Consolidated Financial Statements

Mitsui E&S Holdings Co., Ltd.
and Consolidated Subsidiaries

For the Years ended March 31,
2022 and 2021
Together with Independent
Auditor's Report

MITSUI E&S

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As of March 31, 2022 and 2021

ASSETS

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Current Assets	2022	2021	2022
Cash and time deposits (Notes 1(s) , 2(e) and 5)	¥ 51,762	¥ 137,648	$ 422,927
Receivables			
Trade, and contract assets (Note 2(b))	78,564	233,956	641,915
Others	5,900	12,722	48,207
Less allowance for doubtful accounts	(214)	(1,500)	(1,749)
Merchandise and finished goods	5,762	5,925	47,079
Raw materials and supplies	4,183	4,232	34,178
Work in progress	36,562	55,287	298,733
Short-term loans	18	1,746	147
Others (Note 6)	19,285	22,051	157,570
Total current assets	201,822	472,067	1,649,007
Property, Plant and Equipment			
Land (Notes 2(d) and 2(e))	70,078	70,959	572,579
Buildings and structures (Note 2(e))	130,455	135,036	1,065,896
Machinery, equipment and vehicles (Note 2(e))	87,110	135,004	711,741
Lease assets	12,061	17,235	98,546
Construction in progress	2,160	2,337	17,649
	301,864	360,571	2,466,411
Less accumulated depreciation	(183,525)	(229,425)	(1,499,510)
Net property, plant and equipment	118,339	131,146	966,901
Intangible Assets			
Intangible assets	16,042	27,401	131,073
Investments and Other Assets			
Investment securities (Notes 2(a) , 2(e) and 8)	43,280	51,167	353,624
Long-term loans (Note 2(e))	2,130	39,963	17,403
Net defined benefit assets (Note 10)	10,917	8,327	89,198
Deferred tax assets (Note 12)	2,670	11,634	21,816
Others (Notes 2(a) and 2(e))	14,249	17,667	116,423
Less allowance for doubtful accounts	(299)	(343)	(2,443)
Total investments and other assets	72,947	128,415	596,021
Total assets	¥ 409,150	¥ 759,029	$ 3,343,002

The accompanying notes to the consolidated financial statements are integral parts of these statements.

LIABILITIES AND NET ASSETS

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Current Liabilities	2022	2021	2022
Short-term borrowings (Notes 2(f) and 19)	¥ 94,615	¥ 70,853	$ 773,062
Current portion of long-term indebtedness (Notes 2(e) , 2(g) and 20)	23,101	35,714	188,749
Lease obligations	1,808	3,001	14,772
Trade payables	48,706	215,208	397,957
Advances from customers	329	94,346	2,688
Contract liabilities	30,901	-	252,480
Accrued expenses	4,120	20,612	33,663
Accrued income taxes (Note 12)	1,381	6,490	11,284
Provision for losses on construction contracts (Note 1(l))	59,608	77,043	487,033
Provision for construction warranties (Note 1(k))	2,780	10,824	22,714
Provision for repairs (Note 1(m))	-	3,732	-
Provision for bonuses (Note 1(o))	4,479	4,988	36,596
Asset retirement obligations	-	4	-
Others	16,683	16,429	136,311
Total current liabilities	288,511	559,244	2,357,309
Long-term Liabilities			
Long-term indebtedness (Notes 2(e), 2(g) and 20)	24,658	57,965	201,471
Lease obligations	6,497	7,405	53,084
Liability for severance and retirement benefits			
For directors and corporate auditors	-	20	-
Provision for business restructuring (Note 1(p))	1,357	1,880	11,087
Net defined benefit liabilities (Note 10)	5,866	8,053	47,929
Deferred tax liabilities			
On revaluation reserve for land (Notes 2(d) and 12)	12,242	12,244	100,025
Others (Note 12)	3,177	2,421	25,958
Asset retirement obligations	2,219	2,368	18,130
Others	1,674	18,948	13,678
Total long-term liabilities	57,690	111,304	471,362
Total liabilities	346,201	670,548	2,828,671
Net Assets (Note 18)			
Common stock			
Authorized - 150,000,000 shares			
Issued - 83,098,717 shares	44,385	44,385	362,652
Capital surplus	18,132	18,396	148,149
Retained earnings	(33,278)	(11,458)	(271,901)
Treasury stock	(4,664)	(4,696)	(38,108)
Net unrealized holding gains on securities (Note 8)	615	193	5,025
Unrealized losses on hedging derivatives	(5,960)	(9,767)	(48,697)
Revaluation reserve for land (Note 2(d))	27,603	27,609	225,533
Foreign currency translation adjustments	2,120	(5,828)	17,323
Remeasurements of defined benefit plans (Note 10)	8,138	5,322	66,492
Subscription rights to shares	124	152	1,013
Non-controlling interests	5,734	24,173	46,850
Total net assets	62,949	88,481	514,331
Total liabilities and net assets	¥ 409,150	¥ 759,029	$ 3,343,002

Consolidated Statements of Operations

For the Years Ended March 31, 2022 and 2021

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2022	2021	2022
Net Sales	¥ 579,364	¥ 644,687	$ 4,733,753
Cost of Sales (Note 3(a))	550,611	613,819	4,498,824
Gross Profit	28,753	30,868	234,929
Selling, General and Administrative Expenses (Note 3(a))	38,783	43,112	316,880
Operating loss	(10,030)	(12,244)	(81,951)
Other Income (Expenses)			
Interest and dividend income	3,906	4,776	31,914
Interest expenses	(2,713)	(2,786)	(22,167)
Commission expenses	(3,821)	(2,983)	(31,220)
Share of profit (loss) of entities accounted for using equity method	(14,646)	3,316	(119,667)
Foreign currency exchange gains	1,212	479	9,903
Gain (loss) on valuation of derivatives	20	(138)	163
Gain on disposal of non-current assets	2,356	654	19,250
Gain on sales of investment securities (Note 8)	41	1,776	335
Gain on sales of subsidiaries and affiliates' stocks	6,583	2,335	53,787
Recovery of extraordinary repair expenses (Note 3(c))	1,316	-	10,753
Gain on return of assets from retirement benefit trust	1,224	-	10,001
Reversal of provision for repairs	-	1,552	-
Loss on disposal of non-current assets	(381)	(1,038)	(3,113)
Loss on impairment of non-current assets (Note 3(b))	(83)	(2,382)	(678)
Loss on sales of investment securities (Note 8)	(137)	-	(1,119)
Loss on sales of subsidiaries and affiliates' stocks	(2,421)	(1,920)	(19,781)
Business restructuring cost	-	(1,204)	-
Retirement benefit expenses	-	(818)	-
Loss on liquidation of subsidiaries and affiliates	-	(396)	-
Others, net	330	1,357	2,696
Total	(7,214)	2,580	(58,943)
Loss before income taxes	(17,244)	(9,664)	(140,894)
Income Taxes (Note 12)			
Current	3,374	3,252	27,567
Deferred	4,501	(4,687)	36,776
	7,875	(1,435)	64,343
Loss	(25,119)	(8,229)	(205,237)
Loss attributable to non-controlling interests	(3,294)	(8,364)	(26,914)
Profit (loss) attributable to owners of parent	¥ (21,825)	¥ 135	$ (178,323)
Amounts Per Share of Common Stock (Note 1(a))			
Earnings per share	¥ (269.94)	¥ 1.67	$ (2.206)
Diluted earnings per share	¥ -	¥ 1.67	$ -
Dividends, applicable to the year	¥ -	¥ -	$ -

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2022 and 2021

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2022	2021	2022
Loss	¥ (25,119)	¥ (8,229)	$ (205,237)
Other comprehensive income (Note 4)			
Net unrealized holding gains on securities	422	215	3,448
Unrealized gains (losses) on hedging derivatives	(1,302)	4,175	(10,638)
Foreign currency translation adjustments	5,671	(4,108)	46,335
Remeasurements of Defined Benefit Plans	2,684	5,964	21,930
Share of other comprehensive income of affiliates accounted for using equity method	8,863	(5,503)	72,416
Total	16,338	743	133,491
Comprehensive income	¥ (8,781)	¥ (7,486)	$ (71,746)
Comprehensive income attributable to owners of parent	¥ (6,832)	¥ 2,855	$ (55,822)
Comprehensive income attributable to non-controlling interests	¥ (1,949)	¥ (10,341)	$ (15,924)

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2022 and 2021

	Thousands	Japanese Yen (millions)											
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2020	83,099	¥ 44,385	¥ 18,487	¥ (18,676)	¥ (4,726)	¥ (30)	¥ (10,275)	¥ 37,708	¥ (1,815)	¥ (680)	¥ 176	¥ 40,802	¥ 105,356
Cumulative effects of changes in accounting policies				(2,862)			(592)		102			(4,069)	(7,421)
Restated balance		44,385	18,487	(21,538)	(4,726)	(30)	(10,867)	37,708	(1,713)	(680)	176	36,733	97,935
Profit attributable to owners of parent				135									135
Change of scope of consolidation				(199)									(199)
Change of scope of equity method				45									45
Purchases of treasury stock					(3)								(3)
Disposal of treasury stock			(8)		33								25
Transfer from revaluation reserve for land				10,099									10,099
Change in treasury stock of parent arising from transactions with non-controlling shareholders			(83)										(83)
Net changes of items other than those in Shareholders' equity						223	1,100	(10,099)	(4,115)	6,002	(24)	(12,560)	(19,473)
Balance as of April 1, 2021	83,099	¥ 44,385	¥ 18,396	¥ (11,458)	¥ (4,696)	¥ 193	¥ (9,767)	¥ 27,609	¥ (5,828)	¥ 5,322	¥ 152	¥ 24,173	¥ 88,481
Loss attributable to owners of parent				(21,825)									(21,825)
Change of scope of consolidation				(1)									(1)
Purchases of treasury stock					(2)								(2)
Disposal of treasury stock			(6)		34								28
Transfer from revaluation reserve for land				6									6
Change in treasury stock of parent arising from transactions with non-controlling shareholders			(258)										(258)
Net changes of items other than those in Shareholders' equity						422	3,807	(6)	7,948	2,816	(28)	(18,439)	(3,480)
Balance as of March 31, 2022	83,099	¥ 44,385	¥ 18,132	¥ (33,278)	¥ (4,664)	¥ 615	¥ (5,960)	¥ 27,603	¥ 2,120	¥ 8,138	¥ 124	¥ 5,734	¥ 62,949

	U.S.Dollars (thousands) (Note 1(a))											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2021	$ 362,652	$ 150,306	$ (93,619)	$ (38,370)	$ 1,577	$ (79,802)	$ 225,582	$ (47,617)	$ 43,484	$ 1,242	$ 197,508	$ 722,943
Loss attributable to owners of parent			(178,323)									(178,323)
Change of scope of consolidation			(8)									(8)
Purchases of treasury stock				(16)								(16)
Disposal of treasury stock		(49)		278								229
Transfer from revaluation reserve for land			49									49
Change in treasury stock of parent arising from transactions with non-controlling shareholders		(2,108)										(2,108)
Net changes of items other than those in Shareholders' equity					3,448	31,105	(49)	64,940	23,008	(229)	(150,658)	(28,435)
Balance as of March 31, 2022	$ 362,652	$ 148,149	$ (271,901)	$ (38,108)	$ 5,025	$ (48,697)	$ 225,533	$ 17,323	$ 66,492	$ 1,013	$ 46,850	$ 514,331

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2022 and 2021

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Cash Flows from Operating Activities :	2022	2021	2022
Loss before income taxes	¥ (17,244)	¥ (9,664)	$ (140,894)
Adjustments to reconcile Loss before income taxes to net cash provided by (used in) operating activities			
Depreciation and amortization	10,649	12,745	87,009
Loss on impairment of non-current assets	83	2,382	678
Amortization of goodwill	1,048	1,099	8,563
Increase of allowance for doubtful accounts	161	260	1,315
Increase in net defined benefit liabilities	3,183	3,128	26,007
Decrease in net defined benefit assets	438	1,059	3,579
Decrease in provision for losses on construction contracts	(12,063)	(20,789)	(98,562)
Increase (decrease) in provision for repairs	417	(6,842)	3,407
Interest and dividend income	(3,906)	(4,776)	(31,914)
Interest expenses	2,713	2,786	22,167
Share of (profit) loss of entities accounted for using equity method	14,646	(3,316)	119,667
Foreign currency exchange losses (gain), net	3,854	(5,811)	31,490
Loss (gain) on sales of investment securities, net	96	(1,776)	784
Gain on sales of subsidiaries and affiliates' stocks	(4,162)	(415)	(34,006)
Loss on liquidation of subsidiaries and affiliates	-	396	-
Loss (gain) on disposal of non-current assets, net	(1,975)	384	(16,137)
Changes in assets and liabilities :			
Decrease (increase) in			
Trade receivables	(67,372)	45,608	(550,470)
Inventories	16,862	(10,173)	137,773
Other assets	(4,048)	(5,891)	(33,075)
Increase (decrease) in			
Trade payables	23,998	(10,787)	196,078
Other liabilities	10,493	6,889	85,734
Others, net	(2,635)	(91)	(21,530)
Sub-total	(24,764)	(3,595)	(202,337)
Interest and dividend received	10,172	13,506	83,112
Interest paid	(2,864)	(2,851)	(23,401)
Income taxes refund	-	418	-
Income taxes paid	(2,810)	-	(22,959)
Net cash provided by (used in) operating activities	¥ (20,266)	¥ 7,478	$ (165,585)

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Cash Flows from Investing Activities :	2022	2021	2022
Net decrease (increase) in time deposits	(80)	627	(654)
Capital expenditure	(8,981)	(12,720)	(73,380)
Proceeds from sales of non-current assets	10,134	18,402	82,801
Purchases of investment securities	(1)	(1)	(8)
Proceeds from sales of investment securities	262	3,022	2,141
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	5,941	3,352	48,541
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(60,092)	(92)	(490,988)
Purchases of shares of subsidiaries and affiliates	(1,711)	(563)	(13,980)
Proceeds from sales of shares of subsidiaries and affiliates	2,172	74	17,746
Payments for investments in capital of subsidiaries and affiliates	(800)	(675)	(6,536)
Disbursements of loans receivable	(13,043)	(18,085)	(106,569)
Collection of loans receivable	367	29,171	2,999
Payments for transfer of business	(4,596)	-	(37,552)
Others, net	(496)	(1,397)	(4,053)
Net cash provided by (used in) investing activities	¥ (70,924)	¥ 21,115	$ (579,492)
Cash Flows from Financing Activities :			
Net increase in short-term borrowings	28,053	40,918	229,210
Proceeds from long-term borrowings	15,510	1,300	126,726
Repayments of long-term borrowings	(25,464)	(41,100)	(208,056)
Repayments of lease obligations	(2,556)	(3,746)	(20,884)
Proceeds from sales and leasebacks	-	1,408	-
Repayments on bonds	(15,000)	(5,000)	(122,559)
Dividends paid to non-controlling interests	(1,143)	(1,375)	(9,339)
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(291)	-	(2,378)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	1,352	-	11,047
Others, net	346	781	2,827
Net cash provided by (used in) financing activities	¥ 807	¥ (6,814)	$ 6,594
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5,659	(2,984)	46,237
Net increase (decrease) in Cash and Cash Equivalents	(84,724)	18,795	(692,246)
Increase (decrease) due to changes in scope of consolidation	60	(4)	490
Cash and Cash Equivalents at Beginning of Year	135,482	116,691	1,106,970
Cash and Cash Equivalents at End of Year (Notes 1(s) and 5)	¥ 50,818	¥ 135,482	$ 415,214

Notes to Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by the Mitsui E&S Group (the “Group”), which consists of Mitsui E&S Holdings Co., Ltd. (the “Company”) and its consolidated subsidiaries (the “Subsidiaries”) in the preparation of the accompanying consolidated financial statements.

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Group have been prepared in accordance with the provisions set forth in the “Japanese Financial Instruments and Exchange Act” and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the overseas Subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile (“Local GAAP”) and significant differences between Japanese GAAP and Local GAAP are adjusted in consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the “Financial Instruments and Exchange Act”. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U. S. dollars at this or any other rate of exchange.

(b) Translation of Foreign Currency Accounts

Under Japanese accounting standard for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included in the current statements of income.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect at each balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are also translated at the exchange rates in effect at each balance sheet date.

(c) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Group, over which the Company has power of control through majority voting rights or existence of certain conditions requiring control by the Company.

Material inter-company balances, transactions and profits have been eliminated in consolidation.

The assets and liabilities of the Subsidiaries, including the portion attributable to non-controlling shareholders, were evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Investments in all significant unconsolidated subsidiaries and affiliates are accounted for using equity method.

Goodwill is generally amortized over certain periods on the straight-line method.

