TOYO KANETSU K.K.

ACTION FOR THE FUTURE

TKK Report 2022 Financial Section

(Fiscal year ended March 31, 2022)

This material is the Financial Section of the TKK Report 2022, the integrated report published by Toyo Kanetsu K.K. that summarizes the financial information for the Company's fiscal year 2021 (Apr. 2021 to Mar. 2022).

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Analysis of Operating Environment and Results

During the fiscal year under review, as vaccination programs were rolled out in developed countries, the Japanese economy showed some signs of recovery after rapidly worsening due to the impact of the COVID-19 pandemic.

The economic outlook remained uncertain, however, due to Russia's invasion of Ukraine in February 2022 and global supply chain bottlenecks, made worse by COVID-19 lockdowns in China.

Against this backdrop, the Logistics Solutions Business continued to benefit from strong demand for automated and labor-saving equipment used in logistics facilities as companies worked to overcome labor shortages and handle larger volumes of e-commerce goods, in high demand from consumers staying home during the pandemic. On the other hand, in this business segment there was slow demand for baggage handling systems for airports, reflecting the drop in air travel during the pandemic.

At the same time, the Plant & Machinery Business continued to receive numerous orders for maintenance services at oil refineries in Japan. With the end of the pandemic in sight, enquiries about new facility projects have increased, but challenging conditions are continuing.

Given these circumstances, the Company posted higher year-on-year consolidated net sales and profits. Net sales rose by 35.7% to ¥59,177 million. Operating profit increased 7.0% to ¥2,808 million, mainly due to contributions from the Logistics Solutions Business, which continued to perform strongly. Ordinary profit grew 13.8% to ¥3,474 million, and profit attributable to owners of parent jumped 31.3% to ¥2,334 million. In addition, orders received came to ¥47,085 million, up 11.7% year on year.

●Logistics Solutions Business

The Logistics Solutions Business posted net sales of ¥32,987 million, up 21.1% year on year. This increase mainly reflected sales of automated warehouse equipment, which incorporate the Company's Multishuttle pallet automated storage and retrieval system (ASRS), to e-commerce businesses, retailers, co-ops, and manufacturers. Operating profit edged up by 0.3% to ¥3,149 million, as project expenses increased in line with larger projects. Orders received came to ¥31,955 million, an increase of 4.4% year on year.

●Plant & Machinery Business

Due to higher sales for the maintenance of oil refineries in Japan, the Plant & Machinery Business posted net sales of ¥15,006 million, an increase of 53.1% year on year. Due to a change in accounting methods applied during the fiscal year under review, however, sales costs of ¥3,290 million were added to net sales. If this amount was excluded using the previous accounting method, net sales would have been ¥11,716 million, an increase of 19.5%. Operating profit came to ¥108 million, compared with an operating loss of ¥602 million in the previous fiscal year. Orders received amounted to ¥13,846 million, up 49.5% year on year.

●Other Businesses

Net sales grew 70.0% year on year to ¥11,183 million, reflecting the Group's focus on increasing business for industrial machinery, general construction, and environment-related businesses by leveraging the specializations of our subsidiaries. Despite this result, operating profit decreased by 27.5% to ¥572 million and orders received declined by 43.7% to ¥1,282 million.

Business Risks

Toyo Kanetsu's risk management system includes a risk management officer—appointed from among the directors who oversee the risk management of the Company and the Group—as well as a Group-wide risk management department, under the command of the risk management officer who identifies risks and monitors evaluations and results. Important risks are regularly reviewed after considering changes in the business environment and the status of risk responses, and we strive to ensure that effective risk countermeasures are being quickly implemented.

Of all the risks that could affect our business activities, some risks with a possible significant impact are shown below. However, this is not an exhaustive list of risks related to the Group and there are risks that are difficult to foresee.

Forward-looking statements in the text are based on assessments as of March 31, 2021, the date of the fiscal year ended.

(1) Impact of climate change

The TKK Group places great importance on the promotion of ESG management and the international goals set out in the SDGs and Paris Agreement. Especially, we recognize that "responding to changes in the business environment caused by climate change" is one of our most important material issues for management. Growing awareness of global environmental issues and the transition to a low-carbon or decarbonized society are accelerating the shift to using clean energy. Accordingly, the Company's operating environment is inevitable unfavorable due to declining demand for tanks used to store LNG, crude oil, and other fossil fuels. Recognizing these trends, and with the goal of helping achieve a low-carbon society, the Group is applying our technologies to develop large-scale storage containers for liquid hydrogen, and drawing on our strengths to proactively build and supply increasingly needed equipment and infrastructure for storing and using hydrogen and ammonia as fuel.

The TKK Group as a whole has been promoting initiatives for decarbonization and realizing a low-carbon economy, including the development of products and services that save energy and the adoption of renewable energy, especially by installing solar panels. In May 2022, the Group declared the goal of becoming carbon neutral by 2050 by reducing greenhouse gas emissions (Scopes 1 and 2). We also began disclosing information about climate-related risks and opportunities, starting from fiscal 2022, based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Recognizing our response to climate change as an excellent opportunity for considering ways of dealing with long-term climate-related risks and opportunities, the Group's management intends to disclose information and to dialogue with investors and other stakeholders.

In addition, the Group recognizes that public trust could be lost if we or one of our subsidiaries causes an environmental accident or disaster. To mitigate this risk, we have acquired and periodically renew our ISO 14001 certification, and we have established and actively implement a compliant environmental management system in accordance with our environmental policies.

(2) Risks related to the execution of projects

In the Logistics Solutions Business, project management and the ability to execute operations are becoming increasingly important. This is because the role of distribution centers in the supply chain is growing with the expansion of the e-commerce market and more outsourcing of logistics operations, and because there is a tendency for distribution centers to grow larger in line with the streamlining of logistics operations and the consolidation of bases.

For these reasons, we carefully manage delivery deadlines—from sales proposals through to construction—and strive to reduce costs and workloads by standardizing processes and improving productivity. We also established a system for executing sustainable projects and increased the number of companies using this system. However, unexpected costs could be incurred due to various factors, such as shortened construction periods due to unexpected changes in construction plans under pressure to reduce delivery times and delivery deadline adjustments due to carrying out multiple large projects simultaneously within a certain time period.

Moreover, some of the core products provided by this business segment include products purchased from specific overseas business partners. The execution of projects could be affected if these products cannot be purchased consistently due to changes in the business policies and environment of our business partners, demand and supply fluctuations, or due to natural disasters, accidents, and so on.

The Plant & Machinery Business repairs storage tanks, mainly at oil refineries in Japan. Our ability to execute these projects could be negatively affected by a shortage of construction workers, a sharp rise in the costs of materials and equipment, or when the skills of site managers and foremen are passed down too slowly. Therefore, we have taken steps to improve ties with subcontractors and suppliers, have set up a stable construction organization, and have established TKK Plant Engineering K.K. to hire and train workers for construction sites. Furthermore, we have set up a centralized organization led by a team of experts to collect information and manage all stages of new tank installation projects, from receiving orders through to construction work, in order to execute projects more quickly and efficiently.

The TKK Group conducts some operations overseas, primarily by the Plant & Machinery Business. Further, our consolidated subsidiary in Indonesia works on local construction projects and processes steel materials, including steel used for storage tanks. Our local subsidiary in Malaysia maintains baggage handling equipment at local airports and maintains equipment at local petrochemical plants. These overseas operations carry inherent risks, as stated below, and the TKK Group's business results and financial position could be adversely affected by these risks.

(1) Unexpected changes in laws and regulations
(2) Political and economic instability
(3) Difficulties in securing human resources
(4) Tax system revisions that could be unfavorable to the TKK Group
(5) Social disorder due to terrorism, war, epidemics, disasters, or other factors.

Furthermore, the TKK Group's business results and financial position could be adversely affected by steeply rising prices and shortages of parts resulting from the materialization of geopolitical risks and the impact of the COVID-19 pandemic.

In addition, when working on a project, we take out product liability insurance for that project, and to ensure quality, the Group has established internal regulations and put in place a quality management system to strengthen quality control. We have also established a system that enables a quick response to quality problems by placing the department responsible for quality control directly under the president. However, in the unlikely event of serious quality complaints or problems with a product, not only would profits from the project deteriorate due to repair costs and indemnification, this could also lead to a decline in the Group's social reputation, which could adversely affect our business results and financial position.

(3)Impact on securing and developing human resources

The TKK Group recognizes that securing and developing human resources are two of our most important issues, and that any drain of human resources and increasing recruitment costs could affect our business activities.

Therefore, through several initiatives, we have broadened our hiring practices to recruit a more diverse range of employees and have worked hard to improve employee retention by creating a more comfortable workplace environment and by being more flexible. For example, we have created an action plan to promote women's participation and advancement in the workplace, and we have implemented programs to train and promote female employees to management positions. We also allow employees to choose staggered work hours, and are striving to improve the rate of taking paid leave as well as male employees taking childcare leave. As a result of these initiatives, the Company was certified as a Health

Management® Excellent Corporation 2022 (Large Corporation Category).

In addition, the Company opened an education center at the Chiba Plant to improve employees' skills and provide safety training for our Logistics Solutions Business operations.

(4) Impact of intensifying competition for orders

The TKK Group's main businesses are order based, exposing us to severe competition for orders, so unreasonable downward pressure on profitability could adversely affect our business results and financial position. Further, customer policies and plans, changes in the business environment of the industry, and industry restructuring could affect our ability to obtain orders.

In response to these risks, in the Logistics Solutions Business we are expanding our customer areas in Japan and overseas, and providing optimal solutions by flexibly introducing outside technologies, while at the same time promoting in-house production and standardized products to strengthen price competitiveness. We are taking on other initiatives, such as revamping our internal systems, to further improve the efficiency of our operations.

In the Plant & Machinery Business, as the severe business environment drags on, we are improving and developing our core technology for tank EPC (engineering, procurement, construction) contracts, and are working to obtain orders by taking advantage of our superior quality, as well as expanding our business domains through overseas subsidiaries.

Furthermore, with intense competition for orders, the TKK Group develops a wide range of technologies by collaborating with domestic and overseas companies that have leading technologies, by partnering with startups using corporate venture capital, and through joint research with universities and research institutes. With these initiatives, the Group intends to continually increase our value and contribute to the prosperity of society based on our management vision, which focuses on providing innovative solutions through cutting-edge technologies and leadership.

However, as the lifecycle of products and technologies becomes shorter and shorter, any delays in meeting market requests could result in a decline in the Group's competitiveness, adversely affecting our business results and financial position over the medium to long term.

On a consolidated basis, the Group owns both tangible and intangible fixed assets, and continually monitors financial performance as a means to forecast when it may be difficult to secure returns on investments in these assets. If we determine that these assets are less profitable or cannot generate sufficient cash flow due to significant changes in the operating environment or business situation, we might record an impairment loss on the assets, which could negatively affect our consolidated financial results and financial condition.

(5) Risks related to the launch of new businesses

For a long time, the TKK Group has been developing two main business segments: Logistics Solutions and Plant & Machinery. So far, these two businesses have underpinned the Group's earnings in a complementary way, but we recognize that fluctuations in the environmental surrounding these businesses are large and the volatility of earnings is high.

To mitigate this risk, we are pursuing opportunities to establish a third main business segment through all available means, including mergers, acquisitions, setting up corporate venture capital, and collaborations with startups. If, however, a lengthy amount of time is taken to launch a third mainstay business segment, the Group's business results and financial position could be negatively affected.

(6) Impact on occupational health and safety

The TKK Group considers safety to be our highest priority. Under our Occupational Safety and Health Policy, we strive to ensure and improve the health and safety of our employees by acquiring and renewing OHSAS 18001 and ISO 45001 certifications, establishing a supervisory department directly under the president, holding group safety meetings, conducting on-site patrols, and maintaining and improving safety systems, including at partner companies.

