                        | 2022       | 2023           |
|                      | (Yen)                       | (Yen)      | (U.S. dollars) |
| Net assets per share | ¥ 1,396.72                  | ¥ 1,312.19 | \$ 10.46       |
| Earnings per share   | 138.39                      | 94.73      | 1.04           |

- Notes:
- Diluted earnings per share is not shown because there are no potential shares.
  - Earnings per share for the previous fiscal year is calculated by multiplying the average number of shares of Maeda Corporation during the period from April 1, 2021 to September 30, 2021, which is before the establishment of the Company by means of a joint share transfer on October 1, 2021, by the share transfer rate.
  - Shares of the Company remaining in the “ESOP” and the Board Benefit Trust (BBT), which are recorded as treasury stock in shareholders’ equity, are included in treasury stock as a deduction in the calculation of average number of shares outstanding during the period for the purpose of calculating earnings per share. The numbers of such treasury stock at the end of the current fiscal year and at the end of the previous fiscal year deducted for the calculation of net assets per share are 3,267 thousand shares and 4,221 thousand shares for the “ESOP” and 377 thousand shares and 657 thousand shares for the Board Benefit Trust (BBT) as of March 31, 2023 and 2022, respectively. The average numbers of such treasury stock during the current fiscal year and during the previous fiscal year deducted for the calculation of earnings per share are 3,714 thousand shares and 343 thousand shares for the “ESOP” and 485 thousand shares and 657 thousand shares for the Board Benefit Trust (BBT) for the years ended March 31, 2023 and 2022, respectively.
  - The basis for the calculation of earnings per share is as follows.

|  | For the year ended March 31 |                   |                             |
|--|-----------------------------|-------------------|-----------------------------|
|  | 2023                        | 2022              | 2023                        |
|  | (Millions of yen)           | (Millions of yen) | (Thousands of U.S. dollars) |
| Profit attributable to owners of parent        | ¥ 35,871                    | ¥ 26,689          | \$ 268,636                  |
| Amount not attributable to common shareholders | —                           | —                 | —                           |
| Net profit attributable to common shareholders | ¥ 35,871                    | ¥ 26,689          | \$ 268,636                  |

(Thousands of shares)

|                          | For the year ended March 31 |         |
|--------------------------|-----------------------------|---------|
|                          | 2023                        | 2022    |
| Average number of shares | 259,197                     | 281,728 |

### 31. Significant Subsequent Event

#### Acquisition of treasury stock

At the Board of Directors’ meeting held on May 11, 2023, the Company resolved to acquire shares of its treasury stock pursuant to the provisions of Article 459, Paragraph 1, Item 1 of the Companies Act and Article 43 of its Articles of Incorporation.

- |  |   |
|--|---|
| (1) Type of shares to be acquired:           | Common stock                                |
| (2) Maximum number of shares to be acquired: | Up to 12,500,000 shares                     |
| (3) Total acquisition price:                 | Up to ¥10.0 billion (\$74,890 thousand)     |
| (4) Acquisition period:                      | From June 1, 2023 to March 31, 2024         |
| (5) Acquisition method:                      | Market purchase on the Tokyo Stock Exchange |

# Independent Auditor's Report

The Board of Directors  
INFRONEER Holdings Inc.

## Opinion

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

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

## Basis for Opinion

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

## Key Audit Matters

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

| Estimates of total construction revenue and total construction costs using the method of recognizing revenue over time in the building construction and civil engineering businesses  |   |
|---|---|
| Description of Key Audit Matter   | Auditor's Response  |
| As described in "1) Revenue recognition with regard to construction work" of "(1) Recognition of revenues and expenses" in "2. Summary of Significant Accounting Policies" under (Important matters that form the basis for preparation of consolidated financial statements) in the Notes to Consolidated Financial Statements, for construction in which the recognition of revenue as performance obligations are satisfied over time can be reasonably estimated, INFRONEER Holdings Inc. (the "Company") and its consolidated subsidiaries | We mainly performed the following audit procedures in evaluating the reasonableness of estimates of total construction costs and total construction revenue accounted for using the method of recognizing revenue over time.<br><br><b><u>Estimates of total construction costs</u></b><br>(1) Evaluation of internal controls<br>We evaluated the design and operation of the following internal controls relating to estimates of total construction costs. |

(collectively, the “Group”) estimate progress using the cost-based input method and apply the method of recognizing revenue as performance obligations to transfer a good or service to the customer are satisfied over time. Of net sales of ¥709,641 million for the fiscal year ended March 31, 2023, net sales of ¥354,293 million, or 50%, were recorded using the method of recognizing revenue over time in the building construction and civil engineering businesses. Revenue in the building construction and civil engineering businesses consists of revenue generated by MAEDA CORPORATION.

Revenue recorded using the method of recognizing revenue over time is measured based on the progress towards the satisfaction of performance obligations, and such progress is determined based on the ratio of actual incurred costs up to the end of the fiscal year to total construction costs.

As described in “1). Recognition of completed construction contracts for which revenue is recognized over a certain period of time ” under “19 Significant accounting estimates” in the Notes to Consolidated Financial Statements, total construction costs are continuously reviewed because construction projects are highly customized in nature in terms of specifications and work details as well as the possibility of changes in construction periods, unexpected expenses, fluctuations in construction material prices and labor costs, and design changes during the construction process. In addition, there are cases in which design changes based on an agreement with customers are made during the construction process, wherein the amount of the consideration is not fixed in a timely manner and, therefore, a portion of total construction revenue is recognized based on estimates (the portion of total construction revenue recognized based on estimates is hereinafter referred to as the “contract amounts not yet contracted”). The contract amounts not yet contracted are reviewed on a continuous basis since there is a possibility the estimates may change based on progress of negotiations or entering into contracts with ordering parties. These estimates require certain assumptions and involve uncertainty and the exercise of judgment by on-site construction managers.