Fiscal years of some of the Subsidiaries end on the 31st of December. The Company consolidates these subsidiaries’ financial statements as of each subsidiary’s latest fiscal year and significant transactions occurred between each subsidiary’s fiscal year-end and the Company’s fiscal year-end are adjusted on consolidation.

(d) Securities

The Company and the domestic Subsidiaries examined the intent of holding each security and classified those securities as securities held for trading purposes (“trading securities”), debt securities intended to be held to maturity (“held-to-maturity debt securities”), equity securities issued by subsidiaries and affiliated companies, and all other securities that are not classified in any of the above categories (“available-for-sale securities”). The Company and the domestic Subsidiaries did not have trading securities or held-to-maturity debt securities.

Equity securities issued by the Subsidiaries and affiliated companies, which are not accounted for using equity method, are stated at moving-average cost.

Available-for-sale securities other than shares without available fair market values are mainly stated at fair market value (valuation difference is recognized directly in a separate component of net assets, and costs of securities sold are calculated using moving average cost). The fair market value is calculated using mainly market prices on the consolidated balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities without fair market value available are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies which are not accounted for using equity method, and available-for-sale securities decline significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market values of these securities are not readily available, they should be written down to net asset value with a corresponding charge in the statements of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(e) Derivative Transaction and Hedge Accounting

Japanese accounting standard for financial instruments requires the Company and the domestic Subsidiaries to measure derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.
If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the instruments are applied to hedged items.
In cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the forward foreign exchange contracts and hedging items are accounted for in the following manner.

1) If forward foreign exchange contracts are entered into to hedge existing foreign currency receivables or payables,
   i. the difference, if any, between the Japanese yen amount of the hedged foreign currency receivables or payables converted by the contracted forward foreign exchange rate and the book value of the receivables or payables is recognized in the statement of income of the fiscal year in which such contracts are entered into, and
   ii. the difference between the Japanese yen amount converted by the contracted forward foreign exchange rate and the Japanese yen amount by spot rate at the trade date of the contract is allocated to every fiscal period over the term of the contract.

2) If forward foreign exchange contracts are entered into to hedge a future transaction (be contracted but not stated in financial statements) denominated in foreign currency, recognition of gains and losses resulting from fair value of the forward foreign exchange contracts are deferred until the contracts are applied to the hedged item.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was allocated.

(f) Inventories

Merchandise, finished goods, raw materials and supplies are stated at cost determined mainly by the moving-average method (except steels for new shipbuilding, which are by identified cost method) (Balance sheet value reflects downturn in profitability). Work in progress is stated using identified cost method (Balance sheet value reflects downturn in profitability). Construction costs, which are accumulated in inventory, consist of direct materials, labor, other items directly attributable to each contract and an allocable portion of general manufacturing and construction overheads.

(g) Property, Plant and Equipment and Depreciation

Depreciation of plant and equipment is mainly computed using the straight-line method over their estimated useful lives. Ordinary maintenance and repairs are charged to the profit and loss account as incurred.

(h) Intangible Assets

Intangible assets primarily consist of software, customer-related assets and goodwill. Software for own use is depreciated using the straight-line method over the estimated useful life (five years). Customer-related assets is also amortized using the straight-line method based on effected period (mainly eighteen years). Goodwill is generally amortized using the straight-line method over a reasonable period in which the economic benefits are expected to be realized.

(i) Finance Lease Transactions without Transfer of Ownership

Lessee:
The method of amortization of the lease assets related to finance lease transactions without transfer of ownership is by the straight-line method corresponding to lease period. The residual value is the guaranteed residual value in case such value is set forth in the lease contract but otherwise is zero value.
The method of amortization of the lease assets related to finance lease transactions that transfer ownership is based on the same standard as the depreciation method that is applied for self-owned non-current assets.

Lessor:
Revenues and costs of sales on finance lease transactions, other than those that transfer ownership of the leased property to the lessee, are recognized when lease payments are received.

(j) Allowance for Doubtful Accounts

In order to provide for credit losses, non-recoverable amount is recorded based on write-off ratio for general accounts. For doubtful accounts, collectability is examined and recoverable amount is estimated individually.

(k) Provision for Construction Warranties

Provision for construction warranties for ships and other products is provided based on the estimated amounts calculated by using mainly the average proportion of construction warranties against amounts of construction revenue for past two years.

(l) Provision for Losses on Construction Contracts

Provision for losses on construction contracts, etc. , is provided based on an estimate of the total losses which can probably occur for the next fiscal year and beyond with respect to construction projects, etc. , on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated.

(m) Provision for Repairs

Provision for repairs is provided based on the estimated amounts for foreseeable periodic repair expenses deemed to correspond to normal wear and tear of equipment as of the end of the consolidated fiscal year to be paid in the subsequent period.

(n) Liability for Severance and Retirement Benefits for Directors and Corporate Auditors

Amount is recorded based on internal regulations in order to prepare for payment of retirement benefit of directors and corporate auditors.

(o) Provision for Bonuses

Of the estimated amount of bonuses to be paid, the amount estimated to cover the bonus payment for services rendered in the current fiscal year is recorded in order to prepare for payment of bonuses to employees.

(p) Provision for Business Restructuring

Provision for business restructuring is provided based on an estimate of the total costs or losses which are expected to be incurred with the business restructuring.

(q) Employees' Severance and Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits over the period to the end of this consolidated fiscal year. Actuarial gains and losses are recognized in the Consolidated Statements of Operations commencing with the following year using the straight-line method mainly for five or ten years. Prior service costs are recognized in the Consolidated Statements of Operations using the straight-line method mainly for one or five years.

After being adjusted for tax effect, unrecognized actuarial gains and losses, unrecognized prior service costs are added to "Remeasurements of defined benefit plans", an item within "Accumulated other comprehensive income (net assets)".

(r) Revenue Recognition

The Group recognizes revenue based on the following five-step approach.

Step 1: Identify the contract with the customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations

Step 5: Recognize revenue when (or as) each performance obligation is satisfied

Details of major performance obligations in principal businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries, and normal timing of satisfying these performance obligations (normal timing of recognizing revenue) are as follows:

1) Sales of products

The Group is engaged in sales and provision of after-sales services, etc. of marine equipment in the Ship business and marine propulsion machinery in the Machinery business, and assumes performance obligations to deliver goods or services on its own under contracts with customers. As for these performance obligations, revenue is mainly recognized when goods or services are delivered to customers. In addition, as for sales of parts related to after-sales services in the Machinery business, revenue is recognized when the goods are shipped. In the judgment on the time of customers' obtaining control, the Group makes such judgment by assessing the existence of significant risks and rewards of ownership, acceptance of assets, etc. In many cases, consideration for transactions is received within three months from the time when the performance obligation is satisfied, and does not contain any significant financial component.

2) Construction contracts and provision of services

The Group has entered into various long-term construction contracts such as contracts to build cranes in the Machinery business, and provision of services, and principally estimates the work progress towards satisfaction of the performance obligation and recognizes revenue over a certain period of time based on this work progress. The work progress is measured for each contract based on the proportion of construction cost incurred by the balance sheet date to the estimated total construction cost. Consideration for these performance obligations is received in stages during the contract period based on payment terms under the contract with the customer, separately from satisfaction of the performance obligations in normal cases, and the remaining amount is received after a certain period of time from the time when all the performance obligations are satisfied. The consideration does not contain any significant financial component.

(s) Cash and Cash Equivalents

In preparing the Consolidated Statements of Cash Flows, Cash and Cash Equivalents consists of cash on hand, readily available deposits including short-term loans and short-term highly liquid investments with maturities not exceeding three months at the time of purchase which involve only an insignificant risk in their movements of value.

(t) Income Taxes

Deferred income tax is recognized from temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system)
The Company and certain consolidated subsidiaries in Japan will make a transition from consolidated taxation system to group tax sharing system from the next fiscal year. However, with regard to the transition to group tax sharing system established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, the Company and certain domestic Subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of the tax act before the amendment based on the treatment of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Tax Force No. 39, March 31, 2020), instead of applying the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). From the beginning of the next fiscal year, the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 42, August 12, 2021), which stipulates accounting treatment and disclosure for corporate income tax and local corporate income tax as well as tax effect accounting when the group tax sharing system is applied, will be applied.

(u) Significant Accounting Estimates

1) **Estimating total construction cost for provision for losses on construction contracts**

As stated in "1. Significant Accounting and Reporting Policies, (l) Provision for Losses on Construction Contracts" in the notes to consolidated financial statements, in order to provide for losses on construction contracts, the Group records an estimated amount of loss for the following and subsequent fiscal years as Provision for Losses on Construction Contracts when a loss is expected to be recognized for undelivered construction, etc. in the fiscal year under review and such amounts can be reasonably estimated.

The total amount of provision for losses on construction contracts recorded as of March 31, 2021 and 2022, and major components were as follows.

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Provision for losses on construction contracts	¥ 59,608	¥ 77,043	$ 487,033
Of the above, provision for losses on construction contracts related to the civil engineering and construction of a thermal power plant for the Republic of Indonesia	58,430	67,652	477,408

The estimate for the total construction cost for the aforementioned construction work was calculated by specifying the content of all the operations required for the completion of the construction contract, and including the estimated cost of executing that content in the budget. In addition, changes in work steps due to changes in circumstances arising subsequent to the start of construction, such as severe marine conditions and the technical difficulty of the construction method required by the customer have been identified and reflected in the estimated total construction costs in a timely and appropriate manner. The Group then forecasted the upper limit of total cost required for completion based on the current total construction cost and the current percentage of completion of the project. However, if actual costs differ from forecasted costs because of construction progress, etc., a resulting large amount of construction costs may have a significant effect on the Group's financial position, business results and cash flow position.

2) **Valuation of goodwill**

The total amount of goodwill recorded as of March 31, 2021 and 2022, and major components were as follows.

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Goodwill	¥ 7,996	¥ 9,631	$ 65,328
Of the above, goodwill allocated to the ship engineering business which arose when MES Germany Beteiligungs GmbH, a consolidated subsidiary in the ship segment of the Group located in Germany, acquired control of TGE Marine AG	7,977	8,371	65,173

MES Germany Beteiligungs GmbH applies International Financial Reporting Standards (IFRS), and for the cash generating unit to which goodwill is included, impairment tests are required to be carried out on an annual basis in addition to when indicators of impairment have been identified.

The value in use is used for the recoverable amount for impairment tests on goodwill, and the future cash flows that are used to measure this value in use are estimated on the basis of the medium-term business plan for the ship engineering business, including the growth forecast for the LNG tanker market, etc. and the medium-term plan for orders.

Although the Group deems that the possibility of a significant impairment loss arising is low based on the result of the most recent impairment test, if the recoverable amount falls below the carrying amount, the carrying amount will be reduced to the recoverable amount, and the amount of that decrease in carrying amount will be recognized as impairment loss, and it is possible that such impairment loss could have a significant effect on the Group's financial position, business results and cash flow position.

3) **Revenue recognition based on the work progress towards satisfaction of performance obligations**

As stated in "1. Significant Accounting and Reporting Policies, (r) Revenue Recognition, 2) Construction contracts and provision of services" in the notes to consolidated financial statements, when the control of goods or services is transferred to the customer over a certain period of time, the work progress towards satisfaction of performance obligations is estimated and revenue is recognized based on this work progress.

In applying the method where the work progress towards satisfaction of performance obligations is estimated and revenue is recognized based on this work progress, the Group recognizes revenue based on the work progress calculated at the proportion of construction cost incurred according to the progress of construction as at the end of the current fiscal year to the estimated total construction cost. The amount recorded in the consolidated financial statements for the year ended March 31, 2022 was as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Revenue from percentage-of-completion method	¥ -	¥ 378,555	$ -
Revenue based on the work progress towards satisfaction of performance obligations	338,173	-	2,763,077

If there is a change in the estimate for the total cost of construction arising from a need to revise the assumptions upon which such estimate was based, the effect of such change shall be recognized for the fiscal year in which such effect can be reliably estimated. It is possible that there will be changes from the initial estimate of the total construction cost due to changes in the incurred costs arising from assumptions, the progress of construction, etc., and that might have a significant effect on the Group's financial position, business results and cash flow position.

(v) Change in Accounting Policy

1) **Application of accounting treatments based on International Financial Reporting Standards to affiliate accounted for using equity method**

MODEC, Inc., the affiliate accounted for using equity method, used to apply Generally Accepted Accounting Principles in Japan and now has adopted International Financial Reporting Standards (IFRS) from FY2021. This adoption was made for the purposes of 1) better comparability of financial information and 2) strengthening management control by unifying the accounting standards across MODEC group, as MODEC group operates business globally. This change of accounting policy is applied retrospectively, and financial results for FY2020 has been restated. MODEC Inc. was transferred from a consolidated subsidiary to an affiliate accounted for using equity method at the end of the third quarter of the fiscal year ended March 31, 2022 due to the partial sale of its shares.

As a result of this change, Others under Current assets has decreased by ¥7,000 million ($57,191 thousand) and Investment securities has decreased by ¥421 million ($3,441 thousand), comparing before and after retrospective restatement of Consolidated Balance Sheets for FY2020. In Consolidated Statements of Operation, Net sales and Cost of sales each decreased by ¥19,148 million ($156,447 thousand), and the impact on Operating loss, Ordinary loss and Profit attributable to owners of parent is immaterial.

Reflecting the cumulative effects to the beginning balance of net assets as of April 1, 2020, beginning balances of Retained earnings, Unrealized gains (losses) on hedging derivatives and Non-controlling interests in Consolidated Statements of Changes in Net Assets have decreased by ¥2,862 million ($23,383 thousand), ¥592 million ($4,835 thousand) and ¥4,069 million ($33,247 thousand), respectively, and beginning balance of Foreign currency translation adjustments has increased by ¥102 million ($832 thousand).

The impact on segment information is stated in "Note 16 (Segment Information)."

2) **Application of Accounting Standard for Revenue Recognition, etc.**

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of FY2021, and it recognizes expected revenue when (or as) transferring control of promised goods or services to customers. Regarding the construction contracts, up to this point, the percentage-of-completion method has been applied to the construction in progress whose outcome was deemed certain. However, in cases where the control of goods and services is being transferred to customers over time, the method has been changed and the revenue is recognized based on the estimated work progress towards satisfaction of performance obligation. Work progress is calculated based on the ratio of the actual costs to the total costs expected to satisfy the performance obligation. Some construction contracts that had work progress estimated based on the earned value have also been changed to adopt said methods.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of FY2021, was added to or deducted from the beginning balance of retained earnings for FY2021, and thus the new accounting policy was applied from such beginning balance. However, the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of FY2021, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of FY2021 were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the beginning of FY2021.

Moreover, from FY2021, "Receivables – trade," which was presented under "Current assets" in the Consolidated Balance Sheets for FY2020, has been included in "Receivables – trade, and contract assets," while "Advances from customers," which was presented under "Current liabilities," has been included in "Contract liabilities" and "Advances from customers." Pursuant to the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for FY2020 have not been restated in accordance with the new approach to presentation.

There is no impact of this change on the Consolidated Statement of Operations, Consolidated Statements of Cash Flows, beginning balance of retained earnings in the Consolidated Statements of Changes in Net Assets for FY2021, segment information and per share information.

Pursuant to the transitional treatment provided for in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, "Note 15 (Revenue Recognition)" for FY2020 has not been provided.

3) **Application of Accounting Standard for Fair Value Measurement, etc.**

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of FY2021, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment provided for 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, July 4, 2019). As a result of this application, for shares with available fair market values of available-for-sale securities, although the market value method based on the average price of securities for the one month before the consolidated balance sheet date was used previously, the approach has been changed to the market value method based on market prices on the consolidated balance sheet date, etc. from FY2021.

In addition, the Group provides notes on matters regarding the breakdown by level of fair values of financial instruments, etc. in "Note 7 (Financial Instruments)." However, of these notes, those related to FY2020 are not provided, pursuant to the transitional treatment provided for in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

(w) Accounting Standards and Guidance Issued but not yet Applied

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

1) Outline:

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) revised on June 17, 2021 was issued. At the time of its issuance on July 4, 2019, the guidance was to be examined over roughly one year after the issuance of the "Accounting Standard for Fair Value Measurement" because the examination of "determination of fair value of investment trusts" needs a certain period of time for consultation with relevant parties, etc. and a note on fair value of "investments in partnerships and others of which the amount corresponding to the equity holdings is recorded on a net basis in the balance sheet" also requires certain examination.

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2023

3) Impact of application of the accounting standards:

The impact of the application of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" on the Group's consolidated financial statements are currently being evaluated.

(x) Changes in Presentation

Consolidated balance sheets

"Provision for bonuses", which was included in "Others" under "Current liabilities" in the year ended March 31, 2021, has been presented individually from the year ended March 31, 2022 since the amount has surpassed 1% of the total amount of liabilities and net assets. Consolidated financial statements for the year ended March 31, 2021 have been reclassified in order to reflect this change in presentation.