However, in the event of problems or an accident, even though countermeasures have been taken, they could not only interfere with plant operations and customer service, but could also lead to compensation for damages, criminal penalties, administrative punishment, and the loss of social trust, which could affect our business activities and financial position.

(7) Compliance risks

The TKK Group operates in the field of social infrastructure, a field that cannot exist without the trust of society. We recognize that compliance with laws and regulations is one of the most important fundamentals of trusted business operations.

Therefore, in addition to putting in place an organizational structure, such as of setting up the Compliance Committee and appointing supervisors, the Company has established regulations, including TKK Group Charter of Corporate Behavior and we are promoting initiatives to maintain compliance, such as ensuring all Group directors and employees are fully informed of their social responsibility and public mission.

However, in the unlikely event that laws and regulations in Japan or overseas are violated, large surcharges and damages could occur, which would not only adversely affect the Group's business results and financial position but would also reduce the public's trust in the Group and affect our business continuity.

(8) Risks related to natural disasters, epidemics, etc.

To prepare for fires, earthquakes, large-scale natural disasters, and epidemics, the TKK Group has written a business continuity plan (BCP) manual, and we have taken all necessary steps for business continuity, such as establishing a contact system, building up stockpiles of emergency supplies, conducting seismic reinforcement work, and setting up shelters at major manufacturing and development bases in Japan.

However, serious physical injury caused by a greater-than-expected disaster could have a significant impact not only on the health of employees but also on the operation of our plants, and although appropriate coverage is taken out through non-life insurance, the direct and indirect damage and recovery costs could be larger than anticipated, which would adversely affect our business results and financial position.

In right of the recognition that the impact of the global spread of COVID-19, which began in 2020, poses risks at many levels, the TKK Group has issued infection prevention guidelines, compiled a manual for dealing with practical situations, and put measures in place to prevent the spread of infection. Human resource systems were updated to allow remote working and encourage paid days off, and improvements were made to IT systems, such as electronic application systems and cloud storage, to facilitate the changes in workplace conditions.

(9) Impact of information security and maintaining the information infrastructure

The TKK Group handles, while doing business, a range of confidential information, including customer and technical information. To strengthen the management of this information, we have organized the Information Security Committee to thoroughly communicate the importance of information security, for instance through employee education, and to implement security measures for information systems.

However, cyberattacks, including via computer viruses, could interfere with the functioning of these information systems, and if confidential information were lost or leaked, it could damage the Group's reputation for reliability and affect business activities.

The Group uses the Box file-sharing service and password protection (to block email file attachments) to guard against cyberattacks, effectively manage intellectual property, and to safeguard the privacy of customers and business partners.

Moreover, while the Group aims to transform the business model through IT, including by automating and streamlining operations through robotic process automation (RPA), and by introducing business standardization systems, if we lag behind in these digital transformation (DX) initiatives, we will not be able to establish a competitive advantage and could lose out on business opportunities.

(10) Risks related to market trends

In the Logistics Solutions Business, we supply products and systems mainly for the retail, wholesale, and co-op industries. We also provide baggage handling systems, primarily to airports in Japan. Consequently, this business segment could be affected if investments in logistics facilities slow due to a lower volume in logistics as a result of a recession or declining birthrate and aging population or trends in demand for air travel. We are therefore intensifying our business operations using AI and IoT technologies.

In the Plant & Machinery Business, we supply tanks for LNG plants and refineries, as well as perform maintenance on existing crude oil tanks, etc. This segment's results could be adversely affected due to a plant owner discontinuing, postponing, or making major revisions to investment plans due to global economic trends. Other factors that could affect business results are the economic and social conditions of oil and gas producing and consuming countries; trends in energy and environmental policies in each country; trends in crude oil and LNG prices; and other factors. We are therefore strengthening initiatives that improve the profitability of maintenance projects, in this way establishing a business structure that is resistant to fluctuations in orders and that secures a stable source of income.

In addition, risks such as the following are possible due to a deterioration of the economic environment:

a) Fluctuations in foreign exchange rates

The TKK Group's business activities include the overseas manufacture of products, sales of materials, and construction work, and transactions that are mainly conducted in U.S. dollars. Currently, we view the risk of fluctuations in foreign exchange rates as low because foreign currency-denominated transactions and the amount of assets held in foreign currencies are relatively small, but the unexpected fluctuation could adversely affect the Group's business results and financial position in the future.

b) Fluctuations in interest rates

To establish credit for trade receivables and to acquire fixed assets, the TKK Group secures funding from financial institutions that consider the balance of short- and long-term purchasing ratios. Although low interest rates have continued due to large-scale monetary easing, etc., funding costs could increase if interest rates rise, which could adversely affect the Group's performance and financial position.

c) Valuations of held securities

The TKK Group holds securities other than unlisted shares and redetermines their value based on share prices as of the final day of each fiscal quarter. If share prices fall significantly, the Group's business results and financial position could be adversely affected.

Disclosing Information on Climate-related Risks and Opportunities Based on TCFD Recommendations

In fiscal 2018, the TKK Group declared that the most important material issue for increasing our value sustainably was to respond to changes in the business environment caused by climate change. Recognizing that initiatives for combatting climate change pose both operational risks and business opportunities, the Group began disclosing information about these measures and their progress. Specifically, we have been disclosing the following two types of climate-related information and data:

1. Disclosure of targets for reducing greenhouse gases (GHGs) with the goal of achieving carbon neutrality

The TKK Group publicly disclosed targets for reducing GHGs through business activities.

GHGs to be reduced

Scope 1 and 2 GHG emissions from Toyo Kanetsu and our consolidated subsidiaries worldwide

Scope 1 emissions: Direct emissions of GHGs from inhouse fuel consumption

Scope 2 emissions: Indirect emissions of GHGs from purchased electricity and heat

GHG reduction targets
Achieve carbon neutrality by 2050
50% reduction of GHGs by 2030 compared with amounts in fiscal 2019

The TKK Group intends to become carbon neutral by 2050 by reducing GHG emissions, including energy conservation and employing renewable energy sources. We will also work to reduce Scope 3 emissions across the value chain in partnership with suppliers and customers.

Scope 3 emissions: Indirect emissions of GHGs (aside from Scopes 1 and 2) from operations within the supply chain

2. Disclosure of information based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

The Company has endorsed the TCFD recommendations and. with the assistance of a team of outside experts. has disclosed information based on the framework of the recommendations.

Governance

Business risks that could affect the TKK Group, including climate-related risks, are overseen by the Company's Risk Management Committee that is chaired by a director designated by the Board of Directors. This committee formulates and executes all necessary plans. The Company's Risk Management Office serves as the committee's executive office.

Members of the Risk Management Committee are appointed from among executive officers (not currently serving as directors) who manage the operations of each business division. This framework enables the committee members to share information about measures taken by business divisions and to consider climate-related issues when drafting and implementing business plans.

Strategy

The TKK Group's management has determined climate-related risks and opportunities that could have a significant impact on operations and has analyzed several climate scenarios.

With a comprehensive scope, analyses are based on two climate change scenarios (average temperature increases of less than 2oC and 4oC by the end of this century compared with preindustrial levels). We have also included scenarios published by the International Energy Agency, the Intergovernmental Panel on Climate Change, and other organizations. These scenarios covered up to 2050 and were divided into three periods: short term (over the next three years), medium term (until 2030), and long term (until 2050).

Risks to and opportunities for the TKK Group's operations and financial performance were examined based on the two earlier mentioned scenarios (above). By 2050, opportunities are expected to have a larger overall financial impact than risks on the Group's three main businesses (Logistics Solutions, Next-Generation Energy Development, and Plant & Machinery), which accounted for about 85% of consolidated net sales in fiscal 2020.

In the Logistics Solutions Business segment, opportunities are expected to significantly outweigh risks as demand for labor- and energy-saving systems at logistics facilities is projected to continue growing due to the environmental impact on logistics facilities caused by climate change, as well as the impact of the aging of Japan's population.

For the Plant & Machinery Business segment, although demand for maintaining oil and gas storage tanks is forecast to gradually decline, these tanks are expected to be replaced with others for storing methylcyclohexane (MCH) and ammonia, expected to be next-generation energy sources, driving up demand for upgrading and maintenance.

For the Next-Generation Energy Development Business segment, while demand for upgrading oil and gas storage tanks is on the decline due to fossil fuel restrictions, the decline is expected to be offset by demand for new tanks that store hydrogen and ammonia fuel, considered alternative energy sources for the next generation, as well as for liquid carbon dioxide.

Based on the 4o C temperature increase scenario, among the most acute physical risks is a high probability of water damage from swollen rivers, typhoons, and floods impacting the operation of facilities in the supply chain. Rising sea levels, among the most impactful physical risks, could by the end of the century affect our business sites. However, an analysis up to 2050 concluded that the financial impact would be minor. The TKK Group will take steps to mitigate the impact of these physical risks on operations and manufacturing plants.

Risk Management

As the operating environment becomes increasingly complex and diverse, the TKK Group is placing more importance on effectively managing risks that could have a substantial impact on our businesses, and has specified advances in risk management as a material issue for management.

The Risk Management Committee meets at least twice a year and periodically reports to the Board of Directors and management councils. The councils handle important discussions and make decisions based on the reports and findings of the committee. The Board of Directors reviews reports on the committee's and councils' discussions and decisions, then oversees the execution and progress of the Group's policies as well as plans for responding to climate change.

Metrics and Targets

The TKK Group's GHG emissions across the supply chain have been calculated based on the standards of the Greenhouse Gas Protocol:

Combined Scope 1 and 2 emissions for the entire TKK Group worldwide (tonnes of CO2 equivalent)
5,276 in FY2019, 4,993 in FY2020, and 5,142 in FY2021

Scope 3 emissions for the entire TKK Group worldwide (tonnes of CO2 equivalent)
348,949* in FY2020

* Of the total, 198,684 fell under Category 11, "use of sold products," and 128,769 fell under Category 1, "purchase of goods and services." Combined, the results for these two categories accounted for 94% of Scope 3 emissions.

Adding up all the fiscal 2020 results (above), total GHG emissions across the supply chain came to 353,942 tonnes of CO2 equivalent, of these Scope 1 and 2 emissions (4,993) made up 1.4% and Scope 3 emissions (348,949) accounted for 98.6%.

In fiscal 2021, electricity consumption accounted for 57% of Scope 1 and 2 emissions, while gasoline and diesel oil consumption accounted for 33%. Accordingly, the Group recognizes the need for the following measures to reduce GHG emissions:

- Installing solar panels onsite for producing energy
- Procuring electricity from zero-emission and renewable-energy sources
- Switching over company vehicles to EVs
- Introducing energy-saving equipment

The TKK Group has examined initiatives for each category of Scope 3 emissions, such as reducing electricity consumption over the product lifecycle. We are also working with suppliers and customers to develop and implement measures for reducing GHG emissions.

With the goal of accelerating new capital investment to increase the effectiveness of our initiatives for reducing GHG emissions, the Group introduced an internal carbon pricing system in fiscal 2022. By using specified internal carbon prices for calculations of reference costs when considering capital investment plans, the Group is integrating this system into investment decisions, while promoting investments in decarbonization.

Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheet

(Millions of yen)

		Previous fiscal period (As of March 31, 2021)		Current fiscal period (As of March 31, 2022)
Assets				
Current assets				
Cash and deposits	*1	7,413	*1	8,759
Notes and accounts receivable - trade, and contract assets		13,489	*2	25,327
Investments in leases		550		220
Merchandise and finished goods		57		32
Work in process		6,732		795
Raw materials and supplies		2,523		2,550
Other		863		670
Allowance for doubtful accounts		(13)		(24)
Total current assets		31,616		38,332
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*4	4,142	*4	4,157
Machinery, equipment and vehicles, net	*4	716	*4	773
Tools, furniture and fixtures, net	*4	284	*4	376
Land	*4, *5	10,122	*4, *5	10,374
Construction in progress		356		608
Other, net		18		31
Total property, plant and equipment	*3	15,641	*3	16,321
Intangible assets		481		667
Investments and other assets				
Investment securities		9,909		7,663
Deferred tax assets		42		234
Retirement benefit asset		452		449
Other		847		847
Allowance for doubtful accounts		(227)		(224)
Total investments and other assets		11,024		8,970
Total non-current assets		27,147		25,958
Total assets		58,764		64,290

(Millions of yen)

		Previous fiscal period (As of March 31, 2021)		Current fiscal period (As of March 31, 2022)
Liabilities				
Current liabilities				
Notes and accounts payable - trade		1,091		1,761
Short-term borrowings	*4	3,620	*4	8,120
Current portion of long-term borrowings	*4	8		–
Accrued expenses		3,778		4,887
Income taxes payable		914		774
Contract liabilities		2,354		655
Provision for bonuses		259		434
Provision for loss on order received		30		–
Provision for warranties for completed construction		348		299
Other		681		1,269
Total current liabilities		13,086		18,202
Non-current liabilities				
Bonds payable		1,000		1,000
Long-term borrowings	*4	4,580	*4	4,580
Deferred tax liabilities		2,138		1,644
Deferred tax liabilities for land revaluation	*5	1,095	*5	1,095
Retirement benefit liability		107		392
Asset retirement obligations		230		799
Other		41		98
Total non-current liabilities		9,193		9,610
Total liabilities		22,280		27,813
Net assets				
Shareholders’ equity				
Share capital		18,580		18,580
Capital surplus		1,273		1,273
Retained earnings		16,148		17,533
Treasury shares		(2,933)		(2,936)
Total shareholders’ equity		33,068		34,450
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		3,937		2,632
Deferred gains or losses on hedges		9		3
Revaluation reserve for land	*5	106	*5	106
Foreign currency translation adjustment		(833)		(878)
Remeasurements of defined benefit plans		195		160
Total accumulated other comprehensive income		3,415		2,024
Non-controlling interests		0		2
Total net assets		36,484		36,477
Total liabilities and net assets		58,764		64,290

(ii) Consolidated statement of income and comprehensive income

(Millions of yen)

		Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales		43,617	*1	59,177
Cost of sales	*2	34,369	*2	49,016
Gross profit		9,247		10,161
Selling, general and administrative expenses	*3, *4	6,623	*3, *4	7,352
Operating profit		2,623		2,808
Non-operating income				
Interest income		14		6
Dividend income		259		273
Foreign exchange gains		–		163
Gain on sale of scraps		33		77
Subsidy income		104		107
Reversal of allowance for doubtful accounts		84		0
Other		79		109
Total non-operating income		576		737
Non-operating expenses				
Interest expenses		59		62
Bond issuance costs		23		–
Commission for purchase of treasury shares		17		–
Foreign exchange losses		37		–
Other		11		8
Total non-operating expenses		147		71
Ordinary profit		3,053		3,474
Extraordinary income				
Gain on sale of non-current assets		9		50
Gain on sale of investment securities		913		333
Other		65		14
Total extraordinary income		989		398
Extraordinary losses				
Loss on valuation of investment securities		73		96
Loss on revision of retirement benefit plan		–		59
Impairment losses	*5	1,047		–
Loss on disaster		13		–
Other		15		0
Total extraordinary losses		1,149		157
Profit before income taxes		2,892		3,716
Income taxes - current		1,199		1,331
Income taxes - deferred		(83)		50
Total income taxes		1,115		1,382
Profit		1,777		2,334
Profit attributable to				
Profit attributable to owners of parent		1,777		2,334
Profit (loss) attributable to non-controlling interests		(0)		0
Other comprehensive income				
Valuation difference on available-for-sale securities		1,271		(1,305)
Deferred gains or losses on hedges		9		(6)
Foreign currency translation adjustment		(104)		(44)
Remeasurements of defined benefit plans, net of tax		360		(34)
Total other comprehensive income	*6	1,536	*6	(1,390)
Comprehensive income		3,313		943
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		3,314		943
Comprehensive income attributable to non-controlling interests		(0)		0

(iii) Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,580	1,273	15,224	(2,355)	32,722
Changes during period					
Dividends of surplus			(853)		(853)
Profit attributable to owners of parent			1,777		1,777
Purchase of treasury shares				(583)	(583)
Disposal of treasury shares				5	5
Net changes in items other than shareholders' equity					
Total changes during period	–	–	924	(578)	345
Balance at end of period	18,580	1,273	16,148	(2,933)	33,068

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,666	0	106	(729)	(165)	1,878	1	34,602
Changes during period								
Dividends of surplus								(853)
Profit attributable to owners of parent								1,777
Purchase of treasury shares								(583)
Disposal of treasury shares								5
Net changes in items other than shareholders' equity	1,271	9	–	(104)	360	1,536	(0)	1,536
Total changes during period	1,271	9	–	(104)	360	1,536	(0)	1,882
Balance at end of period	3,937	9	106	(833)	195	3,415	0	36,484

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,580	1,273	16,148	(2,933)	33,068
Changes during period					
Dividends of surplus			(949)		(949)
Profit attributable to owners of parent			2,334		2,334
Purchase of treasury shares				(3)	(3)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,384	(3)	1,381
Balance at end of period	18,580	1,273	17,533	(2,936)	34,450

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,937	9	106	(833)	195	3,415	0	36,484
Changes during period								
Dividends of surplus								(949)
Profit attributable to owners of parent								2,334
Purchase of treasury shares								(3)
Net changes in items other than shareholders' equity	(1,305)	(6)	–	(44)	(34)	(1,390)	2	(1,388)
Total changes during period	(1,305)	(6)	–	(44)	(34)	(1,390)	2	(7)
Balance at end of period	2,632	3	106	(878)	160	2,024	2	36,477

(iv) Consolidated statement of cash flows

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	2,892	3,716
Depreciation	776	745
Amortization of goodwill	–	1
Impairment losses	1,047	–
Increase (decrease) in allowance for doubtful accounts	(61)	7
Increase (decrease) in retirement benefit liability	(39)	40
Decrease (increase) in retirement benefit asset	94	(66)
Increase (decrease) in provision for loss on order received	(211)	(30)
Increase (decrease) in provision for warranties for completed construction	(41)	(48)
Interest and dividend income	(273)	(279)
Interest expenses	59	62
Loss on disaster	13	–
Foreign exchange losses (gains)	97	(166)
Loss (gain) on valuation of investment securities	73	96
Loss (gain) on sale of investment securities	(913)	(333)
Loss (gain) on sale of non-current assets	(9)	(50)
Loss on retirement of non-current assets	4	0
Decrease (increase) in trade receivables and contract assets	1,865	(10,362)
Decrease (increase) in investments in leases	370	330
Decrease (increase) in inventories	(2,134)	5,953
Decrease (increase) in advance payments to suppliers	(228)	231
Increase (decrease) in trade payables	(785)	1,243
Increase (decrease) in contract liabilities	(436)	(1,782)
Other, net	(54)	*2 916
Subtotal	2,104	225
Interest and dividends received	273	279
Interest paid	(62)	(63)
Payments associated with disaster loss	(28)	–
Income taxes paid	(804)	(1,539)
Net cash provided by (used in) operating activities	1,482	(1,097)
Cash flows from investing activities		
Payments into time deposits	(102)	(102)
Proceeds from withdrawal of time deposits	102	102
Purchase of non-current assets	(1,131)	(1,013)
Proceeds from sale of non-current assets	11	0
Purchase of investment securities	(470)	(43)
Proceeds from sale and redemption of investment securities	1,238	644
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(619)
Other, net	12	200
Net cash provided by (used in) investing activities	(338)	(830)

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,229)	4,164
Proceeds from long-term borrowings	100	–
Repayments of long-term borrowings	(619)	(8)
Proceeds from issuance of bonds	1,000	–
Purchase of treasury shares	(583)	(3)
Proceeds from disposal of treasury shares	5	–
Proceeds from share issuance to non-controlling shareholders	–	2
Dividends paid	(850)	(945)
Net cash provided by (used in) financing activities	(5,176)	3,208
Effect of exchange rate change on cash and cash equivalents	(59)	64
Net increase (decrease) in cash and cash equivalents	(4,093)	1,345
Cash and cash equivalents at beginning of period	11,402	7,309
Cash and cash equivalents at end of period	*1 7,309	*1 8,654

Notes

Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of the Company and its domestic consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. The accounts of overseas consolidated subsidiaries are based on their financial statements prepared in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries are incorporated.

Significant accounting policies for preparation of the consolidated financial statements

1. Disclosure of scope of consolidation

Number of consolidated subsidiaries: 12 companies
Names of major consolidated subsidiaries are omitted since those names are described in "TKK Group Companies."
Having acquired shares of Eco Analysis Corporation and newly established TKK Plant Engineering K.K., the Company has accordingly included them in the scope of consolidation effective from the current fiscal year.

2. Disclosure about application of the equity method

Not applicable

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

Of the Company's consolidated subsidiaries, Kankyo Research Institute Inc., Toyo Kanetsu Corporate Venture Investment Partnership, Toyo Kanetsu Corporate Venture Fund II, PT Toyo Kanetsu Indonesia, Toyo Kanetsu Singapore Pte. Ltd. and Toyo Kanetsu (Malaysia) Sdn. Bhd. have a closing date of December 31. In preparation of the consolidated financial statements, their financial statements as of December 31 are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

(i) Securities

a) Held-to-maturity bonds: Stated at amortized cost (straight-line method)

b) Available-for-sale securities

Securities other than shares that do not have a market value are stated at fair value (valuation differences are directly charged or credited to net assets, and cost of securities sold is determined by the moving-average method).

Shares that do not have a market value are valued at cost determined by the moving-average method.

(ii) Derivatives

Derivatives are valued at fair value.

(iii) Inventories

a) Finished goods: Primarily, at cost using the first-in first-out method
(The value on the balance sheet is written down to reflect a decline in profitability.)

b) Work in process: Primarily, at cost using the specific identification method
(The value on the balance sheet is written down to reflect a decline in profitability.)

c) Raw materials: Primarily, at cost using the weighted-average method
(The value on the balance sheet is written down to reflect a decline in profitability.)

(2) Accounting policy for depreciation of significant assets

(i) Property, plant and equipment

The Company and its domestic consolidated subsidiaries use the declining-balance method, and overseas consolidated subsidiaries use the straight-line method in accordance with provisions of accounting standards in their respective countries.

However, the Company and its domestic consolidated subsidiaries use the straight-line method to depreciate buildings (excluding 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.

The estimated useful lives of major items are as follows:

Buildings and structures	3 to 57 years
Machinery and equipment	2 to 13 years

(ii) Intangible assets

Intangible assets are amortized using the straight-line method.

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

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To cover losses from bad debts for trade receivables, loans receivable and others, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables. For specific receivables such as highly doubtful receivables, the collectability is individually considered and the estimated amount of uncollectible accounts is provided as the allowance.

(ii) Provision for bonuses

To pay bonuses to employees, out of the estimated amount to be paid in the following fiscal year, an amount attributable to the current fiscal year is recorded.

(iii) Provision for loss on order received

To make provision for losses on orders received, as for existing construction, for which an amount of loss can be reasonably estimated at the end of the current fiscal year, an expected amount of loss in future is recorded as the provision.

(iv) Provision for warranties for completed construction

To cover costs of warranty against defects and after-sales service for completed construction, an amount is recorded based on the historical loss rate as well as consideration of an amount for individual construction that is expected to incur in future at the end of the current fiscal year.