Based on the above, we have determined that estimates of total construction costs and total construction revenue recognized using the method

- We evaluated systems confirming that operating budgets, on which estimates of total construction costs are based, and construction management tables, which are used to update estimates of total construction costs based on recent circumstances, have been prepared in a timely and appropriate manner by on-site construction managers.
- We evaluated systems confirming that total construction costs are estimated by aggregating each type of construction on the basis of specific considerations, including quotations from subcontractors.
- We evaluated systems confirming that monitoring is performed on a timely basis by project managers in the Construction Management Division, with respect to changes in profit or loss throughout projects, comparisons of plans with actual progress, the current status of progress, and other considerations.

(2) Evaluation of the reasonableness of estimates

We identified construction work for which uncertainty associated with estimates of total construction costs was relatively high in light of the significance of construction contract amounts and profit or loss on construction, changes in profit or loss on construction, and the status of construction, including changes in construction periods, and mainly performed the following audit procedures.

- With regard to estimates of total construction costs determined based on operating budgets, we considered whether the costs were calculated by aggregating amounts by each type of construction, whether the costs were consistent with the total construction costs calculated at the time of bidding and so forth, and whether operating budgets were free from reconciliation items involving abnormal amounts included in response to future uncertainty. In addition, we reconciled the costs with unit prices agreed to in contracts and quotations from subcontractors, as necessary.
- We compared operating budgets and past changes with recent estimates for total construction costs. For changes in total construction costs that were above a certain threshold, we made inquiries of responsible personnel and project managers in the Construction Management Division about the reasons for the changes. We compared the results of responses received from the inquiries with corroborative minutes of negotiations with

of recognizing revenue over time in the building construction and civil engineering businesses are of particular significance for the fiscal year ended March 31, 2023 and, accordingly, that this is a key audit matter in light of considerations such as the importance of construction work based on the relative amount of net sales using the method of recognizing revenue over time in the building construction and civil engineering businesses as a percentage of net sales for the fiscal year ended March 31, 2023, and the complexity of the construction.

ordering parties and quotations from subcontractors, as necessary.

- We inquired not only of the management of the company but also of the management, department heads and branch managers of MAEDA CORPORATION about the progress of each construction work, and we examined whether there were any significant events that would require a review of the total construction costs.
- We inspected monthly construction reports, which are documents detailing the overall progress of construction management and issues identified related to construction and other matters and compared the reports with actual overall progress, on-site photographs, and progress towards the satisfaction of performance obligations.
- We inspected construction sites for certain construction projects and considered whether the status of construction was consistent with the estimates of total construction costs and the progress of construction.
- We evaluated the processes for estimating total construction costs by comparing prior estimates of the total construction costs with actual amounts or revised estimates.

In addition, we used a tool that detects anomalies in progress (the tool detects unusual progress in construction work that apply the method of recognizing revenue as performance obligations are satisfied over time based on forecasts of progress towards construction completion using machine learning, as well as forecasts loss-generating contracts and detects unusual timing of cost incurrence). For construction work that has been identified as a result of progress towards satisfaction of performance obligations exceeding a certain level from the progress at the closing date as forecasted by the tool, we considered whether such progress towards satisfaction of performance obligations was consistent with monthly reports on construction and construction management tables.

**Estimates of total construction revenue when the contract amounts not yet contracted are included in total construction revenue**

(1) Evaluation of internal controls

We evaluated the design and operation of internal controls to confirm that reliable estimates of the contract amounts not yet contracted are made in a

|  |   |
|--|---|
|  | <p>timely and appropriate manner based on negotiations with ordering parties.</p> <p>(2) Evaluation of the reasonableness of estimates</p> <p>Based on our understanding of reported the contract amounts not yet contracted for each construction project, we selected samples for consideration based on their quantitative or qualitative significance and performed the following procedures.</p> <ul style="list-style-type: none"> <li>• To evaluate whether estimates were performed taking into consideration agreements or the status of negotiations with ordering parties, or the possibility of entering into a construction contract, we made inquiries of responsible personnel and project managers in the Construction Management Division and inspected quotations submitted to ordering parties, instructions from ordering parties for changes, and minutes of negotiations with ordering parties.</li> <li>• To evaluate accrued costs corresponding to the contract amounts not yet contracted, we inspected invoices and other documents obtained from subcontractors as well as performed a comparative analysis between actual amounts and the contract amounts not yet contracted.</li> <li>• We evaluated the processes for estimating total construction revenue by comparing prior estimates with actual amounts or revised estimates.</li> </ul> |
|--|---|

### **Other Information**

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

### **Responsibilities of Management, the Audit Committee for the Consolidated Financial Statements**

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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

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

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

November 7, 2023

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/S/Makoto Suzuki  
Designated Engagement Partner  
Certified Public Accountant

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/S/Koji Ojima  
Designated Engagement Partner  
Certified Public Accountant

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/S/Takehiro Ametani  
Designated Engagement Partner  
Certified Public Accountant