As a result, in the consolidated balance sheets as of March 31, 2021, ¥21,418 million previously presented in "Others" under "Current liabilities" has been reclassified as ¥4,988 million in "Provision for bonuses" and ¥16,429 million in "Others".

Consolidated Statements of Cash Flows

"Payments for sales of shares of subsidiaries resulting in change in scope of consolidation", which was included in "Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation" under "Cash Flows from Investing Activities" in the year ended March 31, 2021, has been presented individually from the year ended March 31, 2022 since their materiality in amount has increased. Consolidated financial statements for the year ended March 31, 2021 have been reclassified in order to reflect this change in presentation.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2021, ¥3,260 million previously presented in "Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation" under "Cash Flows from Investing Activities" has been reclassified as ¥3,352 million in "Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation", ¥(92) million in "Payments for sales of shares of subsidiaries resulting in change in scope of consolidation".

Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Group has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) for the consolidated financial statements for the year ended March 31, 2021, and has stated notes to significant accounting estimates for the consolidated financial statements. However, the Group has not stated details regarding the previous fiscal year for this note in accordance with the transitional treatment provided for in the proviso of Paragraph 11 of the aforementioned accounting standard.

(y) Additional Information

Accounting estimates associated with the spread of the novel coronavirus disease (COVID-19)

The spread of COVID-19 has a certain impact on business activities of the Group, such as a reduction in opportunities for orders, project delays, etc. Although it is difficult under the current situation to forecast when COVID-19 will be contained, the Group made accounting estimates as of March 31, 2022 based on information available at the time of preparing the consolidated financial statements on the assumption that while a certain impact would continue, the situation would recover gradually. If the impact from COVID-19 exacerbates, or becomes prolonged, it could seriously impact the financial position, business results and cash flow position of the Group.

In addition, the spread of COVID-19 has significantly impacted operating results of MODEC, Inc., an affiliate accounted for using equity method of the Company. The said company has been working toward the review of the process and recorded future additional expenses expected as a result of the review as accounting cost. However, if the prolonged spread of COVID-19 affects operating results of the said company, it could seriously impact operating results of the Company through equity of earnings of unconsolidated subsidiaries and affiliates accounted for using equity method.

Issuance of preferred shares and subscription rights to shares through third-party allotment, conclusion of facility agreement, partial revision of the Articles of Incorporation, and reduction of amounts of capital stock and legal capital surplus

At the Board of Directors meeting held on March 31, 2022, the Company resolved to issue preferred shares and subscription rights to shares through third-party allotment, enter into a facility agreement, partially revise the Articles of Incorporation, and reduce the amounts of capital stock and legal capital surplus.

1) Enter into an investment agreement with SMBCCP Investment Limited Partnership 1, a fund financed by SMBC Capital Partners Co., Ltd., and issue class A preferred shares totaling ¥9,000 million ($73,535 thousand) to the planned allottee of the class A preferred shares by way of third-party allotment, subject to approval for the proposal on the third-party allotment of class A preferred shares and for the proposal on the revision of the Articles of Incorporation (as defined in 2) below) at the Ordinary General Meeting of Shareholders of the Company held on June 28, 2022
2) Implement the partial revision of the Company's Articles of Incorporation in relation to the establishment of provisions for class A preferred shares, subject to necessary approval at this General Meeting of Shareholders
3) Reduce the amounts of capital stock and legal capital surplus on June 30, 2022, as the effective date, on the condition that payment for the third-party allotment of class A preferred shares is made
4) Submit proposals on (i) the third-party allotment of class A preferred shares (including special resolution on advantageous placement of class A preferred shares), (ii) revision of the Articles of Incorporation, and (iii) reduction of the amounts of capital stock, etc. to this General Meeting of Shareholders
5) Issue subscription rights to shares through third-party allotment with SMBC Nikko Securities Inc. as the planned allottee
6) Enter into an agreement on purchase of the subscription rights to shares and a facility agreement with the planned allottee of the subscription rights to shares after the registration of the subscription rights to shares under the Financial Instruments and Exchange Act takes effect

The reduction of the amount of capital stock, etc. is a transfer in net assets on the balance sheets and does not cause any change in the amount of net assets of the Company.

1. Issuance of preferred shares and subscription rights to shares through the third-party allotment

(1) Overview of offering

i) Overview of class A preferred shares

i	Due date of payment	June 30, 2022
ii	Number of new shares to be issued	18,000,000 shares of class A preferred shares
iii	Issuance value	¥500 per share
iv	Amount of funds raised	¥9,000,000,000 ($73,535 thousand)
v	Method of offering or allotment	By way of third-party allotment
vi	Planned allottee	All the class A preferred shares will be allotted to SMBCCP Investment Limited Partnership 1
vii	Others	(i) Class A preferred shareholders can receive dividends prior to common shareholders. Class A preferred shares are cumulative and non-participating, with the preferred dividend coverage set at 7.80%. (ii) Unless otherwise provided for by laws and regulations, voting rights at general meetings of shareholders are not attached to the class A preferred shares. (iii) A non-assignability clause is attached to the class A preferred shares, and any assignment of the shares to a third party requires approval of the Board of Directors of the Company. (iv) The class A preferred shares do not contain any put option or call option for which the consideration is common stock. (v) To the class A preferred shares, the put option and call option for which the consideration is cash is attached.

ii) Overview of the first subscription rights to shares with exercise price amendment clause

i	Allotment date	April 18, 2022
ii	Number of subscription rights to shares to be issued	200,000 units
iii	Issuance value	¥260 per subscription right to shares (total amount: ¥52,000,000 ($425 thousand))
iv	Number of potential shares due to the issuance	Number of potential shares: 20,000,000 shares (100 shares per subscription right to shares) As stated in "vi Exercise price and conditions of amending the exercise price" below, the exercise price may be amended. However, the number of potential shares is constant at 20,000,000 shares in any exercise price.
v	Amount of raised funds	¥8,099,000,000 ($66,174 thousand) (approximate net amount) (Note 1)
vi	Exercise price and conditions of amending the exercise price	- The original exercise price shall be ¥403. (Note 2) - No maximum exercise price is set. - The minimum exercise price is ¥292. - On the effective date of each exercise request for the subscription rights to shares, the exercise price is amended to an amount equivalent to 92% of the weighted average price in all-day trading volume of ordinary transactions for common stock of the Company on Tokyo Stock Exchange, Inc. (hereinafter the "Tokyo Stock Exchange") on the trading day prior to the said effective date (the "Trading Day" hereinafter refers to the trading day on the Tokyo Stock Exchange). However, if the value after this amendment falls below the minimum exercise price, the minimum exercise price shall be the exercise price after the amendment.

vii	Exercise period of the subscription rights to shares	The exercise period shall be from April 19, 2022 to April 30, 2025 (however, if the Company acquires all or part of the subscription rights to shares in accordance with paragraph 14 of the guidelines for issuance of the subscription rights to shares, the exercise period for the subscription rights to shares acquired by the Company shall be up to the bank business day prior to the effective date of the acquisition by the Company) (hereinafter the "Exercisable Period"). However, if the final day of the Exercisable Period is not a bank business day, the preceding bank business day shall be the final day.
viii	Method of offering or allotment	By way of third-party allotment.
ix	Planned allottee	SMBC Nikko Securities Inc.
x	Others	The Company has entered into an agreement for purchase of the subscription rights to shares with the planned allottee of the subscription rights to shares. The agreement for purchase of the subscription rights to shares stipulates that the planned allottee of the subscription rights to shares cannot assign the subscription rights to shares to any third party other than the Company without prior consent of the Company in writing. Furthermore, at the same time as the conclusion of the agreement for purchase of the subscription rights to shares, the Company has entered into the facility agreement with the planned allottee of the subscription rights to shares, which stipulates that (i) the planned allottee of the subscription rights to shares shall exert the utmost effort to exercise the subscription rights to shares, (ii) a period during which the planned allottee of the subscription rights to shares cannot exercise the subscription rights to shares may be designated at the Company's discretion, (iii) of the subscription rights to shares, 100,000 units may be exercised by the planned allottee of the subscription rights to shares only if the closing price in ordinary transactions for common stock of the Company becomes ¥439 (hereinafter the "Target Price") or higher (hereinafter the "Target Price clause"), etc.

(Note) 1. "Amount of raised funds" shows the amount calculated by deducting the approximate amount of expenses for issuance related to the subscription rights to shares from the total amount to be paid in for the subscription rights to shares and the sum of value of properties contributed upon the exercise of the subscription rights to shares. The sum of value of properties contributed upon the exercise of the subscription rights to shares is an amount based on the assumption that all the subscription rights to shares are exercised at the original exercise price. Therefore, if the exercise price of the subscription rights to shares is amended or adjusted, the amount of raised funds will increase or decrease. In addition, if the subscription rights to shares are not exercised within the Exercisable Period or the subscription rights to shares acquired by the Company are cancelled, the amount of raised funds will decrease.

2. As stated in "x Others" above, of the subscription rights to shares to be issued, 100,000 units contain the Target Price clause under the facility agreement. In view of setting the Target Price (¥439) at an amount equivalent to 120% of the closing price in ordinary transactions for common stock of the Company on the Tokyo Stock Exchange on the Trading Day immediately prior to the date of resolution on the issuance, the Company has set the original exercise price at ¥403, which is equivalent to 110% of the closing price in ordinary transactions for common stock of the Company on the Tokyo Stock Exchange on the Trading Day immediately prior to the date of resolution on the issuance.

(2) Amount, purpose and scheduled period of use of funds to be raised

i) Amount of funds to be raised

i	Total amount to be paid in	¥17,112 million ($139,815 thousand)
ii	Approximate amount of expenses for issuance	¥328 million ($2,680 thousand)
iii	Approximate net amount	¥16,784 million ($137,135 thousand)

(Note) The major breakdown of the approximate amount of expenses for issuance is legal fees, expenses to respond to due diligence, expenses for valuation of class A preferred shares, registration-related expenses, and others.

ii) Specific purpose of funds to be raised

Specific purpose of funds	Amount	Scheduled period of use
Funds for research and development related to greening and digital transformation in the marine propulsion system business and the port logistics system business, and future M&A, alliances, etc.	¥5,285 million ($43,182 thousand)	July 2022 to March 2026
Funds for capital investment related to ammonia / LNG supply facilities	¥3,400 million ($27,780 thousand)	July 2022 to March 2026
Investment in greening in the marine propulsion system business	¥3,900 million ($31,865 thousand)	April 2022 to March 2026
Funds for redemption of corporate bonds	¥4,199 million ($34,308 thousand)	September 2022 to September 2023

(Note) The Company plans to deposit raised funds with financial institutions until the funds are actually used.

2. Reduction of the amounts of capital stock and legal capital surplus

(1) Purpose of the reduction of the amounts of capital stock, etc.

To make preparation for source of dividends (distributable amount) and otherwise prepare for the future flexible and agile capital policy, the Company will reduce the amount of capital stock and the amount of legal capital surplus, and transfer them to other capital surplus.

The reduction of the amount of capital stock, etc. is made on the condition that payment for the third-party allotment of class A preferred shares is made.

(2) Outline of the reduction of the amount of capital stock, etc.

i	Amount of capital stock to be reduced	¥46,884,954,321 ($383,078 thousand)
ii	Amount of legal capital surplus to be reduced	¥22,154,033,402 ($181,012 thousand)
iii	Method of the reduction of the amount of capital stock, etc.	The Company will reduce the amount of capital stock and the amount of legal capital surplus pursuant to Article 447, paragraph 1 of the Companies Act and Article 448, paragraph 1 of the said act as stated above, and then fully transfer each of the amounts to other capital surplus.

(3) Schedule for the reduction of the amount of capital stock, etc.

i	Date of resolution of the Board of Directors	March 31, 2022
ii	Date of announcement for demand for creditors' making objections	May 10, 2022
iii	Final date of demand for creditors' making objections	June 10, 2022
iv	Date of resolution of General Meeting of Shareholders	June 28, 2022
v	Effective date of the reduction of the amount of capital stock, etc.	June 30, 2022

2. Consolidated Balance Sheets

(a) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2022 and 2021 were ¥39,199 million ($320,279 thousand) and ¥47,470 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in other assets as of March 31, 2022 and 2021 were ¥11,345 million ($92,695 thousand) and ¥9,829 million, respectively.

(b) Trade Receivables from Contracts with Customers and Contract Assets

The notes receivable, accounts receivable and contract assets (arising from contracts with customers and contract assets) were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2022	2021	2022
Notes receivable	¥ 4,689	¥ 6,443	$ 38,312
Accounts receivable	46,074	227,512	376,452
Contract assets	27,788	-	227,045

(c) Contingent Liabilities

1) Contingent liabilities of the Group as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2022	2021	2022
Guarantees of bank loans and other indebtedness	¥ 1,446	¥ 183,137	$ 11,815

2) Others

Two companies, namely, Burmeister & Wain Scandinavian Contractor A/S and BWSC (Mauritius) Ltd., consolidated subsidiaries of Mesco Denmark A/S, received a document giving notice of additional levies in August 2020, as a result of tax examinations for the years from 2016 to 2019 by the Mauritius Revenue Authority. However, the Group believes that the two companies that received the indication have appropriately filed tax returns in accordance with the local tax law, and has submitted a written counterargument against the additional levies to the authorities. Therefore, the impacts of this indication have not been recorded as liabilities in the consolidated financial statements for the year ended March 31, 2022, and the Company recognizes that this will have no major impact on its operating results in the future.

(d) Revaluation Reserve for Land

The land used for business operations is revaluated based on real estate tax value on March 31, 2000, in accordance with Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land (the "Law") effective March 31, 1998. The related unrealized gain, net of income taxes was recorded as "Revaluation reserve for land" in Net assets and the deferred income tax effects were recorded as Deferred tax liabilities on "Revaluation reserve for land" in Long-term liabilities.

According to the Law, revaluation of the land is not permitted at any time after the above revaluation even in cases where the fair value of the land declines. Such unrecorded revaluation losses are ¥30,862 million ($252,161 thousand) and ¥30,712 million as of March 31, 2022 and 2021, respectively. That amounts related to rental properties are ¥9,407 million ($76,861 thousand) and¥7,154 million as of March 31, 2022 and 2021, respectively.

(e) Pledged Assets

Assets pledged as collateral for long-term indebtedness as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2022	2021	2022
Land	¥ 3,240	¥ 3,250	$ 26,473
Buildings and structures	1,387	1,433	11,333
Machinery, equipment and vehicles	-	6,544	-
Investment securities	638	638	5,213
Cash and time deposits	24	1,432	196
Long-term loans	2,095	1,913	17,117
Total	¥ 7,385	¥ 15,210	$ 60,340

Short-term borrowings and long-term indebtedness secured by the above pledged assets as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2022	2021	2022
Long-term indebtedness	¥ 1,981	¥ 9,693	$ 16,186

(f) Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Group as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2022	2021	2022
Total overdraft facilities and lending commitments	¥ 119,401	¥ 122,724	$ 975,578
Less amounts currently executed	73,501	53,359	600,547
Unexecuted balance	¥ 45,900	¥ 69,365	$ 375,031

(g) Financial Covenants

Long-term borrowings include those based on syndicated loan contracts and commitment line contracts entered into between the Company and financial institutions, which are subject to financial covenants. Main covenants are as follows:

Syndicated loans (Long-term borrowings, current portion of long-term borrowings):

- At the end of each fiscal year, total shareholders' equity in the consolidated balance sheets must be maintained above a defined level.
- Ratings by rating agencies must be maintained above a defined level.

Commitment line contracts (short-term borrowings):

- At the end of each fiscal period (including quarter period), total shareholders' equity in the consolidated balance sheets must be maintained above a defined level.

The balance of short-term borrowings and long-term borrowings based on such contracts as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U. S. Dollars (thousands)
	2022	2021	2022
Short-term borrowings	¥ 72,491	¥ 53,349	$ 592,295
Long-term borrowings	1,500	1,500	12,256
Total	¥ 73,991	¥ 54,849	$ 604,551

(Note) Long-term borrowings include the current portion.

3. Consolidated Statements of Operations

(a) Research and Development

Costs relating to research and development activities are charged to the profit and loss account as incurred. The amounts for the years ended March 31, 2022 and 2021 were ¥2,101 million ($17,166 thousand) and ¥2,867 million, respectively.

(b) Loss on Impairment of Non-current Assets

The Group adopted the accounting standard for impairment of non-current assets. The non-current assets are grouped by each segment. Idle non-current assets are grouped individually. The book value of the non-current assets is reduced to the collectable amount.
The loss on impairment of non-current assets for the years ended March 31, 2022 and 2021 were comprised of the following.