(4) Method of accounting for retirement benefits

(i) Method of attributing estimated retirement benefits to periods

For the purpose of attributing estimated retirement benefits over the period up to the end of the current fiscal year in the calculation of retirement benefit obligations, the benefit formula method is applied.

(ii) Method of amortizing actuarial gain or loss and past service cost

Past service costs are recorded as an expense in the year they are incurred.

With regard to actuarial gain or loss, the amount is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (5 years) for each applicable fiscal year, and expensed from the year following the year in which the gain or loss is recognized.

(5) Accounting policies for significant revenues and expenses

The Group enters into long-term construction contracts mainly in the Logistics Solutions Business and the Plant & Machinery Business, such that entail assuming obligations to deliver merchandise and finished goods such as logistics facilities and storage tanks pursuant to such construction contracts. Given that costs with respect to any such construction contract are deemed to arise in proportion to appreciation of customer-controlled assets, revenue in relation to a construction contract is recognized according to the degree of progress thereof. The degree of progress is calculated as the proportion of construction cost incurred to date relative to total estimated cost under the construction contract.

Revenue is recognized using the cost recovery method in cases where recovery of incurred costs is likely but reasonable estimation regarding the degree of progress is not possible.

In addition, no adjustments are made to significant financing components because consideration for business transactions is mainly received within 180 days of having satisfied a performance obligation.

(6) Accounting policy for hedging

(i) Method of hedge accounting

In principle, the deferral accounting is applied. The allocation method is applied to forward foreign exchange contracts that meet requirements thereof, and the exceptional treatment is applied to interest rate swaps that meet requirements thereof.

(ii) Hedging instruments and hedged items

Hedging instruments: .... Forward foreign exchange contracts, Interest rate swaps
Hedged items:..................... Forecast transactions denominated in foreign currencies and borrowings

(iii) Hedging policy

In accordance with the "Rules on Handling of Derivative Transactions" established by the Company, the Company and its consolidated subsidiaries (collectively, the "Group") do not enter into any derivative transaction for speculative purposes but use derivative transactions only to hedge exchange rate fluctuation risk and interest rate fluctuation risk.

(iv) Method of assessing the hedging effectiveness

The Group confirms effectiveness by comparing and examining cash flows of hedging instruments and hedged items in advance. However, the Group omits assessment of effectiveness on interest rate swaps to which the exceptional treatment is applied.

(7) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents include cash in hand, readily available deposits and short-term investments with maturities of three months or less from the purchase date whose value is not subject to significant fluctuation risk.

Notes - Significant accounting estimates

(Construction contracts for which revenue is recognized based on degree of progress)

(1) Amount recognized in the consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Net sales	8,445	20,556

(2) Information on the content of significant accounting estimates related to identified items

With respect to construction contracts for which revenue is recognized based on degree of progress, the Group records net sales based on the progress rate calculated as the proportion of construction cost incurred corresponding to value of work done at the end of the current fiscal year, relative to the total amount of estimated cost of construction work.

The estimated amount of total cost of construction work has been determined on the basis of management's best estimate and judgments based on past experience and available information collected as well as individual work specifications. However, changes to original estimates may occur due to price fluctuations in the market, changes to specifications, natural disasters and others, and such changes may have a significant effect on the amount recognized in the consolidated statement of income for the next fiscal year.

Notes - Changes in accounting policies

1. Application of the Accounting Standard for Revenue Recognition

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and related guidance, effective from the beginning of the current fiscal year. As such, revenue has been recognized at the point in time when control of promised goods or services is transferred to its customers, at the amount expected to be received in exchange for such goods or services. This has resulted in changes with respect to revenue recognition, primarily as follows:

(1) Revenue recognition associated with construction contracts

Previously, the percentage-of-completion method was applied to construction showing certainty of performance on progress made, and the completed-contract method was applied to other construction. However, the method of revenue recognition for performance obligations satisfied over time has been changed to one whereby the Group estimates the degree of progress toward satisfying a performance obligation and accordingly recognizes revenue over time based on such degree of progress. Meanwhile, revenue is recognized using the cost recovery method in cases where recovery of incurred costs is likely but reasonable estimation regarding the degree of progress is not possible.

(2) Transactions involving sale and repurchase

With respect to transactions involving sale and repurchase, the Group previously derecognized items suppled for value, but has changed to a method whereby such supplied items are not derecognized in cases where the Company has assumed an obligation to repurchase such supplied items.

The Group has applied the Accounting Standard for Revenue Recognition and related guidance in accordance with the transitional treatment stipulated in the proviso to paragraph (84) of the Accounting Standard for Revenue Recognition. This has involved accordingly applying the new accounting policies effective from the beginning balance of the current fiscal year, thereby adjusting retained earnings at the beginning of the current fiscal year to reflect the cumulative effect of retroactively applying the new accounting policies to periods prior to the beginning of the current fiscal year.

As a result, net sales increased by ¥3,290 million and cost of sales increased by ¥3,290 million in the current fiscal year. There was no effect on the beginning balance of retained earnings.

In applying the Accounting Standard for Revenue Recognition and related guidance, "notes and accounts receivable - trade," which had been presented under "current assets" on the consolidated balance sheet of the previous fiscal year, has been included in "notes and accounts receivable - trade, and contract assets" effective from the current fiscal year. In addition, "advances received," which had been presented under "current liabilities," has been included in "contract liabilities" effective from the current fiscal year. Moreover, notes with respect to "Notes - Revenue recognition" in Notes pertaining to the previous fiscal year have not been presented in accordance with the transitional treatment stipulated in paragraph (89)-3 of the Accounting Standard for Revenue Recognition.

2. Application of the Accounting Standard for Fair Value Measurement and related guidance

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and related guidance, effective from the beginning of the current fiscal year. This has involved prospectively applying the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement and related guidance in accordance with the transitional treatment stipulated in paragraph (19) of the Accounting Standard for Fair Value Measurement and paragraph (44)-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on July 4, 2019). This has no effect on the consolidated financial statements.

In addition, the "Notes - Financial instruments" in Notes state matters regarding the breakdown of financial instruments by each fair value level. Among those notes, however, matters pertaining to the previous fiscal year have not been presented in accordance with the transitional treatment stipulated in paragraph (7)-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on July 4, 2019).

Notes - Changes in presentation

(Consolidated statement of income and comprehensive income)

"Gain on sale of scraps," which was included in "other" under non-operating income until the previous fiscal year, has been presented separately from the current fiscal year since the significance of the amount has increased.

In the previous fiscal year, "gain on sale of scraps" was ¥33 million.

Notes - Changes in accounting estimates

(Changes in accounting estimates related to asset retirement obligations)

With respect to asset retirement obligations pertaining to costs of removing asbestos from commercial buildings, the Group has changed its estimate of asbestos removal costs in the current fiscal year upon having gained new information such as that involving an increase in construction costs pertaining to asbestos removal.

Due to this change in estimate, the balance of asset retirement obligations has been increased by ¥427 million relative to the amount prior to the change.

Meanwhile, operating profit, ordinary profit, and profit before income taxes have each decreased by ¥427 million due to the change in estimate.

Notes - Additional information

1. Accounting estimates in association of the spread of COVID-19

With regard to the impact of COVID-19, although under the current situation, it is difficult to predict how it will spread in the future and when the spread will end, the Group thinks at present that impact on accounting estimates for recoverability of deferred tax assets and others will be limited.

However, if the timing of when the spread of COVID-19 will come to an end and its impact on economic environment change, the financial position and operating results may be affected.

2. Transaction of granting the Company's own shares to Directors, etc. through a trust

The Company has introduced a performance-linked share-based compensation using a trust for Directors (excluding Directors who are Audit and Supervisory Committee Members and outside Directors), and Managing Officers who are not Directors and other Executive Officers in a higher rank (hereinafter collectively referred to as "Directors, etc.") from the fiscal year ended March 31, 2020, for the purpose of increasing the incentive to improve the Company's medium- to long-term performance and enhance the corporate value more than ever by clarifying the linkage between remuneration of Directors, etc., and the Company's medium- to long-term performance and stock value, and sharing profits and risks resulting from the linkage with stock price between Directors, etc. and shareholders.

To the accounting treatment for this trust agreement, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, issued on March 26, 2015) is applied correspondingly.

(1) Outline of transaction

Money is entrusted to a trust designated by the Company (hereinafter referred to as the "Trust"), which acquires shares of the Company. Points are given to each Director, etc. at the end of each fiscal year of the medium-term business plan in accordance with the Share Delivery Regulations established by the Company's Board of Directors, and shares of the Company are delivered through the Trust in a certain period during the tenure of the Director, etc. specified in the Regulations for the Provision of Shares for the Performance-linked Share-based Remuneration Plan for officers, or at the time of retirement of the Director, etc. in the number corresponding to the number of points accumulated by then.

(2) The Company's shares remaining in the Trust

Shares of the Company remaining in the Trust have been recorded at the book value in the Trust (excluding the amount of incidental costs) as treasury shares in net assets. The book value and number of these treasury shares for the previous fiscal year were ¥144 million and 81,200 shares, respectively, and for the current fiscal year were ¥144 million and 81,200 shares, respectively.

Notes - Consolidated balance sheet

*1. The following amounts have been restricted by a bank in return for its issuing a bank guarantee, which was provided by the Company:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Cash and deposits	¥1 million	¥1 million

*2. Of the amount stated for notes and accounts receivable - trade, and contract assets, amounts of receivables from contracts with customers are as follows:

	Current fiscal year (As of March 31, 2022)
Notes receivable - trade	¥673 million
Accounts receivable - trade	9,011
Contract assets	15,642

*3. Accumulated depreciation of property, plant and equipment are as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
	¥11,774 million	¥12,556 million

*4. Assets pledged and liabilities secured

Assets pledged and liabilities secured as collateral are as follows:

Assets pledged

	Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)	
Buildings and structures	¥267 million	[¥267 million]	¥235 million	[¥235 million]
Machinery, equipment and vehicles	0	[0]	0	[0]
Tools, furniture and fixtures	0	[0]	0	[0]
Land	5,458	[5,458]	5,458	[5,458]
Total	5,726	[5,726]	5,694	[5,694]

Liabilities secured as collateral

	Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)	
Short-term borrowings	¥939 million	[¥939 million]	¥1,670 million	[¥1,670 million]
Long-term borrowings (including current portion of long-term borrowings)	1,980	[1,980]	1,980	[1,980]
Total	2,919	[2,919]	3,650	[3,650]

In the above table, figures in brackets present mortgages on factory foundation and the relevant debts. The amounts of land are after revaluation.

*5. In accordance with the "Act on Revaluation of Land" (Act No. 34 promulgated on March 31, 1998), the Company revalues its land for business use and, as for the valuation difference, records an amount equivalent to tax relating to the valuation difference as "deferred tax liabilities for land revaluation" in the liabilities section and an amount after deducting said amount as "revaluation reserve for land" in the net assets section.

- Method of revaluation – The Company revalues the land by the calculation method where a value based on the assessed value of fixed asset tax set forth in Article 2, Item 3 and road rating set forth in Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 promulgated on March 31, 1998) is reasonably adjusted.
- Date of revaluation – March 31, 2002

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Difference between the year-end value of revaluated land and the book value after the revaluation	¥(2,479) million	¥(2,479) million

Notes - Consolidated statement of income and comprehensive income

*1. Revenue from contracts with customers

Revenue from contracts with customers and revenue other than that from contracts with customers are not stated separately with respect to net sales. Amounts of revenue from contracts with customers have been presented in "Notes - Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers" of the consolidated financial statements.