2022

Location	: Chuo-ku, Tokyo and Ichihara City, Chiba Prefecture
Major use	: Business assets
Asset category	: Construction in progress etc.
Amount	: ¥55 million ($449 thousand)
Reason	: Deterioration of business environment

Location	: Chiba City, Chiba Prefecture and Fukuoka City, Fukuoka Prefecture
Major use	: Assets to be disposed
Asset category	: Facilities attached to buildings etc.
Amount	: ¥28 million ($229 thousand)
Reason	: Determination of disposal

2021

Location	: Notsuke District, Hokkaido Prefecture etc.
Major use	: Business assets
Asset category	: Lease assets etc.
Amount	: ¥2 million ($18 thousand)
Reason	: Deterioration of business environment

Location	: Denmark and Ichihara City, Chiba Prefecture etc.
Major use	: Assets to be disposed
Asset category	: Structures etc.
Amount	: ¥2,354 million ($21,263 thousand)
Reason	: Determination of disposal

Location	: Denmark
Major use	: -
Asset category	: Goodwill
Amount	: ¥26 million ($235 thousand)
Reason	: Decline in Burmeister & Wain Scandinavian Contractor A/S's expected income

(c) Details of Recovery of Extraordinary Repair Expenses are as Follows:

In the year ended March 31, 2020, the estimated amount of repair expenses and related expenses paid for FPSO Cidade do Rio de Janeiro MV14, of which charter services were provided by MODEC, Inc. that was a consolidated subsidiary of the Company (currently, affiliate accounted for using equity method) and its consolidated subsidiaries (whose fiscal year ends in December) off the coast of Brazil, were recorded as extraordinary repair expenses. However, in the current fiscal year, because the extraordinary repair expenses could be partially recovered from affiliates, the recovered amount was fully recorded in recovery of extraordinary repair expenses.

4. Comprehensive Income

Each component of other comprehensive income for the years ended of March 31, 2022 and 2021 were the following:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Net unrealized holding gains (losses) on securities:			
Amount of generation at this fiscal term	¥ 156	¥ 495	$ 1,275
Amount of rearrangement adjustment	340	(176)	2,778
Before adjusting the tax effect	496	319	4,053
Tax effect	(74)	(104)	(605)
Net unrealized holding gains on securities	422	215	3,448
Unrealized gains (losses) on hedging derivatives:			
Amount of generation at this fiscal term	(2,029)	4,564	(16,578)
Amount of rearrangement adjustment	592	272	4,837
Before adjusting the tax effect	(1,437)	4,836	(11,741)
Tax effect	135	(661)	1,103
Unrealized gains (losses) on hedging derivatives	(1,302)	4,175	(10,638)
Foreign currency translation adjustments:			
Amount of generation at this fiscal term	5,787	(4,177)	47,283
Amount of rearrangement adjustment	(116)	69	(948)
Before adjusting the tax effect	5,671	(4,108)	46,335
Tax effect	-	-	-
Foreign currency translation adjustments	5,671	(4,108)	46,335
Remeasurements of Defined Benefit Plans:			
Amount of generation at this fiscal term	6,953	7,902	56,810
Amount of rearrangement adjustment	(3,294)	1,043	(26,914)
Before adjusting the tax effect	3,659	8,945	29,896
Tax effect	(975)	(2,981)	(7,966)
Remeasurements of Defined Benefit Plans	2,684	5,964	21,930
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount of generation at this fiscal term	8,861	(6,855)	72,400
Amount of rearrangement adjustment	2	1,352	16
Share of other comprehensive income of affiliates accounted for using equity method	8,863	(5,503)	72,416
Total	¥ 16,338	¥ 743	$ 133,491

5. Cash Flow Statement

Reconciliation of cash and time deposits shown in the Consolidated Balance Sheets and cash and cash equivalents in the Consolidated Statements of Cash Flows as of March 31, 2022 and 2021 were as follows.

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Cash and time deposits	¥ 51,762	¥ 137,648	$ 422,927
Time deposits with maturities exceeding 3 months	(944)	(2,166)	(7,713)
Cash and cash equivalents	¥ 50,818	¥ 135,482	$ 415,214

The following tables summarize breakdown of assets and liabilities of subsidiaries excluded from the scope of consolidation due to the sale of its shares.

2022:

Breakdown of assets and liabilities of Mitsui E&S Environment Engineering Co., Ltd. (name changed to JFE Environment Technology Co., Ltd. on April 1, 2021; “MKE”) and other 6 companies from the scope of consolidation due to the sale of its shares were as follows.

The sale price of shares of MKE is not disclosed from the perspective of confidentiality obligation in accordance with the agreement with the transferee.

	Japanese Yen (millions)	U. S. Dollars (thousands)
Current assets	¥ 12,138	$ 99,175
Non-current assets	501	4,093
Total assets	¥ 12,639	$ 103,268
Current liabilities	¥ (8,841)	$ (72,236)
Non-current liabilities	(649)	(5,303)
Total liabilities	¥ (9,490)	$ (77,539)

Breakdown of assets and liabilities of MODEC Inc. and its 23 subsidiaries from the scope of consolidation due to the sale of its shares and the relationship between the sale price of the shares and net payments for the sale of shares were as follows.

	Japanese Yen (millions)	U. S. Dollars (thousands)
Current assets	¥ 235,416	$ 1,923,490
Non-current assets	77,338	631,898
Current liabilities	(246,249)	(2,012,003)
Non-current liabilities	(29,317)	(239,538)
Non-controlling interests	(18,873)	(154,203)
Others	10,019	81,861
Investment accounts after the sales of shares	(27,786)	(227,028)
Expenses for sales of shares	81	662
Gain on sales of subsidiaries and affiliates' stocks	227	1,855
Sales prices of shares	856	6,994
Expenses for sales of shares	(81)	(662)
Cash and cash equivalents	(59,861)	(489,100)
Net: Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	¥ (59,086)	$ (482,768)

Breakdown of assets and liabilities of Shikoku Dockyard Co.,Ltd. (“Shikoku D”) from the scope of consolidation due to the sale of its shares were as follows.

The sale price of shares of Shikoku D is not disclosed from the perspective of confidentiality obligation in accordance with the agreement with the transferee.

	Japanese Yen (millions)	U.S.Dollars (thousands)
Current assets	¥ 5,613	$ 45,862
Non-current assets	2,310	18,874
Total assets	¥ 7,923	$ 64,736
Current liabilities	¥ (1,902)	$ (15,541)
Non-current liabilities	(319)	(2,606)
Total liabilities	¥ (2,221)	$ (18,147)

2021:

Breakdown of assets and liabilities of Green Power Ichihara Co., Ltd. from the scope of consolidation due to the sale of its shares and the relationship between the sale price of the shares and net proceeds from the sale of shares were as follows.

	Japanese Yen (millions)
Current assets	¥ 1,329
Non-current assets	2,830
Current liabilities	(1,234)
Non-current liabilities	(59)
Non-controlling interests	(854)
Others	(138)
Expenses for sales of shares	118
Gain on sales of subsidiaries and affiliates' stocks	2,290
Sales prices of shares	4,282
Expenses for sales of shares	(118)
Cash and cash equivalents	(812)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ 3,352

Breakdown of assets and liabilities of Mitsui E&S Steel Structures Engineering Co. (name changed to Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. on October 1, 2020) and its subsidiary of DPS Bridge Works Co., Ltd. from the scope of consolidation due to the sale of its shares and the relationship between the sale price of the shares and net payments for the sale of shares were as follows.

	Japanese Yen (millions)
Current assets	¥ 12,972
Non-current assets	6,421
Current liabilities	(14,094)
Non-current liabilities	(1,975)
Investment accounts after the sales of shares	(795)
Others	183
Expenses for sales of shares	208
Loss on sales of subsidiaries and affiliates' stocks	(1,920)
Sales prices of shares	1,000
Expenses for sales of shares	(208)
Cash and cash equivalents	(884)
Net: Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	¥ (92)

Amounts for assets and liabilities for other companies from the scope of consolidation due to the sale of its shares are not significant, and have therefore been omitted.

The following table summarizes breakdown of assets and liabilities related to transfer of business in exchange for cash and cash equivalents.

2022:

In relation to the succession of the naval ship business, etc. of Mitsui E&S Shipbuilding Co., Ltd., a consolidated subsidiary of the Company, by a stock company that the Company newly established (“New Company”) by conducting an absorption-type company split and the subsequent transfer of all of the shares of the New Company, the breakdown of assets and liabilities at the time of the transfer were as follows.

The sale price of shares of New Company is not disclosed from the perspective of confidentiality obligation in accordance with the agreement with the transferee.

	Japanese Yen (millions)	U.S.Dollars (thousands)
Current assets	¥ 16,530	$ 135,060
Non-current assets	1,332	10,883
Total assets	¥ 17,862	$ 145,943
Current liabilities	¥ (12,582)	$ (102,803)
Non-current liabilities	(2,705)	(22,101)
Total liabilities	¥ (15,287)	$ (124,904)

Amounts for assets and liabilities related to other transfer of businesses in exchange for cash and cash equivalents are not significant, and have therefore been omitted.

6. Leases

(a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Due within one year	¥ 2,211	¥ 2,280	$ 18,065
Due after one year	13,580	14,535	110,957
Total	¥ 15,791	¥ 16,815	$ 129,022

(b) Lessor

i) Unexpired lease receivables of operating lease transactions as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Due within one year	¥ 15	¥ 16	$ 123
Due after one year	108	123	882
Total	¥ 123	¥ 139	$ 1,005

7. Financial Instruments

(a) Articles concerning status of financial instruments

1) Policies for financial instruments

The Group restricts the fund management to short-term financial instruments. The Group transfers funds to each other through an inter-company cash management systems (CMS).

Regarding the funding, the Group raises the short-term working capital through bank loans and the issuance of commercial paper (CP), and raises the long term capital investment through bank loans and the issuance of bonds. Derivative financial instruments are utilized to hedge the risks described hereinafter and not for speculative transactions as a matter of policy.

2) Substances and risks of financial instruments

Trade receivables are exposed to credit risks of customers. Trade receivables in foreign currency, which the Company and certain Subsidiaries receive from foreign operations, are exposed to currency fluctuation risks. Forward foreign exchange contracts are applied to these hedged items in principle. Investment securities, mainly of companies with business relationships, are exposed to market fluctuation risks. Short-term and long-term loans for operating funds and capital expenditures of SPC's, which are established for generating electricity, are exposed to credit risks of customers.

Almost all of the trade payables are due within one year. Foreign currency trade payables for overseas procurement are exposed to currency fluctuation risks, but those trade payables are controlled not to exceed the balance of trade receivables in the same foreign currencies.

Short-term borrowings are mainly for the purpose of funding commercial transactions. Long-term borrowings and bonds are mainly for the purpose of funding capital investments. Although the portions of those debts with floating interest rates are exposed to interest rate fluctuation risks, interest rate swap contracts are applied to hedge the risks.

Derivative transactions are the above mentioned forward foreign exchange contracts, as well as interest rate swap contracts. They are for the purpose of hedging currency fluctuation risks and rising interest rate risks.

As to details on hedging instruments, hedged items, hedging policy and hedge effectiveness testing, please refer to "1. Significant Accounting and Reporting Policies (e) Derivative Transaction and Hedge Accounting."

3) Risk management in financial instruments

i) Management of credit risks (Risks for breach of contracts)

The Group monitors due dates and balances of trade receivables and regularly investigates the credit standings of main customers for early detection and reduction of default risks according to internal regulation.

As to derivative transactions, credit risks are minimized by dealing solely with top-ranked financial institutions.

ii) Management of market risks (Exchange rate or interest rate fluctuation risks)

The Company and certain Subsidiaries utilize forward foreign exchange contracts, interest rate swap contracts, and interest rate and currency swap contracts. Forward foreign exchange contracts are for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables in principle, and the others are utilized for the purpose of hedging interest rate fluctuation risks arising from short-term and long-term borrowings and bonds.

Holding position of investment securities are continuously reviewed by researching fair market value and financial status of important customers regularly and taking into account of market condition and relationship with customers.

Execution and management of derivative transactions are based on each company's internal regulation restricting scope of authority.

As to derivative transactions, the Group utilizes them to offset risks within the range of trade demand.

iii) Management of liquidity risks of raising funds (Default risks)

The Finance & Accounting department of the Group makes and updates finance plans, and maintains a certain level of liquidity on hand to minimize liquidity risks.

4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments includes not only fair market value based on market price but also reasonably estimated value if market price is not available. Reasonably estimated fair value may fluctuate because it depends on an estimation process which is based on certain preconditions.

The contract amounts for derivatives stated in the following "(b) Articles concerning fair value of financial instruments," do not indicate the market risks of derivatives.

(b) Articles concerning fair value of financial instruments

Consolidated balance sheet amounts, fair value of financial instruments and the differences between them for the fiscal years ended March 31, 2022 and 2021 were as follows. Financial instruments in which the fair value is considered to be extremely difficult to recognize are not included in the list below.

2022	Japanese Yen (millions) Book value	Fair value	Difference
(1) Investment securities *2			
Available-for-sale securities	¥ 1,774	¥ 1,774	¥ -
Stocks of subsidiaries and affiliates	31,826	35,314	3,488
(2) Long-term loans	2,130		
Less allowance for doubtful accounts *3	(152)		
	1,978	1,930	(48)
Total assets	¥ 35,578	¥ 39,018	¥ 3,440
(1) Current portion of long-term borrowings	¥ 8,101	¥ 8,044	¥ (57)
(2) Current portion of bonds	15,000	14,987	(13)
(3) Bonds	5,000	5,042	42
(4) Long-term borrowings	19,658	19,342	(316)
(5) Lease obligations	8,305	8,505	200
Total liabilities	¥ 56,064	¥ 55,920	¥ (144)
Derivative transactions *4			
i. Derivative transactions for which hedge accounting has not been applied	¥ (122)	¥ (122)	¥ -
ii. Derivative transactions for which hedge accounting has been applied	1,964	1,964	-
Total derivative transactions	¥ 1,842	¥ 1,842	¥ -

2021	Japanese Yen (millions) Book value	Fair value	Difference
(1) Investment securities *2			
Available-for-sale securities	¥ 1,805	¥ 1,805	¥ -
(2) Long-term loans	39,963		
Less allowance for doubtful accounts *3	(139)		
	39,824	43,733	3,909
Total assets	¥ 41,629	¥ 45,538	¥ 3,909
(1) Current portion of long-term borrowings	¥ 20,714	¥ 20,672	¥ (42)
(2) Current portion of bonds	15,000	15,018	18
(3) Bonds	20,000	20,046	46
(4) Long-term borrowings	37,965	37,670	(295)
(5) Lease obligations	10,405	10,599	194
Total liabilities	¥ 104,084	¥ 104,005	¥ (79)
Derivative transactions *4			
i. Derivative transactions for which hedge accounting has not been applied	¥ 548	¥ 548	¥ -
ii. Derivative transactions for which hedge accounting has been applied	1,607	1,607	-
Total derivative transactions	¥ 2,155	¥ 2,155	¥ -

2022	U.S. Dollars (thousands) Book value	Fair value	Difference
(1) Investment securities [*2]			
Available-for-sale securities	$ 14,495	$ 14,495	$ -
Stocks of subsidiaries and affiliates	260,038	288,537	28,499
(2) Long-term loans	17,403		
Less allowance for doubtful accounts [*3]	(1,242)		
	16,161	15,769	(392)
Total assets	$ 290,694	$ 318,801	$ 28,107
(1) Current portion of long-term borrowings	$ 66,190	$ 65,724	$ (466)
(2) Current portion of bonds	122,559	122,453	(106)
(3) Bonds	40,853	41,196	343
(4) Long-term borrowings	160,618	158,036	(2,582)
(5) Lease obligations	67,857	69,491	1,634
Total liabilities	$ 458,077	$ 456,900	$ (1,177)
Derivative transactions [*4]			
i. Derivative transactions for which hedge accounting has not been applied	$ (997)	$ (997)	$ -
ii. Derivative transactions for which hedge accounting has been applied	16,047	16,047	-
Total derivative transactions	$ 15,050	$ 15,050	$ -

[*1] Information on “Cash and time deposits,” “Trade receivables,” “Short-term loans,” “Trade payables,” “Short-term borrowings” and “Accrued income taxes” is omitted because these items are cash, and time deposits, trade receivables, short-term loans, trade payables, short-term borrowings and accrued income taxes which are settled in the short term, so they are considered to be close to the book value.

[*2] As to the following financial instruments, there is no available fair market value and it is considered to cost a great deal to estimate future cash flows. So these financial instruments are not included in “(1) Investment securities” because it is considered to be extremely difficult to determine fair value. Consolidated balance sheet amounts of these financial instruments are as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	Book value		Book value
	2022	2021	2022
Unlisted equity securities	¥ 9,681	¥ 49,361	$ 79,100

[*3] Allowance for doubtful accounts is deducted from Long-term loans.