*2. Provision for loss on order received included in cost of sales

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
	¥(211) million	¥(30) million

*3. Major components of selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Salaries and allowances	¥1,975 million	¥2,274 million
Bonuses	458	632
Provision for bonuses	133	93
Retirement benefit expenses	215	101
Provision of allowance for doubtful accounts	(5)	7

*4. Total of research and development expenses included in general and administrative expenses and manufacturing costs for the period

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
	¥597 million	¥602 million

*5. Impairment losses

Previous fiscal year (From April 1, 2020 to March 31, 2021)

The Company recorded impairment losses on the following asset groups.

(1) Outline of asset groups on which impairment losses were recognized

Location	Use	Type
Chiba Plant (Kisarazu, Chiba)	Assets for Plant & Machinery Business	Machinery and other assets
Head Office (Koto-ku, Tokyo)	Same as above	Software and other assets
PT Toyo Kanetsu Indonesia (Batam, Indonesia)	Same as above	Land, machinery, buildings and other assets
Toyo Kanetsu (Malaysia) Sdn. Bhd. (Bintulu, Malaysia)	Same as above	Land, machinery, buildings and other assets

(2) Circumstances leading to recognition of impairment losses

For asset groups of which cash flows arising from operating activities continued, or were expected to continue, to be negative, the carrying amount was reduced to the recoverable amount, and the reduced amount was recorded as impairment losses in extraordinary losses.

(3) Amount of impairment losses and breakdown of the amount by type of major non-current assets

Type	Amount (Millions of yen)
Land	620
Machinery, equipment and vehicles	292
Buildings and structures	100
Tools, furniture and fixtures	18
Intangible assets	14
Total	1,047

(4) Method of grouping assets

In principle, the Group's assets for business use are grouped on the basis of the business, and the Group's idle assets are grouped by each asset. In addition, as for Head Office and Chiba Plant, the assets are grouped as commonly used assets.

(5) Method of calculating the recoverable amount

The recoverable amount of this asset group is measured at value in use, and the amount calculated by discounting future cash flows at weighted average cost of capital of 5.32% is applied.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable

*6. Reclassification adjustments and tax effects relating to other comprehensive income

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Amount recorded during the period	¥1,832 million	¥(1,881) million
Reclassified amount	–	–
Pre-adjustment of tax effect	1,832	(1,881)
Tax effect amount	(561)	575
Valuation difference on available-for-sale securities	1,271	(1,305)
Deferred gains or losses on hedges:		
Amount recorded during the period	13	(8)
Reclassified amount	–	–
Pre-adjustment of tax effect	13	(8)
Tax effect amount	(4)	2
Deferred gains or losses on hedges	9	(6)
Foreign currency translation adjustment:		
Amount recorded during the period	(104)	(44)
Reclassified amount	–	–
Pre-adjustment of tax effect	(104)	(44)
Tax effect amount	–	–
Foreign currency translation adjustment	(104)	(44)
Remeasurements of defined benefit plans, net of tax:		
Amount recorded during the period	417	23
Reclassified amount	101	(73)
Pre-adjustment of tax effect	518	(49)
Tax effect amount	(158)	15
Remeasurements of defined benefit plans, net of tax	360	(34)
Total other comprehensive income	1,536	(1,390)

Notes - Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2020 to March 31, 2021)

1. Matters concerning class and total number of issued shares, and class and number of treasury shares

(Thousands of shares)

	Number of shares at beginning of period	Number of shares increased in period	Number of shares decreased in period	Number of shares at end of period
Issued shares				
Common shares	9,323	–	–	9,323
Total	9,323	–	–	9,323
Treasury shares				
Common shares (Notes 1, 2, and 3)	874	273	3	1,144
Total	874	273	3	1,144

(Notes) 1. The number of treasury shares of common shares includes shares of the Company held by the benefit trust for officers (84 thousand shares at beginning of period, 81 thousand shares at end of period).

2. Total number of treasury shares of common shares increased by 273 thousand shares because of an increase due to acquisition of treasury shares based on a resolution by the Board of Directors of 269 thousand shares and an increase due to purchase of shares less than one unit of 4 thousand shares.

3. Total number of treasury shares of common shares decreased by 3 thousand shares due to a disposal of treasury shares to the benefit trust for officers based on a resolution by the Board of Directors.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2020	Common shares	¥853 million	¥100	March 31, 2020	June 29, 2020

(Note) The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 26, 2020 includes dividends on shares of the Company held by the benefit trust for officers of ¥8 million.

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common shares	¥949 million	Retained earnings	¥115	March 31, 2021	June 30, 2021

(Note) The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 29, 2021 includes dividends on shares of the Company held by the benefit trust for officers of ¥9 million.

Current fiscal year (From April 1, 2021 to March 31, 2022)

1. Matters concerning class and total number of issued shares, and class and number of treasury shares

(Thousands of shares)

	Number of shares at beginning of period	Number of shares increased in period	Number of shares decreased in period	Number of shares at end of period
Issued shares				
Common shares	9,323	–	–	9,323
Total	9,323	–	–	9,323
Treasury shares				
Common shares (Notes 1 and 2)	1,144	1	–	1,145
Total	1,144	1	–	1,145

(Notes) 1. The number of treasury shares of common shares includes shares of the Company held by the benefit trust for officers (81 thousand shares at beginning of period, 81 thousand shares at end of period).

2. The total number of treasury shares of common shares increased by one thousand shares because of an increase due to purchase of shares less than one unit.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common shares	¥949 million	¥115	March 31, 2021	June 30, 2021

(Note) The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 29, 2021 includes dividends on shares of the Company held by the benefit trust for officers of ¥9 million.

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2022	Common shares	¥1,197 million	Retained earnings	¥145	March 31, 2022	June 29, 2022

(Note) The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 28, 2022 includes dividends on shares of the Company held by the benefit trust for officers of ¥11 million.

Notes - Consolidated statement of cash flows

*1 Reconciliation of ending balance of cash and cash equivalents with account balances on the consolidated balance sheet

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash and deposits	¥7,413 million	¥8,759 million
Time deposits with maturity over 3 months	(102)	(102)
Restricted deposits	(1)	(1)
Cash and cash equivalents	7,309	8,654

*2 Significant non-cash transactions

Newly recorded asset retirement obligations

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Asset retirement obligations	–	572

Notes - Leases

(Borrower)

Operating lease transactions

Future lease payments under non-cancelable operating leases

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Within 1 year	¥65 million	¥74 million
Over 1 year	213	176
Total	279	251

(Lender)

Finance lease transactions

(1) The components of investments in leases

Current assets

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Lease payments receivable	¥524 million	¥191 million
Estimated residual value	48	38
Amount equivalent to interest income	(21)	(10)
Investments in leases	550	220

(2) Amounts expected to be collected on lease payments receivable of investments in leases after consolidated balance sheet date

Current assets

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)					
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Investments in leases	332	159	31	–	–	–

(Millions of yen)

	Current fiscal year (As of March 31, 2022)					
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Investments in leases	159	31	–	–	–	–

Notes - Financial instruments

1. Status of financial instruments

(1) Policy on treatment of financial instruments

The Group raises funds necessary to run its business smoothly by bonds payable and borrowing from banks. In the case where the Group has temporary surplus funds, it invests them only in safe financial instruments.

The Group uses derivative transactions to hedge various risks described in (2) in accordance with the "Rules on Handling of Derivative Transactions" established by the Company and has a policy not to enter into any speculative transaction.

(2) Content and risks of financial instruments and risk management system therefor

The Group's notes and accounts receivable - trade are subject to credit risk of its customers, and its certain receivables denominated in foreign currencies are subject to exchange rate fluctuation risk. The Group mitigates the credit risk of its customers by periodically confirming whether there is any overdue receivable using an aging schedule and other documents and the exchange rate fluctuation risk such as by borrowing in foreign currencies as needed.

The Company's securities are subject to credit risk of its investees, but the Company invests surplus funds in safe financial instruments with high ratings through prescribed internal procedures.

The Group's investment securities are subject to credit risk of its investees and market price fluctuation risk. They are equity securities of listed companies with which the Group has business relationships, most of which are categorized as available-for-sale securities, and the Group periodically ascertains the fair value thereof.

The Group's notes and accounts payable - trade and accrued expenses are subject to liquidity risk, and its certain payables denominated in foreign currencies are subject to exchange rate fluctuation risk. The Group mitigates the liquidity risk by periodically preparing a schedule of cash receipts and disbursements and other documents and the exchange rate fluctuation risk by forward exchange contracts and other means as needed.

Of bonds payable and borrowings, short-term borrowings are primarily for daily business transactions, and long-term borrowings and bonds payable are primarily for temporary advances on large-scale projects. Variable-rate borrowings are subject to interest rate fluctuation risk, and the Group uses interest rate swaps as hedging instruments for respective contracts for most of the long-term borrowings in order to hedge the fluctuation risk of the interest rates to be paid and fix interest expenses. The Group limits interest rate swaps to those to which the exceptional treatment can be applied and omits assessment of hedge effectiveness thereon. The Group mitigates the liquidity risk by periodically preparing a schedule of cash receipts and disbursements and other documents.

The Group executes and manages derivative transactions in accordance with the Company's Rules on Handling of Derivative Transactions and, when using derivatives, enters into transactions with financial institutions with high ratings to mitigate credit risk. Please see "Accounting policy for hedging" of "Disclosure of accounting policies" in "Significant accounting policies for preparation of the consolidated financial statements" described previously for the hedging instruments, hedging policy, method of assessing the hedging effectiveness and other information on hedge accounting.

(3) Supplementary explanation concerning fair values of financial instruments

As several variable factors are incorporated in measuring fair value of financial instruments, the resulting amount may vary depending on the different preconditions employed. In addition, the contract amounts of derivative transactions, mentioned in "Notes - Derivatives" in Notes, should not be considered indicative of the sizes of the market risks involved in the derivative transactions.

2. Fair values of financial instruments

Carrying amounts on the consolidated balance sheet, fair values and differences therebetween of the financial instruments are as shown below.

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities (*2)	8,425	8,425	–
Total assets	8,425	8,425	–
(1) Bonds payable	1,000	1,009	9
(2) Long-term borrowings (including within 1 year)	4,588	4,677	89
Total liabilities	5,588	5,687	99
Derivatives (*3)			
(1) Those not qualifying for hedge accounting	–	–	–
(2) Those qualifying for hedge accounting	–	–	–
Total derivatives	–	–	–

(*1) This information has been omitted with respect to “cash and deposits,” “notes and accounts receivable - trade,” “notes and accounts payable - trade,” “short-term borrowings,” and “accrued expenses” because they are cash or their fair values approach the carrying amounts given that they are settled on a short-term basis.

(*2) The following financial instruments have not been included in “(1) Investment securities” because they have no market value and it is extremely difficult to ascertain their fair values. The carrying amount of such financial instruments on the consolidated balance sheet is as follows:

(Millions of yen)

Classification	Previous fiscal year
Unlisted equity securities, etc.	1,483

(*3) Net receivables and payables arising from derivative transactions are presented in their net amounts.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities (*2)	6,209	6,209	–
Total assets	6,209	6,209	–
(1) Bonds payable	1,000	1,008	8
(2) Long-term borrowings (including within 1 year)	4,580	4,644	64
Total liabilities	5,580	5,653	73
Derivatives (*3)			
(1) Those not qualifying for hedge accounting	–	–	–
(2) Those qualifying for hedge accounting	0	0	–
Total derivatives	0	0	–

(*1) This information has been omitted with respect to “cash and deposits,” “notes receivable - trade,” “accounts receivable – trade,” “notes and accounts payable - trade,” “short-term borrowings,” and “accrued expenses” because they are cash or their fair values approach the carrying amounts given that they are settled on a short-term basis.

(*2) Shares that do not have a market value have not been included in “(1) Investment securities.” The carrying amount of such financial instruments on the consolidated balance sheet is as follows:

(Millions of yen)

Classification	Current fiscal year
Unlisted equity securities, etc.	1,453

(*3) Net receivables and payables arising from derivative transactions are presented in their net amounts.