[*4] Net credit or debt arising from derivative transactions is indicated by the offset amount and which is indicated as ( ) in case of the offset amount is debt.

(Changes in presentation)

“Lease obligations (including short-term lease obligations)” has been noted from the current fiscal year since its materiality in amount has increased. The information on the previous fiscal year has also been provided to reflect the change in presentation.

(note 1) The expected redemption amount of monetary credit and securities with maturity after the fiscal years ended March 31, 2022 and 2021 were as follows.

	Japanese Yen (millions)			
2022	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 51,723	¥ -	¥ -	¥ -
Trade receivables	50,761	15	-	-
Short-term loans	18	-	-	-
Long-term loans	-	20	12	2,098
Total	¥ 102,502	¥ 35	¥ 12	¥ 2,098

	Japanese Yen (millions)			
2021	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 137,596	¥ -	¥ -	¥ -
Trade receivables	233,837	119	-	-
Short-term loans	1,746	-	-	-
Long-term loans	-	8,791	8,835	22,337
Total	¥ 373,179	¥ 8,910	¥ 8,835	¥ 22,337

	U.S. Dollars (thousands)			
2022	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 422,608	$ -	$ -	$ -
Trade receivables	414,748	123	-	-
Short-term loans	147	-	-	-
Long-term loans	-	163	98	17,142
Total	$ 837,503	$ 286	$ 98	$ 17,142

(note 2) The expected redemption amount of bonds, long-term borrowings and lease obligations after the fiscal years ended March 31, 2022 and 2021 were as follows.

	Japanese Yen (millions)					
2022	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 94,615	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	15,000	5,000	-	-	-	-
Long-term borrowings	8,101	9,342	1,254	1,321	1,132	6,609
Lease obligations	1,808	1,453	1,378	1,249	1,083	1,334
Total	¥ 119,524	¥ 15,795	¥ 2,632	¥ 2,570	¥ 2,215	¥ 7,943

	Japanese Yen (millions)					
2021	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 70,853	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	15,000	15,000	5,000	-	-	-
Long-term borrowings	20,714	13,992	10,801	2,940	2,093	8,139
Lease obligations	3,000	2,633	1,300	1,222	1,039	1,211
Total	¥ 109,567	¥ 31,625	¥ 17,101	¥ 4,162	¥ 3,132	¥ 9,350

	U.S. Dollars (thousands)					
2022	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 773,062	$ -	$ -	$ -	$ -	$ -
Bonds	122,559	40,853	-	-	-	-
Long-term borrowings	66,190	76,330	10,246	10,793	9,249	54,000
Lease obligations	14,772	11,872	11,259	10,205	8,849	10,900
Total	$ 976,583	$ 129,055	$ 21,505	$ 20,998	$ 18,098	$ 64,900

(c) Matters regarding the breakdown by level of fair values of financial instruments, etc.

Fair values of financial instruments are classified into the following three levels in accordance with the observability and significance of inputs for fair value measurement.

Level 1 fair value: Fair value measured by using quoted prices for assets or liabilities that are subject to the fair value measurement concerned which are formed in active markets, of observable inputs for fair value measurement

Level 2 fair value: Fair value measured by using inputs for fair value measurement other than Level 1 inputs, of observable inputs for fair value measurement

Level 3 fair value: Fair value measured by using unobservable inputs for fair value measurement

If multiple inputs that have a significant impact on fair value measurement are used, the fair value is classified into the lowest priority level in fair value measurement, of the levels in which each input belongs.

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

	Japanese Yen (millions)			
2022	Level 1	Level 2	Level 3	Total
Investments securities				
Available-for-sale securities				
Shares	¥ 1,774	¥ -	¥ -	¥ 1,774
Derivative transactions				
Currency related	-	1,849	-	1,849
Total assets	¥ 1,774	¥ 1,849	¥ -	¥ 3,623
Derivative transactions				
Interest rate related	¥ -	¥ 7	¥ -	¥ 7
Total liabilities	¥ -	¥ 7	¥ -	¥ 7

	U.S. Dollars (thousands)			
2022	Level 1	Level 2	Level 3	Total
Investments securities				
Available-for-sale securities				
Shares	$ 14,495	$ -	$ -	$ 14,495
Derivative transactions				
Currency related	-	15,107	-	15,107
Total assets	$ 14,495	$ 15,107	$ -	$ 29,602
Derivative transactions				
Interest rate related	$ -	$ 57	$ -	$ 57
Total liabilities	$ -	$ 57	$ -	$ 57

(2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheets

2022	Japanese Yen (millions) Level 1	Level 2	Level 3	Total
Investments securities				
Stocks of subsidiaries and affiliates				
Shares	¥ 35,314	¥ -	¥ -	¥ 35,314
Long-term loans	-	1,930	-	1,930
Total assets	¥ 35,314	¥ 1,930	¥ -	¥ 37,244
Current portion of long-term borrowings	¥ -	¥ 8,044	¥ -	¥ 8,044
Current portion of bonds	-	14,987	-	14,987
Bonds	-	5,042	-	5,042
Long-term borrowings	-	19,342	-	19,342
Lease obligations	-	8,505	-	8,505
Total liabilities	¥ -	¥ 55,920	¥ -	¥ 55,920

2022	U.S. Dollars (thousands) Level 1	Level 2	Level 3	Total
Investments securities				
Stocks of subsidiaries and affiliates				
Shares	$ 288,537	$ -	$ -	$ 288,537
Long-term loans	-	15,769	-	15,769
Total assets	$ 288,537	$ 15,769	$ -	$ 304,306
Current portion of long-term borrowings	$ -	$ 65,724	$ -	$ 65,724
Current portion of bonds	-	122,453	-	122,453
Bonds	-	41,196	-	41,196
Long-term borrowings	-	158,036	-	158,036
Lease obligations	-	69,491	-	69,491
Total liabilities	$ -	$ 456,900	$ -	$ 456,900

(note) Explanation of valuation techniques used to measure fair value and inputs for fair value measurement

Investment securities

Listed shares are valued using quoted prices. Since listed shares are traded in active markets, their fair values are classified as Level 1 fair value.

Derivative transactions

Fair values of interest rate swaps and forward contracts are measured by the discounted cash flow method using observable inputs such as interest rates and exchange rates, and are classified as Level 2 fair value.

Long-term loans

Fair values of long-term loans are measured by the discounted cash flow method based on their future cash flows and interest rates that take into account credit spreads in addition to appropriate indicators such as government bond yield by credit risk category for credit management for the long-term loans which are categorized according to certain periods, and are classified as Level 2 fair value.

Current portion of long-term borrowings, long-term borrowings, and lease obligations

Their fair values are measured by the discounted cash flow method based on the sum of principal and interest, and interest rates that take into account the remaining period and credit risk of these obligations, and are classified as Level 2 fair value.

Current portion of bonds, and bonds

Fair values of bonds issued by the Company are measured by the discounted cash flow method based on the sum of principal and interest, and interest rates that take into account the remaining period and credit risk of these bonds, and are classified as Level 2 fair value.

8. Investment Securities

(a) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2022 and 2021:

2022	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 439	¥ 1,453	¥ 1,014
Sub Total	439	1,453	1,014
Securities with book values not exceeding acquisition costs:			
Equity securities	348	321	(27)
Sub Total	348	321	(27)
Total	¥ 787	¥ 1,774	¥ 987

2021	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 482	¥ 1,397	¥ 915
Sub Total	482	1,397	915
Securities with book values not exceeding acquisition costs:			
Equity securities	693	408	(285)
Sub Total	693	408	(285)
Total	¥ 1,175	¥ 1,805	¥ 630

2022	U. S. Dollars (thousands)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	$ 3,587	$ 11,872	$ 8,285
Sub Total	3,587	11,872	8,285
Securities with book values not exceeding acquisition costs:			
Equity securities	2,843	2,623	(220)
Sub Total	2,843	2,623	(220)
Total	$ 6,430	$ 14,495	$ 8,065

(b) Proceeds from sales of available-for-sale securities and realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2022	2021	2022
Proceeds from sales of available-for-sale securities			
Securities	¥ 262	¥ 3,023	$ 2,141
Realized gains on sales of available-for-sale securities			
Securities	¥ 41	¥ 1,776	$ 335
Realized losses on sales of available-for-sale securities			
Securities	¥ 137	¥ 5	$ 1,119

(c) Securities for which impairment loss was recognized

For the year ended March 31, 2021, loss on impairment of ¥2 million ($18 thousand) for available-for-sale securities was recognized.

For the year ended March 31, 2022, loss on impairment of ¥35 million ($286 thousand) for available-for-sale securities was recognized.

When the fair value of a security at the fiscal year-end declines by more than 50% compared to the acquisition cost, the full amount is recognized as loss on impairment. When the decline is around 30% to 50%, loss on impairment is recognized for the amount deemed necessary, taking into consideration the recoverability etc.

9. Derivative Transactions

Derivative transactions of the Group for market value information as of March 31, 2022 and 2021 were as follows:

(a) Derivative transactions for which hedge accounting has not been applied

2022	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 308	¥ -	¥ 11	¥ 11
Swiss Franc	75	-	4	4
Chinese Yuan	159	-	7	7
To sell U.S. Dollars	2,068	1,031	(144)	(144)
	¥ 2,610	¥ 1,031	¥ (122)	¥ (122)

2021	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 451	¥ -	¥ 1	¥ 1
STG Pounds	216	-	2	2
Euro	5,752	-	(128)	(128)
Swiss Franc	314	-	(2)	(2)
Chinese Yuan	382	-	16	16
Singapore Dollars	96	-	(74)	(74)
Brazilian Real	3,348	-	21	21
Mexican Peso	13	-	0	0
To sell U.S. Dollars	2,117	-	48	48
Currency option contract				
Buying ; Call option	263	-	22	22
Selling ; Put option	1,009	-	(54)	(54)
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	4,788	1,676	696	696
	¥ 18,749	¥ 1,676	¥ 548	¥ 548

2022	U. S. Dollars (thousands)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	$ 2,516	$ -	$ 90	$ 90
Swiss Franc	613	-	33	33
Chinese Yuan	1,299	-	57	57
To sell U.S. Dollars	16,897	8,424	(1,177)	(1,177)
	$ 21,325	$ 8,424	$ (997)	$ (997)

(b) Derivative transactions for which hedge accounting has been applied

2022	Hedged items	Japanese Yen (millions) Contract amount Total	Due after one year	Fair value
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 2,681	¥ 1,679	¥ 640
Euro		1,493	-	137
STG Pounds		1,593	1,043	46
Indonesian Rupiah		15,540	-	2,429
To sell U.S. Dollars	Trade receivables	11,019	617	(675)
STG Pounds		8,090	6,136	(444)
Euro		2,596	-	(144)
Alternative method				
Currency related derivatives				
Forward contracts				
To sell U.S. Dollars	Trade receivables	483	-	(18)
		¥ 43,495	¥ 9,475	¥ 1,971
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	¥ 119	¥ 119	¥ (7)
Exceptional treatment [*1]: To receive float, pay fix	Long-term borrowings	12,010	10,304	-
		¥ 12,129	¥ 10,423	¥ (7)

2021	Hedged items	Japanese Yen (millions) Contract amount Total	Due after one year	Fair value
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 3,996	¥ 2,068	¥ 626
Euro		8,149	586	657
STG Pounds		1,670	363	34
Indonesian Rupiah		19,897	-	987
Singapore Dollars		521	12	18
Brazilian Real		3,348	-	(355)
Mexican Peso		13	-	(0)
To sell U.S. Dollars	Trade receivables	6,178	-	(82)
STG Pounds		6,753	3,454	(165)
Euro		2,058	-	(39)
Swedish Krona		25	-	(0)
		¥ 52,608	¥ 6,483	¥ 1,681
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	¥ 4,701	¥ 1,761	¥ (74)
Exceptional treatment [*1]: To receive float, pay fix	Long-term borrowings	17,582	13,878	-
		¥ 22,283	¥ 15,639	¥ (74)

2022	Hedged items	U.S. Dollars (thousands)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	$ 21,905	$ 13,718	$ 5,229
Euro		12,199	-	1,119
STG Pounds		13,016	8,522	376
Indonesian Rupiah		126,971	-	19,846
To sell U.S. Dollars	Trade receivables	90,032	5,041	(5,515)
STG Pounds		66,100	50,135	(3,628)
Euro		21,211	-	(1,176)
Alternative method				
Currency related derivatives				
Forward contracts				
To sell U.S. Dollars	Trade receivables	3,946	-	(147)
		$ 355,380	$ 77,416	$ 16,104
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	$ 972	$ 972	$ (57)
Exceptional treatment [*1]: To receive float, pay fix	Long-term borrowings	98,129	84,190	-
		$ 99,101	$ 85,162	$ (57)

[*1] As interest swap subject to exceptional treatment of interest swap and batch treatment of interest swap are accounted for as a single item with underlying long-term borrowings, which are hedged items, their fair value is included in that of long-term borrowings.

10. Liability for Severance and Retirement Benefits

(a) Overview of adopting severance and retirement benefits plans

The Group has system of funded and unfunded severance and retirement benefits, defined benefit pension plans, and defined contribution pension plans.
Severance and retirement benefits (all funded) pay out lump-sum payment or annual pension based on salary and length of service.
Lump-sum payment (part of which becomes funded as a result of benefit trust although the system is unfunded) is paid out based on salary and length of service as retirement benefits.
Some domestic Subsidiaries have adopted a "simplified method" to calculate liability for severance and retirement benefits for employees.

(b) Breakdown of information concerning severance and retirement benefits

i) Movements of severance and retirement benefit obligation:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Balance at beginning of year	¥ 38,231	¥ 42,338	$ 312,370
Current service costs	1,975	2,457	16,137
Interest costs	184	235	1,503
Actuarial differences on pension plan obligation	(613)	194	(5,008)
Benefits paid	(2,315)	(4,845)	(18,915)
Changes in the scope of consolidation	(5,564)	(2,556)	(45,461)
Effects of the change from simplified method to standard method	-	818	-
Others	(76)	(410)	(621)
Balance at end of year	¥ 31,822	¥ 38,231	$ 260,005

ii) Movements of pension assets:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Balance at beginning of year	¥ 38,505	¥ 37,152	$ 314,609
Expected return on pension assets	11	15	90
Actuarial differences on pension assets	4,874	7,954	39,823
Contribution to pension plans	75	99	613
Benefits paid	(1,608)	(4,379)	(13,138)
Changes in the scope of consolidation	(1,280)	(446)	(10,459)
Return of retirement benefit trust	(3,800)	(1,800)	(31,048)
Others	96	(90)	784
Balance at end of year	¥ 36,873	¥ 38,505	$ 301,274

iii) Reconciliation of projected retirement benefit obligation and net defined benefit assets / liabilities recorded in the consolidated balance sheets:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Retirement benefit obligation (funded non-contributory)	¥ 31,283	¥ 35,334	$ 255,601
Less fair value of pension assets	(36,873)	(38,505)	(301,274)
Retirement benefit obligation (Unfunded termination and retirement allowance plan)	539	2,897	4,404
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ (5,051)	¥ (274)	$ (41,269)
Defined benefit liabilities	5,866	8,053	47,929
Defined benefit assets	(10,917)	(8,327)	(89,198)
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ (5,051)	¥ (274)	$ (41,269)

iv) Severance and retirement benefit expenses:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Current service costs	¥ 1,975	¥ 2,457	$ 16,137
Interest costs	185	235	1,512
Expected return on pension assets	(11)	(14)	(90)
Amortization of actuarial differences	(853)	409	(6,969)
Amortization of prior service costs	36	35	294
Effects of the change from simplified method to standard method	-	818	-
Gain on return of assets from retirement benefit trust	(1,224)	-	(10,001)
Others	(27)	212	(221)
Severance and retirement benefit expenses	¥ 81	¥ 4,152	$ 662

v) Remeasurements of defined benefit plans (before deducted tax effects):

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Prior service costs	¥ 36	¥ 35	$ 294
Actuarial differences	3,320	9,071	27,126
Others	303	(161)	2,476
Total	¥ 3,659	¥ 8,945	$ 29,896

vi) Unrecognized actuarial differences (before deducted tax effects):

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Unrecognized prior service costs	¥ 37	¥ 74	$ 302
Unrecognized actuarial differences	(12,277)	(8,924)	(100,310)
Others	96	1,420	784
Total	¥ (12,144)	¥ (7,430)	$ (99,224)

vii) The major categories of pension assets:

	Percentage of composition	
	2022	2021
Bonds	3%	3%
Securities	32%	37%
Cash and deposits	61%	56%
Others	4%	4%
Total	100%	100%

viii) The principal actuarial assumptions at reporting date are summarized below:

	2022	2021
Discount rate	0.1% - 1.2%	0.1% - 1.0%
Expected rate of return on pension plan assets	Not applicable	Not applicable
Expected rate of pay raises	Primarily 0.4% - 2.5%	Primarily 0.9% - 2.4%

To determine the expected rate of return on pension plan assets, allocation of pension assets expected in present and future, and long-term rate of return on portfolio assets expected in present and future are considered.