(Notes) 1. Projected redemption amounts for monetary claims and securities with maturities after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash	7,386	–	–	–
Notes and accounts receivable - trade	13,489	–	–	–
Securities	–	–	–	–
Investment securities				
Held-to-maturity bonds	–	–	–	–
Available-for-sale securities	–	–	–	–
Total	20,875	–	–	–

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash	8,724	–	–	–
Notes receivable - trade	673	–	–	–
Accounts receivable - trade	9,011	–	–	–
Securities	–	–	–	–
Investment securities				
Held-to-maturity bonds	–	–	–	–
Available-for-sale securities	–	–	–	–
Total	18,410	–	–	–

2. Scheduled repayment amounts of bonds payable, long-term borrowings and other interest-bearing liabilities after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Bonds payable	–	–	–	–	1,000
Long-term borrowings	–	1,700	2,480	400	–
Total	–	1,700	2,480	400	1,000

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Bonds payable	–	–	–	–	1,000
Long-term borrowings	1,700	2,480	400	–	–
Total	1,700	2,480	400	–	1,000

3. Matters regarding the breakdown of financial instruments by each fair value level

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and significance of the inputs used in the measurement of fair value.

Level 1 fair value: Fair value is measured using the market price related to the asset or liability subject to measurement of fair value formed in an active market, from among the observable inputs used in fair value measurement.

Level 2 fair value: Fair value is measured enlisting the inputs used in the measurement of fair value, other than the Level 1 inputs, from among the observable inputs used in fair value measurement.

Level 3 fair value: Fair value is measured enlisting the unobservable inputs used in fair value measurement.

In cases where multiple inputs which have a material effect on the measurement of fair value are used, the fair value is categorized at the level with the lowest priority in the fair value measurement among the levels to which the respective inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	6,209	–	–	6,209
Derivative transactions				
Currencies	–	0	–	0
Total assets	6,209	0	–	6,209

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	–	1,008	–	1,008
Long-term borrowings (including within 1 year)	–	4,644	–	4,644
Total liabilities	–	5,653	–	5,653

(Note) Explanation of valuation methods used to measure fair value and inputs relating to fair value measurement

Investment securities

Listed stocks are valued using quoted market prices. The fair value of listed stocks is classified as level 1 fair value given that listed stocks are traded in active markets.

Derivative transactions

(1) Derivative transactions to which hedge accounting is not applied
Not applicable.

(2) Derivative transactions to which hedge accounting is applied
The fair value of interest rate swaps that are accounted for using exceptional treatment is included in fair value of “Liabilities (2) Long-term borrowings (including within 1 year),” as those interest rate swaps are treated together with the long-term borrowings that are subject to hedging (refer to “Long-term borrowings,” below). The fair value of forward exchange contracts is measured enlisting the discounted cash flow method using observable inputs such as exchange rates, and is categorized as Level 2 fair value.

Bonds payable

The fair value of bonds payable issued by the Company is measured enlisting the discounted cash flow method based on interest rates considering the sum of principal and interest, and the interest rates considering the remaining duration and credit risk of the bonds payable, and is categorized as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is measured enlisting the discounted cash flow method based on interest rates considering the sum of principal and interest, and the interest rates considering the remaining duration and credit risk of the obligation, and is categorized as Level 2 fair value. Long-term borrowings with variable interest rates are subject to exceptional treatment of interest rate swaps (refer to “Derivative transactions,” above), and their fair values are measured using the sum of principal and interest accounted for with the relevant interest rate swaps.

Notes - Securities

1. Held-to-maturity bonds

Previous fiscal year (As of March 31, 2021)
Not applicable

Current fiscal year (As of March 31, 2022)
Not applicable

2. Available-for-sale securities (securities classified as other securities under Japanese GAAP)

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Securities for which the carrying amount on the consolidated balance sheet exceeds the acquisition cost	(1) Stocks	8,425	2,943	5,482
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	8,425	2,943	5,482
Securities for which the carrying amount on the consolidated balance sheet does not exceed the acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		8,425	2,943	5,482

(Note) “Available-for-sale securities” in the above table do not include unlisted equity securities (carrying amount on the consolidated balance sheet of ¥1,483 million) because there is no market value and accordingly it is extremely difficult to ascertain their fair values.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Securities for which the carrying amount on the consolidated balance sheet exceeds the acquisition cost	(1) Stocks	6,209	2,631	3,578
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	6,209	2,631	3,578
Securities for which the carrying amount on the consolidated balance sheet does not exceed the acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		6,209	2,631	3,578

(Note) "Available-for-sale securities" in the above table do not include shares that do not have a market value (unlisted equity securities; carrying amount on the consolidated balance sheet of ¥1,453 million).

3. Available-for-sale securities that were sold

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	1,238	913	–
(2) Bonds			
(i) Government bonds and municipal bonds, etc.	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	1,238	913	–

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	644	331	–
(2) Bonds			
(i) Government bonds and municipal bonds, etc.	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	21	2	–
Total	665	333	–

4. Securities subject to the recognition of impairment loss

In the previous fiscal year, impairment loss of ¥73 million (shares in available-for-sale securities: ¥73 million) was recognized on securities. In the current fiscal year, impairment loss of ¥96 million (shares in available-for-sale securities: ¥96 million) was recognized on securities.

In the treatment for impairment loss, impairment loss is recognized in principle when the fair market value at the period-end decreased by 50% or more compared with the acquisition cost, and impairment loss is recognized to the extent of the amount considered necessary in light of materiality of the amount, recoverability and other factors when the fair market value at the period-end decreased by approximately 30% to 50%.

Notes - Derivatives

1. Derivative transactions to which hedge accounting is not applied
   Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Previous fiscal year (As of March 31, 2021)

Not applicable

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Allocation method for forward exchange contract	Forward exchange contract	Accounts payable - trade				Fair value is calculated based on the price provided by counterparty financial institutions or other prices.
	Buy contract					
	Euro		21	–	21	
Total			21	–	21	

(2) Interest rates

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Exceptional treatment of interest rate swaps	Interest rate swap transactions Receive variable, pay fixed	Long-term borrowings	2,700	2,700	(Note)	(Note)

(Note) The fair value of interest rate swaps that are accounted for using exceptional treatment is included in that of corresponding long-term borrowings, as those interest rate swaps are treated as an adjustment to long-term borrowings as hedged items.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Exceptional treatment of interest rate swaps	Interest rate swap transactions Receive variable, pay fixed	Long-term borrowings	2,700	2,700	(Note)	(Note)

(Note) The fair value of interest rate swaps that are accounted for using exceptional treatment is included in that of corresponding long-term borrowings, as those interest rate swaps are treated as an adjustment to long-term borrowings as hedged items.

Notes - Retirement benefits

1. Summary of retirement benefit plans adopted

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans as defined benefit plans, and certain consolidated subsidiaries have a small and medium sized enterprise retirement allowance cooperative plan and lump-sum retirement plans.

In addition, the Company and certain consolidated subsidiaries have defined contribution corporate pension plans.

The Company and certain consolidated subsidiaries participate in Nihon Sangyo Kikai Kougyo Kigyonenkin Kikin (pension fund of Japan industrial machinery manufacturers) or Zenkankyo Kigyonenkin Kikin (pension fund for employees in the environmental measurement certification sector nationwide). For this fund, since the amount of pension plan assets corresponding to contributions by the respective companies cannot be reasonably calculated, the fund is accounted for similar to defined contribution plans.

2. Defined benefit plans

(1) Reconciliation between beginning balance and ending balance of retirement benefit obligations

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Beginning balance of retirement benefit obligations	¥3,350 million	¥3,361 million
Service cost	192	241
Interest expenses	15	13
Unrecognized net actuarial gain or loss	(20)	(16)
Retirement benefits paid	(156)	(225)
Past service cost	(13)	44
Increase due to acquisition of new consolidated subsidiary	–	497
Other	(6)	8
Ending balance of retirement benefit obligations	3,361	3,925

(2) Reconciliation between beginning balance and ending balance of pension plan assets

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Beginning balance of pension plan assets	¥3,235 million	¥3,707 million
Expected return on plan assets	37	38
Unrecognized net actuarial gain or loss	397	31
Amount of employer contribution	232	206
Retirement benefits paid	(187)	(240)
Increase due to acquisition of new consolidated subsidiary	–	230
Other	(8)	7
Ending balance of pension plan assets	3,707	3,982

(3) Retirement benefit obligations and pension plan assets at the end of the fiscal year and reconciliation of retirement benefit liability and retirement benefit asset on consolidated balance sheet

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Retirement benefit obligations under funded system	¥3,361 million	¥3,925 million
Pension plan assets	(3,707)	(3,982)
	345	57
Retirement benefit obligations under unfunded system	–	–
Net amount of assets and liabilities stated in the consolidated balance sheet	345	57
Retirement benefit liability	107	392
Retirement benefit asset	(452)	(449)
Net amount of assets and liabilities stated in the consolidated balance sheet	345	57

(4) Retirement benefit expenses and components thereof

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Service cost	¥192 million	¥241 million
Interest expenses	15	13
Expected return on plan assets	(37)	(38)
Amortization of net actuarial gain or loss	101	(74)
Amortization of past service cost	(13)	44
Retirement benefit expenses pertaining to defined benefit plans	258	186

(5) Remeasurements of defined benefit plans on consolidated statement of income and comprehensive income

The components of remeasurements of defined benefit plans (before tax effects deduction) are as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Past service cost	¥– million	¥– million
Actuarial gains and losses	518	(49)
Total	518	(49)

(6) Remeasurements of defined benefit plans on consolidated balance sheet

The components of remeasurements of defined benefit plans (before tax effects deduction) are as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Unrecognized past service cost	¥– million	¥– million
Unrecognized net actuarial gain or loss	(280)	(230)
Total	(280)	(230)

(7) Pension plan assets

(i) Major components of pension plan assets

Ratio of major components for total pension plan assets is as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Bonds	28%	24%
Shares	33	43
General account	30	26
Other	9	7
Total	100	100

(ii) Method of establishing expected long-term rates of return on plan assets

In order to determine the expected long-term rates of return on plan assets, the current and forecast distribution of plan assets and the current and expected future long-term rates of return from the diverse assets that comprise the plan assets are taken into consideration.

(8) Matters relating to the basis for actuarial calculations

Main basis for actuarial calculations

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Discount rate	0.25%	0.25%
Expected long-term rates of return on pension plan assets	1.00%	1.00%

3. Defined contribution plans

The required contribution from the Company and its consolidated subsidiaries into the defined contribution pension plans was ¥81 million in the previous fiscal year and ¥76 million in the current fiscal year.

4. Multi-employer plan

The required contribution amount to the corporate pension fund plan under the multi-employer plan, which is accounted for in the same manner as a defined contribution plan, was ¥103 million in the previous fiscal year and ¥96 million in the current fiscal year.

(1) Nihon Sangyo Kikai Kougyo Kigyonenkin Kikin (pension fund of Japan industrial machinery manufacturers)

(i) Funded status of multi-employer plan

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Plan assets	¥11,573 million	¥14,292 million
Sum of actuarial obligations calculated for finance status of pension plan and minimum reserve	21,129	20,854
Net amount	(9,557)	(6,562)

(ii) Group’s proportion of total contributions to plan

Previous fiscal year 7.69% (From April 1, 2020 to March 31, 2021)

Current fiscal year 7.71% (From April 1, 2021 to March 31, 2022)

(iii) Supplementary explanation

Major factors for the net amount in (i) above are the balance of past service liabilities (¥9,946 million as of March 31, 2020 and ¥8,658 million as of March 31, 2021) and surplus amount (¥389 million as of March 31, 2020 and ¥2,096 million as of March 31, 2021) for pension financing calculation.

The principal and interest of past service liabilities in this plan are amortized equally over 10 years and 6 months, and the Group recorded special contributions applied to such amortization (¥73 million as of March 31, 2020 and ¥68 million as of March 31, 2021) as expenses in the consolidated financial statements.

The proportions in (ii) above are not consistent with the proportions actually funded by the Group.

(2) Zenkankyo Kigyonenkin Kikin (pension fund for employees in the environmental measurement certification sector nationwide)

(i) Funded status of multi-employer plan

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Plan assets	¥7,514 million	¥8,839 million
Sum of actuarial obligations calculated for finance status of pension plan and minimum reserve	6,694	6,848
Net amount	820	1,990

(ii) Group’s proportion of total contributions to plan

Previous fiscal year –% (From April 1, 2020 to March 31, 2021)

Current fiscal year 1.21% (From April 1, 2021 to March 31, 2022)

(iii) Supplementary explanation

The proportions in (ii) above are not consistent with the proportions actually funded by the Group.

Notes - Share options, etc.

Not applicable

Notes - Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets		
Tax loss carry-forward (Note)	¥122 million	¥134 million
Accrued business tax	57	63
Retirement benefit liability	32	73
Provision for bonuses	79	135
Allowance for doubtful accounts	74	76
Provision for loss on order received	9	–
Loss on valuation of investment securities	225	225
Loss on valuation of investments in capital	203	233
Impairment loss	393	339
Depreciation	56	124
Asset retirement obligations	70	200
Other	244	242
Deferred tax assets subtotal	1,569	1,849
Valuation reserve for tax loss carry-forwards (Note)	(122)	(134)
Valuation reserve for the total of deductible temporary differences, etc.	(940)	(1,114)
Valuation reserve subtotal	(1,062)	(1,249)
Total deferred tax assets	506	599
Deferred tax liabilities		
Revaluation reserve for land	1,095	1,095
Valuation difference on available-for-sale securities	1,550	974
Reserve for tax purpose reduction entry of non-current assets	866	861
Retirement benefit asset	138	141
Other	47	32
Total deferred tax liabilities	3,698	3,105

(Note) Amounts of tax loss carry-forwards and related deferred tax assets by carry-forward period

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	–	71	2	5	42	–	122
Valuation reserve	–	(71)	(2)	(5)	(42)	–	(122)
Deferred tax assets	–	–	–	–	–	–	–

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	79	2	–	49	3	–	134
Valuation reserve	(79)	(2)	–	(49)	(3)	–	(134)
Deferred tax assets	–	–	–	–	–	–	–

(*) Tax loss carry-forwards represent the amount multiplied by the statutory effective tax rate.

2. Main components causing significant differences between the statutory effective tax rate and the actual effective tax rate after application of tax effect accounting

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Statutory effective tax rate	30.62%	30.62%
Adjustments		
Increase/decrease in valuation reserve	6.30	5.07
Expenses not deductible for income tax purposes, such as entertainment expenses	0.73	0.85
Income not included for income tax purposes, such as dividends received	(0.46)	(0.37)
Per capita levy of inhabitant taxes	1.14	0.99
Effect of differences in tax rates applicable to subsidiaries from tax rate applicable to the Company	3.64	0.82
Retained earnings of overseas subsidiaries	(1.03)	(0.12)
Tax credits	(2.17)	(0.62)
Other	(0.20)	(0.04)
Actual effective tax rate	38.56	37.19

Notes - Asset retirement obligations

Of asset retirement obligations, items recorded on the consolidated balance sheet

1. Outline of asset retirement obligations

   The Group assumes obligations to restore the original state of certain facilities for rent, such that are associated with costs of removing asbestos from buildings containing asbestos and real estate lease agreements for manufacturing facilities and other owned sites situated on leased land under the Ordinance on Prevention of Asbestos Hazards and other such regulations.

2. Calculation method for determining asset retirement obligation amount

   With respect to facilities containing asbestos, estimates regarding future costs of removing asbestos are recognized as asset retirement obligations. This amount is not discounted because the estimated period of use has already elapsed.

   With respect to obligations to restore the original state of sites associated with real estate lease agreements, the amount of asset retirement obligations was calculated using a discount rate of 0.643% assuming an estimated period of use of 28 years from acquisition.

3. Increase (decrease) in total asset retirement obligations

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Beginning balance	¥235 million	¥230 million
Increase due to acquisition of property, plant and equipment	–	144
Increase due to change in estimates	–	427
Adjustments associated with passage of time	–	0
Decrease due to settlement of asset retirement obligations	(4)	(3)
Ending balance	230	799

Notes - Real estate for lease, etc.

The Company and certain subsidiaries rent out a space such as in their business places as well as land mainly for rental housing and buildings in the Tokyo metropolitan area and other areas. Rental profit related to the real estate for rent, etc. for the previous fiscal year was ¥286 million (rent income is recorded in net sales, and rent expenses are recorded in cost of sales). Rental profit related to the real estate for rent, etc. for the current fiscal year was ¥255 million (rent income is recorded in net sales, and rent expenses are recorded in cost of sales).
Carrying amounts on the consolidated balance sheet, changes during period for the previous and current fiscal years and fair values of the real estate for rent, etc. are as follows:

(Millions of yen)

		Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Carrying amount on the consolidated balance sheet			
	Balance at beginning of period	4,818	4,746
	Increase (decrease) during period	(71)	(257)
	Balance at end of period	4,746	4,489
Fair value at end of period		3,299	3,199

(Notes) 1. Carrying amount on the consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment loss from acquisition cost.

2. The increase (decrease) during period for the previous fiscal year primarily consist of a decrease in rentable space (¥62 million) and a decrease due to depreciation (¥9 million). The increase (decrease) during period for the current fiscal year primarily consist of a decrease in rentable space (¥249 million) and a decrease due to depreciation (¥8 million).

3. Fair value of property whose amount has significance at the end of the period is an amount based on a value investigation report by an external real property appraiser, and that of other property whose amount has little significance is an amount based on an index which is believed to reflect a market value appropriately.

Notes - Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

Information on disaggregated revenue by timing of revenue recognition is as follows:

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments			Other	Total
	Logistics Solutions Business	Plant & Machinery Business	Total		
Goods and services transferred at a point in time	7,035	76	7,112	8,371	15,484
Goods and services transferred over time	25,951	14,930	40,881	1,954	42,836
Revenue from contracts with customers	32,987	15,006	47,993	10,326	58,320
Other revenue (Note)	–	–	–	857	857
Sales to external customers	32,987	15,006	47,993	11,183	59,177

(Note) Other revenue consists of lease revenue and other such amounts pursuant to the Accounting Standard for Lease Transactions.

2. Information that serves as a basis for understanding revenue from contracts with customers

Information that serves as a basis for understanding revenue from contracts with customers has been presented in, "Notes - Significant accounting policies for preparation of the consolidated financial statements, 4. Disclosure of accounting policies, (5) Accounting policies for significant revenues and expenses."

3. Information on the relationship between satisfying performance obligations pursuant to contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in subsequent fiscal years

(1) Balance of contract assets and contract liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Receivables from contracts with customers	9,972	9,685
Contract assets	3,516	15,642
Contract liabilities	2,354	655

Of the revenues recognized in the current fiscal year, ¥2,343 million is included in the balance of contract liabilities as of the beginning of the fiscal year.

(2) Transaction price allocated to remaining performance obligations

Unsatisfied performance obligations are ¥38,977 million as of March 31, 2022. These performance obligations mainly involve construction contracts in the Logistics Solutions Business and the Plant & Machinery Business, with respect to which approximately 90% is to be recognized as revenue within one year subsequent to the end of the fiscal year and the remaining 10% is to be recognized as revenue within two to five years.

Notes - Segment information, etc.

[Segment information]

1. Description of reportable segments

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

The Group develops comprehensive business strategies and engages in business activities for respective products and service of divisions by product and service in the Company.

Accordingly, the Company is comprised of segments by product and service, and its reportable segments consist of "Logistics Solutions Business" and "Plant & Machinery Business."

"Logistics Solutions Business" develops, designs, builds and executes construction works of, material handling systems focusing on sorting, picking and conveying systems and provides maintenance services and other operations for these systems. "Plant & Machinery Business" designs, builds, and executes construction works of, storage tanks for LNG, LPG, crude oil and other gas and liquid and provides maintenance services and other operations for these tanks.

2. Method of measurements of sales, profit (loss), asset, and other items for each reportable segment

The accounting procedures for the reporting operating segments are nearly the same as those stated in "Significant accounting policies for preparation of the consolidated financial statements." Profits of the reportable segments are based on operating profit. Intersegment transactions are based on actual transaction amounts.

As stated in "Notes - Changes in accounting policies," the Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and related guidance effective from the beginning of the current fiscal year, thereby resulting in change to its accounting method for revenue recognition and accompanying change to the method for measuring profit or loss of business segments.

As a result of the change, net sales of the Plant & Machinery Business for the current fiscal year increased by ¥3,290 million relative to net sales under the previous method.

3. Disclosure of sales, profit (loss), asset, and other items for each reportable segment

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments			Other (Note)	Adjustment	Total
	Logistics Solutions Business	Plant & Machinery Business	Total			
Sales						
Sales to external customers	27,239	9,800	37,039	6,577	–	43,617
Transactions with other segments	–	–	–	151	(151)	–
Total	27,239	9,800	37,039	6,729	(151)	43,617
Segment profit (loss)	3,140	(602)	2,538	789	(703)	2,623
Segment assets	25,742	11,194	36,937	12,423	9,403	58,764
Other items						
Depreciation	459	79	538	218	19	776
Increase in property, plant and equipment, and intangible assets	478	44	523	345	428	1,297

(Note) "Other" includes the Life & Work Environmental Business (building construction business, manufacturing and sales of industrial facilities and equipment, inspection, measurement and analysis of asbestos), real estate rental operations, leasing operations, etc.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments			Other (Note)	Adjustment	Total
	Logistics Solutions Business	Plant & Machinery Business	Total			
Sales						
Sales to external customers	32,987	15,006	47,993	11,183	–	59,177
Transactions with other segments	–	–	–	397	(397)	–
Total	32,987	15,006	47,993	11,581	(397)	59,177
Segment profit	3,149	108	3,258	572	(1,021)	2,808
Segment assets	33,196	8,192	41,389	14,796	8,105	64,290
Other items						
Depreciation	423	18	442	282	21	745
Increase in property, plant and equipment, and intangible assets	610	27	638	410	218	1,267

(Note) "Other" includes the Life & Work Environmental Business (building construction business, manufacturing and sales of industrial facilities and equipment, inspection, measurement and analysis of asbestos, maintenance and management of environmental measuring instruments, and environmental research), real estate rental operations, leasing operations, etc.

4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

Profit	Previous fiscal year	Current fiscal year
Reportable segments total	2,538	3,258
Profit of "other"	789	572
Corporate expenses (Note)	(700)	(1,021)
Other adjustments	(3)	(0)
Operating profit in the consolidated financial statements	2,623	2,808

(Note) Corporate expenses mainly represent expenses related to administrative divisions such as the general affairs division, which are not attributable to the reportable segments.

(Millions of yen)

Asset	Previous fiscal year	Current fiscal year
Reportable segments total	36,937	41,389
Assets of "other"	12,423	14,796
Corporate assets (Note)	9,441	8,120
Other adjustments	(37)	(15)
Total assets in the consolidated financial statements	58,764	64,290

(Note) Corporate assets mainly represent assets related to divisions managing cash and deposits, investment securities and other assets of the Company, which are not attributable to the reportable segments.