(c) Defined contribution pension plan

The contribution paid to the defined contribution pension plan is summarized below:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Contribution paid to the defined contribution pension plan	¥ 239	¥ 356	$ 1,953

11. Stock options

(a) The stock options outstanding at March 31, 2022 are as follows:

	FY2015 Stock option	FY2014 Stock option
Persons granted	Directors of the Company: 9 (including executive officers additional post) Executive officers of the Company: 13 (excluding directors additional post) Deputy directors of the Company: 17	Directors of the Company: 14 Deputy directors of the Company: 21
Class and number of shares	Common stock 49,700 shares	Common stock 36,600 shares
Grant date	August 21, 2015	August 22, 2014
Vesting conditions	The grantee shall maintain his or her position as Director, Executive officer or Deputy director from the grant date (August 21, 2015) to the vesting date (June 30, 2016 or March 31, 2016).	The grantee shall maintain his or her position as Director, Executive officer or Deputy director from the grant date (August 22, 2014) to the vesting date (June 30, 2015 or March 31, 2015).
Service period	(Directors of the Company) From July 1, 2015 to June 30, 2016 (Executive officers of the Company) From April 1, 2015 to March 31, 2016 (Deputy directors of the Company) From April 1, 2015 to March 31, 2016	(Directors of the Company) From July 1, 2014 to June 30, 2015 (Deputy directors of the Company) (continuously - appointed) From July 1, 2014 to March 31, 2015 (Deputy directors of the Company) (newly - appointed) From April 1, 2014 to March 31, 2015
Exercise period	From August 22, 2015 to August 21, 2045	From August 23, 2014 to August 22, 2044

	FY2013 Stock option
Persons granted	Directors of the Company: 14 Deputy directors of the Company: 19
Class and number of shares	Common stock 62,400 shares
Grant date	August 23, 2013
Vesting conditions	The grantee shall maintain his or her position as Director, Executive officer or Deputy director from the grant date (August 23, 2013) to the vesting date (June 30, 2014).
Service period	From July 1, 2013 to June 30, 2014
Exercise period	From August 24, 2013 to August 23, 2043

(note) Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share. The number of shares has been converted into those after the share consolidation.

(b) The numbers of and changes in stock options during the year ended March 31, 2022 are as follows:

	FY2015 Stock option	FY2014 Stock option	FY2013 Stock option
Non-vested:			
Outstanding at March 31, 2021	-	-	-
Granted	-	-	-
Forfeited	-	-	-
Vested	-	-	-
Outstanding of non-vested at March 31, 2022	-	-	-
Vested:			
Outstanding at March 31, 2021	37,400	26,400	26,300
Vested	-	-	-
Exercised	3,900	7,200	5,200
Forfeited	-	-	-
Outstanding of non-vested at March 31, 2022	33,500	19,200	21,100
Exercise price - Yen (U.S. Dollars)	¥ 1 ($0.008)	¥ 1 ($0.008)	¥ 1 ($0.008)
Average share price at exercise - Yen (U.S. Dollars)	¥ 450 ($3.677)	¥ 388 ($3.170)	¥ 443 ($3.620)
Fair value price at grant date - Yen (U.S. Dollars)	¥ 1,690 ($13.808)	¥ 1,910 ($15.606)	¥ 1,440 ($11.766)

(note) Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share. The number of shares has been converted into those after the share consolidation.

(c) Calculation method for the number of rights vested

Only actual forfeited number of the vested stock option is used for calculation for the number of rights vested, since it is difficult to reasonably estimate the number of options that will forfeited in the future.

12. Income Taxes

The Company and the domestic Subsidiaries are subject to a number of income taxes, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.6% for the year ended March 31, 2022 and 2021.

The significant differences between the statutory tax rate and the Group's effective tax rate for financial statement purposes for the year ended March 31, 2022 and 2021 are not presented, because loss before income taxes was recorded during these periods.

Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Deferred tax assets:			
Net defined benefit liabilities	¥ 2,391	¥ 4,176	$ 19,536
Elimination of intercompany profit of non-current assets	838	2,352	6,847
Tax loss carryforwards	41,711	47,912	340,804
Loss on revaluation of inventories	315	385	2,574
Accrued expenses	1,858	2,259	15,181
Provision for construction warranties	488	1,860	3,987
Allowance for doubtful accounts	326	1,985	2,663
Provision for losses on construction contracts	20,567	24,958	168,045
Loss on impairment of non-current assets	4,970	6,525	40,608
Loss on valuation of marketable and investment securities	240	253	1,961
Difference arising from trust for employees' retirement benefit	5,925	7,230	48,411
Difference on application of percentage-of-completion method	2,492	3,934	20,361
Investments in subsidiaries and affiliates	8,609	8,259	70,341
Others	1,207	17,846	9,862
Gross deferred tax assets	91,937	129,934	751,181
Valuation allowance for tax loss carryforwards	(39,454)	(44,447)	(322,363)
Valuation allowance for the total of deductible temporary differences, etc.	(44,550)	(67,658)	(364,000)
Less valuation allowance	(84,005)	(112,106)	(686,372)
Total deferred tax assets	¥ 7,932	¥ 17,828	$ 64,809
Deferred tax liabilities:			
Net unrealized holding gains on securities	(282)	(208)	(2,304)
Reserve for advanced depreciation of non-current assets	(541)	(646)	(4,420)
Gain on contribution of securities to trust for employees' retirement benefit	(471)	(821)	(3,849)
Difference arising on percentage-of-completion	(769)	(612)	(6,283)
Undistributed earnings of foreign subsidiaries	-	(456)	-
Unrealized gain on assets and liabilities of consolidated subsidiaries	(1,997)	(2,057)	(16,317)
Others	(4,379)	(3,815)	(35,779)
Total deferred tax liabilities	¥ (8,439)	¥ (8,615)	$ (68,952)
Net deferred tax assets	¥ (507)	¥ 9,213	$ (4,143)

(note 1) Changes in presentation:

"Provision for repairs", which was presented individually under Gross deferred tax assets in the year ended March 31, 2021, has been included in "Others" from the year ended March 31, 2022 since its materiality in amount has decreased. Note to the significant components of deferred tax assets and liabilities as of March 31, 2021 has been reclassified in order to reflect this change in presentation.

As a result, ¥1,287 million previously presented in "Provision for repairs" and ¥16,559 million previously presented in "Others" under "Deferred tax assets" have been reclassified as ¥17,846 million in "Others".

(note 2) Decrease in valuation allowance of ¥28,102 million ($229,610 thousand) is mainly attributable to the decrease in valuation allowance that resulted from deconsolidation of subsidiaries.

For the year ended March 31, 2022 and 2021, tax loss carryforwards and corresponding deferred tax assets by expiration date were the following:

	Japanese Yen (millions)						
2022	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	¥ 5	¥ 63	¥ 62	¥ 5	¥ -	¥ 41,576	¥ 41,711
Less valuation allowance	¥ -	¥ -	¥ -	¥ -	¥ -	¥ (39,454)	¥ (39,454)
Deferred tax assets	¥ 5	¥ 63	¥ 62	¥ 5	¥ -	¥ 2,122	¥ 2,257

	Japanese Yen (millions)						
2021	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	¥ 1,793	¥ 466	¥ 75	¥ 126	¥ 163	¥ 45,289	¥ 47,912
Less valuation allowance	¥ -	¥ (7)	¥ (22)	¥ (75)	¥ (160)	¥ (44,183)	¥ (44,447)
Deferred tax assets	¥ 1,793	¥ 459	¥ 53	¥ 51	¥ 3	¥ 1,106	¥ 3,465

	U.S.Dollars (thousands)						
2022	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	$ 41	$ 515	$ 507	$ 41	$ -	$ 339,701	$ 340,804
Less valuation allowance	$ -	$ -	$ -	$ -	$ -	$ (322,363)	$ (322,363)
Deferred tax assets	$ 41	$ 515	$ 507	$ 41	$ -	$ 17,338	$ 18,441

(a) Tax loss carryforwards are calculated by multiplying the statutory tax rate.

13. Business Combination

Transactions under common control, etc.

(Partial transfer of shares of consolidated subsidiary)

The Company transferred the commercial vessel business, excluding the naval ship business, of Mitsui E&S Shipbuilding Co., Ltd. (“MES-S”), a consolidated subsidiary of the Company, and a part of the shares of MES-S, which owns some subsidiaries, to TSUNEISHI SHIPBUILDING Co., Ltd. (“Tsuneishi Shipbuilding”) on October 1, 2021.

The target of this transaction is the commercial vessel business, excluding the naval ship business, and a part of the shares of MES-S, which owns some subsidiaries and affiliates. The Company transferred 49% of the issued shares of MES-S and will continue to be the parent company of MES-S.

1. Overview of the transaction
  1) Name of the combining entity concerned and description of its business
    Name of the combining entity concerned: Mitsui E&S Shipbuilding Co., Ltd.
    Description of business: Design, manufacturing, construction, engineering, repair and maintenance services, construction and installation, etc. of ships, and related equipment and devices, etc.
  2) Date of business combination
    October 1, 2021
  3) Legal form of business combination
    Partial transfer of shares of a subsidiary to a non-controlling shareholder that does not result in change in scope of consolidation
  4) Name of companies after business combination
    There is no change.
  5) Overview of the transaction including the purpose of the transaction
    In the “Mid-term Business Plan 2020” (announced in 2020; hereinafter the “2020 Mid-term Plan”) and the Business Revival Plan (announced in 2019), the Company clarifies concentration of businesses and collaboration, aiming to pursue market creation through alliance.
    As part of this effort, the Company has been considering focusing on the fabless business taking advantage of the strength of the design development ability in the commercial vessel business of the shipbuilding business. In addition, MES-S entered into a business collaboration agreement in the commercial vessel business field with Tsuneishi Shipbuilding on May 7, 2018 and has been working in collaboration to strengthen the design development ability and cost competitiveness, increase orders received through such efforts, etc.
    In this strategy, through this transaction, the Company will further progress collaboration in the shipbuilding business based on the 2020 Mid-term Plan and the Business Revival Plan, and significantly advance the strategy with concentration of business areas, collaboration and strengthening of the management base as the basic policy. Moreover, the Company believes that MES-S and Tsuneishi Shipbuilding can strengthen the competitiveness as shipbuilding business companies that can survive against global competition by further deepening the business alliance to date and further mutually utilizing each other’s product sales capabilities, design ability, research and development capabilities and global production capacity, resulting in the achievement of sustained growth in the both companies’ commercial vessel business.
    Prior to this transaction, the shares of subsidiaries, etc. of MES-S (excluding Niigata Shipbuilding & Repair, Inc. and MES YURA DOCKYARD CO., LTD., which are consolidated subsidiaries of MES-S, and Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd., which is an affiliate accounted for using equity method) were transferred from MES-S to the Company by September 1, 2021, and the naval ship business, etc. operated by MES-S was succeeded by a stock company that the Company newly established on April 12, 2021 by means of an absorption-type company split with October 1, 2021 as the effective date, and then 49% of the shares of MES-S whose main business is to be the commercial vessel business were transferred to Tsuneishi Shipbuilding as of October 1, 2021.
2. Overview of accounting treatment performed
  Based on the “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,” this transaction was accounted for as a transaction with a non-controlling shareholder in transactions under common control, etc.
3. Matters regarding changes in equity of the Company in relation to the transaction with a non-controlling shareholder
  1) Major changing factor for capital surplus
    Partial sale of shares of subsidiaries that does not result in change in scope of consolidation
  2) Amount of capital surplus that decreased due to the transaction with a non-controlling shareholder
    ¥ 891 million ($ 7,277 thousand)
    The transfer price will be finalized based on the conditions stipulated in the share transfer agreement, and the above amount may vary.

Business divestiture

(Transfer of shares of consolidated subsidiary (second-tier subsidiary))

On April 1, 2021, all the shares of Betsukai Biogas Power Co., Ltd. and Nishi-Iburi Environment Co., Ltd., which were owned by the Company’s consolidated subsidiary Mitsui E&S Engineering Co., Ltd. (“MES-E”) were succeeded to Mitsui E&S Environment Engineering Co., Ltd. (The company name was changed to JFE Environment Technology Co., Ltd. effective April 1, 2021; “MKE”), another consolidated subsidiary of MES-E by a company split (absorption-type split) and all the shares of MKE owned by MES-E were transferred to JFE Engineering Corporation (“JFEE”).

1. Overview of business divestiture
  1) Name of the successor entity
    JFE Engineering Corporation
  2) Description of split business
    Design, procurement, and construction, and operations management and maintenance of various environmental facilities

3) Major reason for the business divestiture

As part of the Business Revival Plan (announced in 2019), the Company integrated resources related to environment and recycling, and biogas into MKE and focused on transformation of the business structure including collaboration with companies outside of the Group. In such a situation, judging that further strengthening businesses with JFEE, which has the solid network and business base in the environmental engineering business, as a new partner of MKE will contribute to acceleration of further growth and improvement in the corporate value, the Company has decided to transfer the shares of MKE.

4) Date of business divestiture

April 1, 2021

5) Other matters regarding the overview of the transaction including legal form

Share transfer in which consideration received is only property including cash

2. Overview of accounting treatment performed

1) Amount of transfer profit or loss

Gain on sales of subsidiaries and affiliates' stocks: ¥4,607 million ($37,642 thousand)

2) Appropriate book values of assets and liabilities related to transferred businesses, and their breakdown

	Japanese Yen (millions)		U.S.Dollars (thousands)	
Current assets	¥	12,138	$	99,175
Non-current assets		501		4,093
Total assets	¥	12,639	$	103,268
Current liabilities	¥	8,841	$	72,236
Long-term liabilities		649		5,303
Total liabilities	¥	9,490	$	77,539

3) Accounting treatment

Difference between the consolidated book value of the transferred shares and the amount of sale was recorded as gain on sales of subsidiaries and affiliates' stocks in Other Income (Expenses).

3. Name of the reportable segment in which the divested businesses were included

Engineering

4. Approximate amounts of profits and losses related to the divested businesses recorded in the consolidated statements of operations for this fiscal year

As the business divestiture was taken place at the beginning of the current fiscal year, the profit or loss attributable to the divestiture is not recorded in the consolidated statements of operations for the current fiscal year.

(Transfer of business of consolidated subsidiary)

On October 1, 2021, the naval ship business, etc. of Mitsui E&S Shipbuilding Co., Ltd. ("MES-S"), a consolidated subsidiary of the Company, was succeeded by a stock company that the Company newly established by conducting an absorption-type company split (hereinafter the "New Company"), and all the shares of the New Company were transferred to Mitsubishi Heavy Industries, Ltd.

1. Overview of the business divestiture

1) Name of the New Company established by means of a company split, and name of the company to which the shares were transferred

i) Name of the New Company established by means of a company split

MM Naval Ship Split Preparation Co., Ltd.

(The company name was changed to Mitsubishi Heavy Industries Maritime Systems Co., Ltd. as of October 1, 2021)

ii) Name of the company to which the shares were transferred

Mitsubishi Heavy Industries, Ltd.

2) Description of split business

The split business involves the design, manufacturing, construction, engineering, repair and maintenance services, construction and installation, etc. for MES-S-operated items, including naval ships and ships owned or used by government agencies in Japan and the U.S. military stationed in Japan, and equipment and devices installed on these ships and vessels, as well as for waterborne and underwater vehicles owned or used by government agencies in Japan and the U.S. military stationed in Japan.

3) Major reason for the business divestiture

In the "Mid-term Business Plan 2020" (hereinafter the "2020 Mid-term Plan") and the Business Revival Plan, the Company clarifies concentration of businesses and collaboration and aims to pursue market creation through alliance.

As part of this effort, in the shipbuilding business, the Company has been considering stabilizing revenue to maintain technological abilities and the foundation for the defense industry for the naval ship business, and focusing on the fabless business taking advantage of the strength of the design development ability in the commercial vessel business.

In this strategy, through this transaction, the Company will further progress collaboration in the shipbuilding business based on the 2020 Mid-term Plan and the Business Revival Plan, and significantly advance the strategy with improvement of the Company's financial condition, concentration of business areas, collaboration and strengthening of the management base as the basic policy. On the other hand, the Company believes that Mitsubishi Heavy Industries, Ltd. is also expected to enhance its products and technologies, resulting in further contribution to Japan's security and improvement in the corporate value.

Construction and repair related to the target business of this transaction will be continued at the Tamano Works after the transfer.

4) Date of business divestiture

October 1, 2021

5) Other matters regarding the overview of the transaction including legal form

i) Company split

Absorption-type company split in which MES-S is the splitting company and the New Company is the successor company

ii) Share transfer

Share transfer in which consideration received is only property including cash

2. Overview of accounting treatment performed

1) Amount of transfer profit or loss

The sale price is not disclosed from perspective of confidentiality obligation in accordance with the agreement with the transferee.

2) Appropriate book values of assets and liabilities related to transferred businesses, and their breakdown

	Japanese Yen (millions)		U.S.Dollars (thousands)	
Current assets	¥	16,530	$	135,060
Non-current assets		1,332		10,883
Total assets	¥	17,862	$	145,943
Current liabilities	¥	12,582	$	102,803
Long-term liabilities		2,705		22,101
Total liabilities	¥	15,287	$	124,904

3) Accounting treatment

Difference between the consolidated book value of the transferred shares and the amount of sale was recorded as gain on sales of subsidiaries and affiliates' stocks in Other Income (Expenses).

3. Name of the reportable segment in which the divested businesses were included

Ship

4. Approximate amounts of profits and losses related to the divested businesses recorded in the consolidated statements of operations for this fiscal year

Net sales : ¥ 13,231 million ($ 108,105 thousand)

Operating loss : ¥ 134 million ($ 1,095 thousand)

(Partial sale of shares of subsidiary)

On November 25, 2021, the Company sold part of the shares of MODEC, Inc. ("MODEC"), a consolidated subsidiary of the Company, by means of block trade through a securities company (hereinafter the "Share Sale").

In addition, following the Share Sale, MODEC and its 23 subsidiaries were changed from consolidated subsidiaries to affiliates accounted for using equity method.

1. Overview of business divestiture

1) Name of the successor entity

Because the transaction is block trade through a securities company, the Company does not know the buyer.

2) Description of split business

Design, construction and installation, sales, lease and operation of floating offshore oil and gas production facilities (such as FPSO, FSO and TLP).

3) Major reason for the business divestiture

Although MODEC aimed to list on the "Prime Market" in the new market categories of Tokyo Stock Exchange, Inc., it could not meet the ratio of tradable shares that is a formal requirement in the listing criteria for the Prime Market as of the transition record date (June 30, 2021).

As a result of careful consideration, the Company implemented the Share Sale, judging that increasing the ratio of tradable shares of MODEC through the Share Sale to aim to list its shares on the Prime Market will contribute to improvement in the corporate value of the Company and MODEC and the interests of shareholders.

4) Date of business divestiture

November 25, 2021 (date of share sale)

October 1, 2021 (deemed date of transfer)

5) Other matters regarding the overview of the transaction including legal form

Share transfer in which consideration received is only property including cash

2. Overview of accounting treatment performed

1) Amount of transfer profit or loss

Gain on sales of subsidiaries and affiliates' stocks: ¥ 227 million ($1,855 thousand)

2) Appropriate book values of assets and liabilities related to transferred businesses, and their breakdown

	Japanese Yen (millions)		U.S.Dollars (thousands)	
Current assets	¥	235,416	$	1,923,490
Non-current assets		77,338		631,898
Total assets	¥	312,754	$	2,555,388
Current liabilities	¥	246,249	$	2,012,003
Long-term liabilities		29,317		239,538
Total liabilities	¥	275,566	$	2,251,541

3) Accounting treatment

Difference between the consolidated book value of the transferred shares and the amount of sale was recorded as gain on sales of subsidiaries and affiliates' stocks in Other Income (Expenses).

3. Name of the reportable segment in which the divested businesses were included

Ocean development

4. Approximate amounts of profits and losses related to the divested businesses recorded in the consolidated statements of operations for this fiscal year

Net sales : ¥ 323,321 million ($ 2,641,727 thousand)

Operating loss : ¥ 8,087 million ($ 66,076 thousand)

(Transfer of shares of consolidated subsidiary)

The Company resolved at the Board of Directors meeting held on November 25, 2021 to transfer all the equity interests in Shikoku Dockyard Co., Ltd. ("Shikoku D"), a consolidated subsidiary, and transferred them as of January 11, 2022.

1. Overview of business divestiture
   1) Name of the successor entity
      The name of entity is not disclosed from the perspective of confidentiality obligation in accordance with the agreement with the transferee.
   2) Description of split business
      Manufacturing, repair and remodeling of ships, and others
   3) Major reason for the business divestiture
      In the "Mid-term Business Plan 2020" (announced in 2020) and the Business Revival Plan (announced in 2019), the Company clarifies concentration of businesses and collaboration and aims to pursue market creation through alliance.
      In the shipbuilding business, the Company decided to transfer the equity interests in Shikoku D as one of measures to focus on the fabless business taking advantage of the strength of the design development ability.
   4) Date of business divestiture
      January 11, 2022
   5) Other matters regarding the overview of the transaction including legal form
      Share transfer in which consideration received is only property including cash
2. Overview of accounting treatment performed
   1) Amount of transfer profit or loss
      The sale price is not disclosed from the perspective of confidentiality obligation in accordance with the agreement with the transferee.
   2) Appropriate book values of assets and liabilities related to transferred businesses, and their breakdown

	Japanese Yen (millions)	U.S.Dollars (thousands)
Current assets	¥ 5,613	$ 45,862
Non-current assets	2,310	18,874
Total assets	¥ 7,923	$ 64,736
Current liabilities	¥ 1,902	$ 15,541
Long-term liabilities	319	2,606
Total liabilities	¥ 2,221	$ 18,147

   3) Accounting treatment
      Difference between the consolidated book value of the transferred shares and the amount of sale was recorded as loss on sales of subsidiaries and affiliates' stocks in Other Income (Expenses).
3. Name of the reportable segment in which the divested businesses were included
   Others
4. Approximate amounts of profits and losses related to the divested businesses recorded in the consolidated statements of operations for this fiscal year

Net sales : ¥ 7,316 million ($ 59,776 thousand)

Operating loss : ¥ 272 million ($ 2,222 thousand)

14. Investment and Rental Property

(a) Articles concerning situation of investment and rental property

The Company and certain Subsidiaries own rental office building, commercial facilities, and houses (including land) in Oita, Okayama and other areas. Idle land is also owned in Oita, Chiba and other areas.

(b) Articles concerning fair value of investment and rental property

The book value of investment and rental properties stated in the consolidated balance sheets, the increase or decrease in this fiscal year, and fair value are shown below.

2022	Japanese Yen (millions)			
	Book value			Fair value
Usage	Beginning balance as of April 1, 2021	Increase (Decrease)	Ending balance as of March 31, 2022	As of March 31, 2022
Facilities for lease	¥ 14,993	¥ 6,055	¥ 21,048	¥ 15,291
Idle assets (Land)	1,024	742	1,766	2,061
Total	¥ 16,017	¥ 6,797	¥ 22,814	¥ 17,352

	U.S. Dollars (thousands)			
	Book value			Fair value
Usage	Beginning balance as of April 1, 2021	Increase (Decrease)	Ending balance as of March 31, 2022	As of March 31, 2022
Facilities for lease	$ 122,502	$ 49,473	$ 171,975	$ 124,936
Idle assets (Land)	8,367	6,063	14,430	16,840
Total	$ 130,869	$ 55,536	$ 186,405	$ 141,776

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.

(note 2) The increase in rental properties in this fiscal year is mainly due to contract modification (¥4,568 million/ $37,323 thousand) and new acquisitions (¥2,229 million / $18,212 thousand), and the decrease in rental properties is mainly due to deconsolidation of certain subsidiaries (¥311 million/ $2,541 thousand).

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the “Real estate appraising standard” with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

2022

Usage	Japanese Yen (millions) Rental income		Rental expenses		Difference		Others (Profit or Loss on sales of assets, etc.)	
Facilities for lease	¥	1,070	¥	297	¥	773	¥	-
Idle assets (Land)		-		-		-		(66)
Total	¥	1,070	¥	297	¥	773	¥	(66)

Usage	U.S. Dollars (thousands) Rental income		Rental expenses		Difference		Others (Profit or Loss on sales of assets, etc.)	
Facilities for lease	$	8,743	$	2,427	$	6,316	$	-
Idle assets (Land)		-		-		-		(539)
Total	$	8,743	$	2,427	$	6,316	$	(539)

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.

(note 2) Others include loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

2021

	Japanese Yen (millions)							
	Book value						Fair value	
Usage	Beginning balance as of April 1, 2020		Increase (Decrease)		Ending balance as of March 31, 2021		As of March 31, 2021	
Facilities for lease	¥	15,506	¥	(513)	¥	14,992	¥	9,860
Idle assets (Land)		1,031		(8)		1,024		1,195
Total	¥	16,537	¥	(521)	¥	16,016	¥	11,055

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.

(note 2) The increase in rental properties in this fiscal year is mainly due to contract modification (¥1,282 million), and the decrease in rental properties is mainly due to sales of rental properties (¥1,535 million).

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the “Real estate appraising standard” with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

2021

Usage	Japanese Yen (millions) Rental income		Rental expenses		Difference		Others (Profit or Loss on sales of assets, etc.)	
Facilities for lease	¥	644	¥	231	¥	413	¥	(341)
Idle assets (Land)		-		-		-		(15)
Total	¥	644	¥	231	¥	413	¥	(356)

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.

(note 2) Others include loss on disposal of non-current assets, loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

15. Revenue Recognition

(a) Disaggregation of Revenue

The information on disaggregation of revenue from contracts with customers for the year ended March 31, 2022 was as follows:

	Japanese Yen (millions)						
2022	Ship	Ocean Development	Machinery	Engineering	Sub total	Others *1	Total
Breakdown by geographical regions							
Japan	¥ 25,636	¥ 137	¥ 119,480	¥ 89	¥ 145,342	¥ 30,576	¥ 175,918
Central and South America	645	256,696	3,155	-	260,496	5,310	265,806
[including Brazil]	[-]	[242,947]	[-]	[-]	[242,947]	[-]	[242,947]
Africa	1	58,264	2,900	-	61,165	9,501	70,666
Asia	1,324	1,549	18,029	7,563	28,465	4,753	33,218
Other regions	482	6,677	10,141	(53)	17,247	15,048	32,295
Revenue from contracts with customers	¥ 28,088	¥ 323,323	¥ 153,705	¥ 7,599	¥ 512,715	¥ 65,188	¥ 577,903
Other revenue *2	-	-	31	31	62	1,399	1,461
Net sales to outside customers	¥ 28,088	¥ 323,323	¥ 153,736	¥ 7,630	¥ 512,777	¥ 66,587	¥ 579,364

	U.S. Dollars (thousands)						
2022	Ship	Ocean Development	Machinery	Engineering	Sub total	Others *1	Total
Breakdown by geographical regions							
Japan	$ 209,462	$ 1,120	$ 976,223	$ 727	$ 1,187,532	$ 249,824	$ 1,437,356
Central and South America	5,270	2,097,361	25,778	-	2,128,409	43,386	2,171,795
[including Brazil]	[-]	[1,985,023]	[-]	[-]	[1,985,023]	[-]	[1,985,023]
Africa	8	476,052	23,695	-	499,755	77,629	577,384
Asia	10,818	12,656	147,308	61,794	232,576	38,835	271,411
Other regions	3,938	54,555	82,858	(433)	140,918	122,951	263,869
Revenue from contracts with customers	$ 229,496	$ 2,641,744	$ 1,255,862	$ 62,088	$ 4,189,190	$ 532,625	$ 4,721,815
Other revenue *2	-	-	254	253	507	11,431	11,938
Net sales to outside customers	$ 229,496	$ 2,641,744	$ 1,256,116	$ 62,341	$ 4,189,697	$ 544,056	$ 4,733,753

(note 1) “Others” is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.
(note 2) “Other revenue” is rental income based on “Accounting Standard for Lease Transactions.”

(b) Basic Information to Understand Revenue from Contracts with Customers

Basic information of our performance obligations is as described in Note 1 “Significant Accounting and Reporting Policies, (r) Revenue Recognition.”

(c) Contract Balances

The opening and closing balances of receivables from contracts with customers, contract assets, and contract liabilities were as follows:

	Japanese Yen (millions)	U.S. Dollars (thousands)
	2022	2022
Opening balance of receivables from contracts	¥ 123,985	$ 1,013,032
Closing balance of receivables from contracts	¥ 50,762	$ 414,756
Opening balance of contract assets	¥ 109,971	$ 898,529
Closing balance of contract assets	¥ 27,788	$ 227,045
Opening balance of contract liabilities	¥ 106,317	$ 868,674
Closing balance of contract liabilities	¥ 30,901	$ 252,480

Contract assets are primarily about performance obligations under contracts satisfied over time and revenue has been recognized, but have not yet been billed. In the Group, it primarily relates to the Group's rights to unbilled portion of the construction and installation works of the equipment that had been finished as of the end of reporting period. Contract assets become receivables once the rights to the receive consideration become unconditional. This is usually when the invoices are issued to customers. The consideration for the construction and installation works of equipment are mainly received within approximately 90 days after issued date for domestic and within 30 days after issued date for international.

Contract liabilities primarily relate to the consideration received before transferring goods or construction services to customers as a credit risk management. Contract liabilities will be reversed and recognized as revenue once the performance obligations are satisfied.

The amount of revenue recognized in the year ended March 31, 2022 from the beginning contract liability balance is ¥82,443 million ($673,609 thousand).

The balances of receivables from contracts, contract assets, and contract liabilities have been decreased by ¥73,223 million ($598,276 thousand), ¥82,183 million ($671,484 thousand), and ¥75,416 million ($616,194 thousand), respectively. These are primarily due to the change of scope of consolidation as sales (including partial sale) of subsidiaries' stocks, and the impacts on the decrease in receivables from contracts, contract assets, and contract liabilities come to ¥60,851 million ($497,189 thousand), ¥80,994 million ($661,770 thousand), and ¥51,061 million ($417,199 thousand), respectively.

Amount of revenue recognized in the year ended March 31, 2022 from performance obligations satisfied in previous years is not significant.

(d) Transaction Price Allocated to Remaining Performance Obligations

Aggregate amount of the transaction price allocated to the remaining performance obligations as of March 31, 2022 and the expected timing when revenue will be recognized were as follows:

	Japanese Yen (millions)	U.S. Dollars (thousands)
	2022	2022
Due within one year	¥ 118,086	$ 964,834
Due after one year through two years	49,617	405,401
Due after two years through three years	15,620	127,625
Due after three years	65,311	533,630
Total	¥ 248,634	$ 2,031,490

16. Segment Information

(a) Overview of Reportable Segment

Reportable Segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.
Under the Company (a pure holding company), the Group develops the operation with each operating company making strategies of its products and services in both Japan and abroad comprehensively.
Reportable Segment is classified into 4 segments: Ship, Ocean Development, Machinery and Engineering. Main products and services of each Reportable Segment are as follows.

Ship: commercial ships, naval ships, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, design engineering services, ship related equipments, steel structures

Ocean Development: FPSOs (floating production storage offloading vessels)

Machinery: marine and stationary diesel engines, marine equipments, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, process equipment, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, induction heaters, wave generators

Engineering: power generation business, overseas civil/architectural works

(b) Calculation method used for Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment

The accounting method used for Reportable Segment is the same in material aspects as the method stated in “Significant Accounting and Reporting Policies.”
Operating income and loss in Reportable Segment is based on Operating income (loss) in Consolidated Statements of Operations.
Inter segment profit and transfer are based on the market price.

Application of International Financial Reporting Standards to the Affiliate using Equity Method

MODEC, Inc., the affiliate accounted for using equity method, used to apply Generally Accepted Accounting Principles in Japan and now has adopted International Financial Reporting Standards (IFRS) from FY2021. This adoption was made for the purposes of 1) better comparability of financial information and 2) strengthening management control by unifying the accounting standards across MODEC group, as MODEC group operates business globally. This change of accounting policy is applied retrospectively, and financial results for FY2020 has been restated.
As a result of this change, sales to outside customers and assets of "Ocean Development" for FY2020 have decreased by ¥19,148 million ($172,956 thousand) and ¥7,420 million ($67,031 thousand), respectively.

(c) Changes in Reportable Segments

The Company has been pushing forward the reform of business structure under the Business Revival Plan, which was announced in May 2019 and partly reviewed in November 2019, and Mid-term Business Plan 2020, which was announced in August 2020.
As part of the reform, the classification of MES TOKKI & Engineering Co., Ltd., which engages in sales and maintenance of special facilities for naval ships and aircraft, Akishima Laboratories (Mitsui Zosen) Inc., which engages in research and development for ships/ocean, Shikoku Dockyard Co., Ltd., which engages in shipbuilding and repair, and TGE Marine Gas Engineering GmbH, which engages in engineering for gas carriers, has changed from “Ships” to “Others” from FY2021. Also, DASH ENGINEERING PHILIPPINES, INC. became a function sharing company for the entire Group and its classification has changed from "Engineering" to "Others" from FY2021.
Comparative segment information for the prior year has been restated to reflect these changes.