[Information associated with reportable segments]

Previous fiscal year (From April 1, 2020 to March 31, 2021)

1. Information for each product and service

(Millions of yen)

	Material handling system equipment, etc.	Storage tank, etc.	Maintenance services of storage tanks	Other	Total
Sales to external customers	27,239	1,085	8,715	6,577	43,617

2. Information about geographical area

(1) Sales

(Millions of yen)

Japan	Southeast Asia	Other	Total
42,159	1,416	40	43,617

(Note) Sales are classified by country or region on the basis of construction sites.

(2) Property, plant and equipment

(Millions of yen)

Japan	Southeast Asia	Oceania	Total
15,593	7	40	15,641

3. Information for each of main customers

This information has been omitted since sales to a specific customer account for less than 10% of net sales in the consolidated statement of income and comprehensive income.

Current fiscal year (From April 1, 2021 to March 31, 2022)

1. Information for each product and service

(Millions of yen)

	Material handling system equipment, etc.	Storage tank, etc.	Maintenance services of storage tanks	Other	Total
Sales to external customers	32,987	1,108	13,897	11,183	59,177

2. Information about geographical area

(1) Sales

(Millions of yen)

Japan	Southeast Asia	Other	Total
58,124	1,044	8	59,177

(Note) Sales are classified by country or region on the basis of construction sites.

(2) Property, plant and equipment

(Millions of yen)

Japan	Southeast Asia	Oceania	Total
16,194	87	39	16,321

3. Information for each of main customers

Name of customer	Sales	Relevant segment
Amazon Japan G.K.	¥9,663 million	Logistics Solutions Business

[Disclosure of impairment loss on non-current assets for each reportable segment]

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments		Other	Adjustment	Total
	Logistics Solutions Business	Plant & Machinery Business			
Impairment losses	–	1,047	–	–	1,047

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable

[Amortization and unamortized balance of goodwill for each reportable segment]

Previous fiscal year (From April 1, 2020 to March 31, 2021)
Not applicable

Current fiscal year (From April 1, 2021 to March 31, 2022)
In the "Other" segment, the Company has recognized goodwill associated with having made Eco Analysis Corporation a subsidiary. The increase in goodwill due to this event was ¥9 million in the first quarter of the current fiscal year.

[Gain on bargain purchase for each reportable segment]

Previous fiscal year (From April 1, 2020 to March 31, 2021)
Not applicable

Current fiscal year (From April 1, 2021 to March 31, 2022)
Not applicable

[Information associated with related parties]

Subsidiaries and others

1. Related party transactions
   Not applicable

2. Notes concerning the parent company or important affiliated companies
   Not applicable

Notes - Per share information

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	¥4,461.06	¥4,460.55
Basic earnings per share	¥212.41	¥285.43

(Notes) 1. The amount of diluted earnings per share is not provided because there are no potential shares.
2. In the calculation of "net assets per share," shares of the Company held by the benefit trust for officers are included in treasury shares deducted from the total number of shares issued at the end of the fiscal year (81 thousand shares in the previous fiscal year, 81 thousand shares in the current fiscal year).
In addition, in the calculation of "basic earnings per share," such shares are included in treasury shares deducted in the calculation of the average number of shares during the period (82 thousand shares in the previous fiscal year, 81 thousand shares in the current fiscal year).
3. The basis for calculation for basic earnings per share is as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent	¥1,777 million	¥2,334 million
Profit not relating to common shareholders	–	–
Profit attributable to owners of parent pertaining to common shares	¥1,777 million	¥2,334 million
Average number of shares during the period	8,368 thousand shares	8,177 thousand shares

Notes - Significant events after reporting period

Acquisition of treasury shares

At its meeting of the Board of Directors held on May 13, 2022, the Company resolved matters pertaining to the acquisition of treasury shares based on the provisions of Article 156 of the Companies Act as applied by replacing certain terms under Article 165, Paragraph (3) of the Companies Act.

(1) Reason for acquisition of treasury shares
The Company will acquire treasury shares in order to flexibly implement capital strategy.

(2) Matters pertaining to the transactions

(i) Class of shares to be acquired	Common shares of the Company
(ii) Total number of shares to be acquired	120,000 shares (maximum)

(Equivalent to 1.5% of the total number of issued shares, excluding treasury shares)

(iii) Total acquisition cost of shares	¥300 million (maximum)
(iv) Acquisition period	From May 19, 2022 to July 27, 2022
(v) Acquisition method	Open market purchase via trust scheme

(v) Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of bonds payable

Company name	Type of bond	Date of issuance	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Interest rate (%)	Collateral	Date of maturity
Toyo Kanetsu K.K.	1st Series of Unsecured Bonds	September 25, 2020	500	500	0.39	None	September 24, 2027
Toyo Kanetsu K.K.	2nd Series of Unsecured Bonds	March 25, 2021	500	500	0.41	None	March 24, 2028
Total	–	–	1,000	1,000	–	–	–

(Note) Projected redemption amounts for five years after the consolidated balance sheet date are as follows:

(Millions of yen)

Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
–	–	–	–	–

Annexed consolidated detailed schedule of borrowings

Classification	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Repayment due
Short-term borrowings	3,620	8,120	0.379	–
Current portion of long-term borrowings	8	–	–	–
Long-term borrowings (excluding current portion)	4,580	4,580	0.793	Between 2024 and 2026
Total	8,208	12,700	–	–

(Notes) 1. In calculating the average interest rate, the weighted average interest rate on the ending balance of borrowings, is shown.

2. Repayment of long-term borrowings (excluding the current portion) scheduled within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Classification	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	1,700	2,480	400	–

Annexed consolidated detailed schedule of asset retirement obligations

A schedule of asset retirement obligations has been omitted since matters to be stated in the schedule are stated as notes prescribed in Article 15-23 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other information

Quarterly information for the current fiscal year

(Cumulative period)	First quarter (Cumulative) (From April 1, 2021 to June 30, 2021)	Second quarter (Cumulative) (From April 1, 2021 to September 30, 2021)	Third quarter (Cumulative) (From April 1, 2021 to December 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales (Millions of yen)	18,014	30,657	43,183	59,177
Profit before income taxes (Millions of yen)	928	1,822	2,318	3,716
Profit attributable to owners of parent (Millions of yen)	590	1,142	1,473	2,334
Basic earnings per share (Yen)	72.26	139.68	180.17	285.43

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	72.26	67.42	40.49	105.27

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 28, 2022

To the Board of Directors of
Toyo Kanetsu K.K.

GYOSEI & CO.
Tokyo Office

Designated Partner
Engagement Partner
Certified Public Accountant Tetsuo Noguchi

Designated Partner
Engagement Partner
Certified Public Accountant Akira Mishima

Audit of Financial Statements

Audit Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Toyo Kanetsu K.K. (the "Company"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statements of income and comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the fiscal year from April 1, 2021 to March 31, 2022, and significant accounting policies for preparation of the consolidated financial statements, other notes, and annexed consolidated detailed schedules, all expressed in Japanese yen.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries (the "Group") as of March 31, 2022, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit 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 in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

<table>
<tr><td colspan="2">Consideration of the estimate of total cost of construction work involving contracts for which revenue is recognized based on degree of progress</td></tr>
<tr><td>Description of key audit matters and reason for determining the matter</td><td>How we addressed the matter in our audit</td></tr>
<tr><td>As stated in the "Notes - Significant accounting estimates," net sales under contracts for which revenue is recognized based on degree of progress recorded in the consolidated statement of income and comprehensive income for the current fiscal year by the consolidated group of Toyo Kanetsu K.K. (hereinafter referred to as the "Company") are ¥20,556 million. Most of the amount was recorded in the Company's Logistics Solutions Business. Therefore, for auditing purposes, there is significance of the amount in it.

The Company records sales based on degree of progress, which is calculated as the proportion of construction cost incurred corresponding to value of work done at the end of the current fiscal year, relative to the total amount of estimated cost of construction work. The estimated amount of total cost of construction work has been determined on the basis of management's best estimate and judgments based on past experience and available information collected as well as individual work specifications, and changes to original estimates may occur due to price fluctuations in the market, changes to specifications, natural disasters and others. Therefore, for auditing purposes, there is qualitative significance in it.

Due to the above factors, we have judged that the estimate of total cost of construction work that the Company recognizes as revenue based on degree of progress in the Logistics Solutions Business is a key audit matter.</td><td>In examining appropriateness of the estimate of total cost of construction work involving contracts for which revenue is recognized based on degree of progress, we mainly implemented the following audit procedures.

(1) Assessment of internal control

We assessed design of internal control related to estimation of total cost of construction work, and effectiveness of the operational status.

(2) Assessment of reasonableness of the estimate of total cost of construction work

With regard to the estimate of total cost of construction work as at the end of the current fiscal year, we mainly implemented the following audit procedures.

- We asked the person responsible for the managerial unit of the division that estimates total cost of construction work questions to understand the overview of the construction work, and examined consistency between the description of the work understood and major components of the total cost of construction work.

- We checked materials supporting estimation of cost of construction work such as quotations received from subcontractors and suppliers of products against components of the total cost of construction work, and examined appropriateness of the estimated amount of the total cost of construction work.

- With regard to total cost of construction work for which the cost rate was estimated to be lower in light of past records, we asked questions about reasons why the cost rate was estimated to be lower in light of past results, and examined reasonableness of the estimate.

- With regard to construction works that were completed or delivered in the current fiscal year, we compared the estimated amount of total cost of construction work with the actual amount, verified appropriateness of the estimate of total cost of construction work as at the end of the previous fiscal year ex post facto, and checked whether there was any matter to be taken into account in examining appropriateness of the estimated amount of total cost of construction work as at the end of the current fiscal year.</td></tr>
</table>

Other information

The other information comprises the information included in the Annual Securities Report aside from the consolidated financial statements, the non-consolidated financial statements, and the auditor's reports thereon. Management is responsible for preparing and disclosing the other information. The Audit and Supervisory Committee is responsible for overseeing Directors in executing their duties with respect to developing and administering the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation 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 whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern, and for disclosing matters related to going concern, as applicable in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to designing and operating the Group's financial reporting process.

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

Our responsibilities 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 on the consolidated financial statements based on our audit from an independent point of view. 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.

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, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements 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 notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. 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 Company to cease to continue as a going concern.

- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

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

Audit of Internal Control

Audit Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited management's report on internal control of the Company as of March 31, 2022.

In our opinion, the management's report on internal control referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2022 was effective, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are further described in the "Auditor's Responsibilities for the Audit of the Report on Internal Control" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting, and for the preparation and fair presentation of the report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing and verifying the design and operation of effective internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Audit of the Report on Internal Control

Our responsibilities are to obtain reasonable assurance about whether the report on internal control is free from material misstatement, and to issue a report on audit of internal control that includes our opinion on the report on internal control based on our internal control audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures in order to obtain audit evidence regarding the evaluation results for internal control over financial reporting in the report on internal control. The audit procedures for internal control auditing selected and applied depend on the auditor's judgment, including the significance of effects on the reliability of financial reporting.

- Evaluate disclosures on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluate the overall presentation of the report on internal control.

- Obtain audit evidence that is sufficient and appropriate regarding the results of the assessment of internal control over financial reporting in the report on internal control. We are responsible for the direction, supervision and performance of the audit of the report on internal control. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the internal control audit, results of the internal control audit, significant identified deficiencies in internal control that should be disclosed, results of their correction, and other matters required by auditing standards for internal control.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

Our firm and its 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.

The above represents a translation, for convenience only, of the original report issued in the Japanese language. Please note that the other information contained in the TKK Report 2022 Financial Section differs from the other information contained in the Annual Securities Report.

Corporate Data

Date of Establishment	May 16, 1941
Common Stock	¥18,580 million
Authorized Shares	297,000,000
Capital Stock Issued	9,323,074
Number of Shareholders	11,341
Security Traded	Tokyo Stock Exchange, Prime Market
Transfer Agent and Registrar	The Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Annual Meeting	The annual meeting of shareholders is normally held in June in Tokyo, Japan

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