(d) Information about Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment

Reportable Segment information for the years ended March 31, 2022 and 2021 were as follows:

	Japanese Yen (millions)								
2022	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 28,088	¥ 323,323	¥ 153,736	¥ 7,630	¥ 512,777	¥ 66,587	¥ 579,364	¥ -	¥ 579,364
Inter segment	869	-	1,196	43	2,108	12,914	15,022	(15,022)	-
Total	¥ 28,957	¥ 323,323	¥ 154,932	¥ 7,673	¥ 514,885	¥ 79,501	¥ 594,386	¥ (15,022)	¥ 579,364
Operating income (loss)	¥ (439)	¥ (8,086)	¥ 8,156	¥ (10,810)	¥ (11,179)	¥ 1,149	¥ (10,030)	¥ -	¥ (10,030)
Assets	¥ 15,072	¥ 31,825	¥ 181,901	¥ 28,141	¥ 256,939	¥ 78,209	¥ 335,148	¥ 74,002	¥ 409,150
Depreciation and amortization	¥ 916	¥ 2,870	¥ 4,419	¥ 1	¥ 8,206	¥ 1,923	¥ 10,129	¥ 520	¥ 10,649
Amortization of goodwill	¥ -	¥ 194	¥ -	¥ -	¥ 194	¥ 854	¥ 1,048	¥ -	¥ 1,048
Year-end balance of goodwill	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 7,996	¥ 7,996	¥ -	¥ 7,996
Share of profit (loss) of entities accounted for using equity method	¥ 1,166	¥ (16,686)	¥ 308	¥ 12	¥ (15,200)	¥ 554	¥ (14,646)	¥ -	¥ (14,646)
Loss on impairment of non-current assets	¥ 54	¥ -	¥ -	¥ 1	¥ 55	¥ -	¥ 55	¥ 28	¥ 83
Increase in property, plant and equipment and intangible assets	¥ 824	¥ 3,940	¥ 7,912	¥ 12	¥ 12,688	¥ 1,221	¥ 13,909	¥ 164	¥ 14,073

(note 1) “Ocean Development” is composed of MODEC, Inc. Because of the partial sale of MODEC shares, they were deemed to be excluded from the scope of consolidation on the end of 3rd quarter of FY2021. Due to this deconsolidation, "Ocean Development" hereafter consists of affiliates accounted for using equity method.

(note 2) “Others” is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

(note 3) Adjustments are as follows:

(1) Adjustments of ¥74,002 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥76,337 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥520 million recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of ¥28 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of ¥164 million recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 4) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

2021	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
	Japanese Yen (millions)								
Net Sales:									
Outside customers	¥ 60,082	¥ 290,802	¥ 159,049	¥ 38,200	¥ 548,133	¥ 96,554	¥ 644,687	¥ -	¥ 644,687
Inter segment	1,957	-	4,320	3	6,280	16,025	22,305	(22,305)	-
Total	¥ 62,039	¥ 290,802	¥ 163,369	¥ 38,203	¥ 554,413	¥ 112,579	¥ 666,992	¥ (22,305)	¥ 644,687
Operating income (loss)	¥ (1,916)	¥ (21,783)	¥ 9,820	¥ 474	¥ (13,405)	¥ 1,161	¥ (12,244)	¥ -	¥ (12,244)
Assets	¥ 43,407	¥ 323,317	¥ 172,036	¥ 40,734	¥ 579,494	¥ 91,985	¥ 671,479	¥ 87,550	¥ 759,029
Depreciation and amortization	¥ 2,445	¥ 3,294	¥ 4,464	¥ 74	¥ 10,277	¥ 1,852	¥ 12,129	¥ 616	¥ 12,745
Amortization of goodwill	¥ -	¥ 247	¥ -	¥ -	¥ 247	¥ 852	¥ 1,099	¥ -	¥ 1,099
Year-end balance of goodwill	¥ -	¥ 1,227	¥ -	¥ -	¥ 1,227	¥ 8,404	¥ 9,631	¥ -	¥ 9,631
Share of profit (loss) of entities accounted for using equity method	¥ 1,571	¥ 2,433	¥ 123	¥ 48	¥ 4,175	¥ (859)	¥ 3,316	¥ -	¥ 3,316
Loss on impairment of non-current assets	¥ 1,207	¥ -	¥ 221	¥ 2	¥ 1,430	¥ 952	¥ 2,382	¥ -	¥ 2,382
Increase in property, plant and equipment and intangible assets	¥ 1,748	¥ 5,171	¥ 8,243	¥ 47	¥ 15,209	¥ 1,539	¥ 16,748	¥ 588	¥ 17,336

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Social infrastructure business, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of ¥87,550 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥93,375 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥616 million recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of ¥588 million recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 3) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

2022	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
	U.S. Dollars (thousands)								
Net Sales:									
Outside customers	$ 229,496	$ 2,641,744	$ 1,256,116	$ 62,341	$ 4,189,697	$ 544,056	$ 4,733,753	$ -	$ 4,733,753
Inter segment	7,100	-	9,772	352	17,224	105,515	122,739	(122,739)	-
Total	$ 236,596	$ 2,641,744	$ 1,265,888	$ 62,693	$ 4,206,921	$ 649,571	$ 4,856,492	$ (122,739)	$ 4,733,753
Operating income (loss)	$ (3,587)	$ (66,067)	$ 66,639	$ (88,324)	$ (91,339)	$ 9,388	$ (81,951)	$ -	$ (81,951)
Assets	$ 123,147	$ 260,029	$ 1,486,241	$ 229,929	$ 2,099,346	$ 639,015	$ 2,738,361	$ 604,641	$ 3,343,002
Depreciation and amortization	$ 7,484	$ 23,450	$ 36,106	$ 8	$ 67,048	$ 15,712	$ 82,760	$ 4,249	$ 87,009
Amortization of goodwill	$ -	$ 1,585	$ -	$ -	$ 1,585	$ 6,978	$ 8,563	$ -	$ 8,563
Year-end balance of goodwill	$ -	$ -	$ -	$ -	$ -	$ 65,332	$ 65,332	$ -	$ 65,332
Share of profit (loss) of entities accounted for using equity method	$ 9,527	$ (136,335)	$ 2,517	$ 98	$ (124,193)	$ 4,526	$ (119,667)	$ -	$ (119,667)
Loss on impairment of non-current assets	$ 441	$ -	$ -	$ 8	$ 449	$ -	$ 449	$ 229	$ 678
Increase in property, plant and equipment and intangible assets	$ 6,733	$ 32,192	$ 64,646	$ 98	$ 103,669	$ 9,976	$ 113,645	$ 1,340	$ 114,985

(note 1) “Ocean Development” is composed of MODEC, Inc. Because of the partial sale of MODEC shares, they were deemed to be excluded from the scope of consolidation on the end of 3rd quarter of FY2021. Due to this deconsolidation, "Ocean Development" hereafter consists of affiliates accounted for using equity method.

(note 2) “Others” is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

(note 3) Adjustments are as follows:

(1) Adjustments of $604,641 thousand recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of $623,719 thousand that are not allocated to any Reportable Segment.

(2) Adjustments of $4,249 thousand recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of $229 thousand recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of $1,340 thousand recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 4) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

[Related information]

(e) Information by products and services

Information by products and services is the same as Reportable Segment and the description is omitted.

(f) Information by geographical area

1) Sales

2022	Japanese Yen (millions)				
	Japan	Brazil	Africa	Others	Total
Net sales	¥ 177,379	¥ 242,947	¥ 70,666	¥ 88,372	¥ 579,364

2021	Japanese Yen (millions)				
	Japan	Brazil	Africa	Others	Total
Net sales	¥ 232,503	¥ 170,625	¥ 81,557	¥ 160,002	¥ 644,687

2022	U.S. Dollars (thousands)				
	Japan	Brazil	Africa	Others	Total
Net sales	$ 1,449,293	$ 1,985,023	$ 577,384	$ 722,053	$ 4,733,753

*Sales amount is based on the place of customer and classified by country or geographical area.

2) Property, plant and equipment

2022	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 116,850	¥ 1,489	¥ 118,339

2021	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 117,090	¥ 14,056	¥ 131,146

2022	U.S. Dollars (thousands)		
	Japan	Others	Total
Property, plant and equipment	$ 954,735	$ 12,166	$ 966,901

(g) Information by major customer

2022	Japanese Yen (millions)	U.S. Dollars (thousands)	Reportable Segment
Equinor Brasil Energia Ltda.	¥ 86,234	$ 704,584	Ocean Development

2021

Information by major customer is not described because there is no customer with the sales amount exceeds 10% of the sales amount in Consolidated Statements of Operations.

[Information about gain on bargain purchase for each Reportable Segment]

2022

Not applicable.

2021

Not applicable.

17. Related Party Transactions

(a) Related Party Transactions

Transactions between the Subsidiaries and related parties for the fiscal years ended March 31, 2022 and 2021 were as follows:

2022:

Affiliate of the Company	Contents of transactions	Japanese Yen (millions)	U.S.Dollars (thousands)
SEPIA MV30 B.V.	The equipment capital lending	¥ 15,440	$ 126,154
SEPIA MV30 B.V.	The equipment capital collection	8,946	73,094
BUZIOS5 MV32 B.V.	Construction of FPSO	63,007	514,805

2022:

Affiliate of the Company	Account title	Japanese Yen (millions)	U.S.Dollars (thousands)
—	—	¥ —	$ —

2021:

Affiliate of the Company	Contents of transactions	Japanese Yen (millions)	U.S.Dollars (thousands)
SEPIA MV30 B.V.	Construction of FPSO	¥ 11,076	$ 100,045
SEPIA MV30 B.V.	Guarantee Obligation	34,638	312,871
LIBRA MV31 B.V.	Construction of FPSO	25,058	226,339
LIBRA MV31 B.V.	Guarantee Obligation	30,185	272,649
BUZIOS5 MV32 B.V.	Construction of FPSO	59,927	541,297
BUZIOS5 MV32 B.V.	The equipment capital lending	9,414	85,033
BUZIOS5 MV32 B.V.	The equipment capital collection	11,125	100,488
BUZIOS5 MV32 B.V.	Guarantee Obligation	51,750	467,437
MARLIM1 MV33 B.V.	Construction of FPSO	54,086	488,538
MARLIM1 MV33 B.V.	The equipment capital lending	6,358	57,429
MARLIM1 MV33 B.V.	The equipment capital collection	9,606	86,767
MARLIM1 MV33 B.V.	Guarantee Obligation	26,910	243,067
AREA1 MEXICO MV34 B.V.	Construction of FPSO	38,632	348,948
AREA1 MEXICO MV34 B.V.	Guarantee Obligation	30,594	276,344

2021:

Affiliate of the Company	Account title	Japanese Yen (millions)	U.S.Dollars (thousands)
SEPIA MV30 B.V.	Receivables	¥ 15,489	$ 139,906
LIBRA MV31 B.V.	Receivables	32,398	292,638
BUZIOS5 MV32 B.V.	Receivables	22,568	203,848
BUZIOS5 MV32 B.V.	Short-term loans	366	3,306
MARLIM1 MV33 B.V.	Receivables	15,675	141,586
MARLIM1 MV33 B.V.	Short-term loans	71	641
AREA1 MEXICO MV34 B.V.	Advance payment	308	2,782

1. The transaction amount does not include foreign currency exchange gains and losses, while outstanding balance at the year-end includes foreign currency exchange gains and losses.
2. Policies for determining terms and conditions are as follows:
   (1) FPSO/FSO construction and operation trade are comprehensively determined in consideration by each project plan.
   (2) The equipment capital lending is deliberately determined in consideration by each project plan.
   The interest is reasonably determined by taking into account market interest rates.

(b) Condensed financial information on important affiliates

In the fiscal year ended March 31, 2022, an important affiliate was MODEC, Inc., and its condensed financial information is as follows.

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2022	2021	2022
Total current assets	¥ 237,026	—	$ 1,936,645
Total non-current assets	156,980	—	1,282,621
Total current liabilities	306,500	—	2,504,290
Total non-current liabilities	23,697	—	193,619
Total net assets	63,808	—	521,350
Operating revenue	¥ 448,549	—	$ 3,664,915
Loss before income taxes	(39,601)	—	(323,564)
Loss	(41,864)	—	(342,054)

1 Since the Company sold part of the shares of MODEC, Inc. held by the Company, by means of block trade through a securities company on November 25, 2021, the said company was excluded from the scope of consolidation, and included in the scope of the application of equity method. Accordingly, the company is deemed as an important affiliate from the fiscal year ended March 31, 2022.

2 The above condensed financial information represents financial statements prepared by MODEC, Inc. in accordance with International Financial Reporting Standards (IFRS) with adjustments required under accounting principles generally accepted in Japan being added to the financial statements.

18. Net Assets

Under the Japanese Corporate Law (“the Law”) and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution in the shareholders’ meeting or could be capitalized by a resolution in the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

19. Short-Term Borrowings

Short-term borrowings represent notes payable to banks due within twelve months. The average interest rate for the year ended March 31, 2022 is 2.55%.

20. Long-Term Indebtedness

Long-term indebtedness as of March 31, 2022 and 2021 were summarized below:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2022	2021	2022
Secured by mortgages on plant and equipment-			
loans from Japanese banks due on various dates through 2035	¥ 1,981	¥ 9,693	$ 16,186
Unsecured or non-guaranteed-			
0.46% bonds, due September 15, 2021	-	10,000	-
1.03% bonds, due December 10, 2021	-	5,000	-
1.01% bonds, due September 14, 2022	5,000	5,000	40,853
0.62% bonds, due December 15, 2022	10,000	10,000	81,706
0.70% bonds, due September 15, 2023	5,000	5,000	40,853
loans from banks, insurance companies and trading companies due on various dates through 2028	25,778	48,986	210,622
	47,759	93,679	390,220
Less: Current portion included in current liabilities	(23,101)	(35,714)	(188,749)
	¥ 24,658	¥ 57,965	$ 201,471

The aggregate annual maturities of long-term indebtedness are summarized below:

Year ended March 31,	Japanese Yen (millions)	U.S. Dollars (thousands)
2023	¥ 23,101	$ 188,749
2024	14,342	117,183
2025	1,254	10,246
2026	1,321	10,793
2027 and thereafter	7,741	63,249
	¥ 47,759	$ 390,220

21. Subsequent events

(Transfer of shares of consolidated subsidiary)

On April 1, 2022, the Company had MES Facilities Co., Ltd. (“MESF”), a consolidated subsidiary, succeed to rights and obligations related to the driving school operation business that the Company had by means of a company split (absorption-type split), and transferred all the shares in MESF owned by the Company to Nihon Housing Co., Ltd.

1) Overview of transferred subsidiary

i) Name	MES Facilities Co., Ltd. (Effective April 1, 2022, the subsidiary changed its corporate name to NH Facilities Co., Ltd.)
ii) Address	1, Yawata Kaigandori, Ichihara City, Chiba Prefecture
iii) Title and name of the representative	Tetsuya Takeshita, President and Representative Director
iv) Description of business	Temporary staffing business, driving schools, construction business, dispensing pharmacies, insurance agency business, etc.
v) Capital stock	¥100 million ($817 thousand)
vi) Date of establishment	July 1961

2) Number of shares transferred and amount of consideration

i) Number of shares owned before the transfer	74,060 shares (ratio of voting rights ownership: 100.0%)
ii) Number of shares transferred	74,060 shares (ratio of voting rights ownership: 100.0%)
iii) Number of shares owned after the transfer	0 shares (ratio of voting rights ownership: 0.0%)

3) Impact of the event on profit or loss

In the first three months of the fiscal year ending March 31, 2023, approximately ¥2.0 billion of gain on sales of subsidiaries and affiliates’ stocks will be recorded as Other Income (Expenses).

4) Name of reportable segment in which the consolidated subsidiary was included

Others

(Partial transfer of shares of consolidated subsidiary)

On October 1, 2021, the Company transferred 49% of the shares of Mitsui E&S Shipbuilding Co., Ltd. (“MES-S”), a consolidated subsidiary of the Company to TSUNEISHI SHIPBUILDING Co., Ltd. (“Tsuneishi Shipbuilding”). To further create synergy through collaboration of the both companies, upon reaching agreement to transfer 17% of MES-S’s shares held by the Company to Tsuneishi Shipbuilding as of October 3, 2022 (the “Transaction”), the Company and Tsuneishi Shipbuilding entered into an agreement on the additional share transfer on May 27, 2022.

The Company’s interest after the Transaction will be 34%. As a result, MES-S, and Niigata Shipbuilding & Repair, Inc. and MES YURA DOCKYARD CO., LTD., which are consolidated subsidiaries of MES-S, will become affiliates accounted for using equity method from the third quarter of the fiscal year ending March 31, 2023, and will be excluded from the scope of consolidation.

The Transaction will be implemented on the condition that Tsuneishi Shipbuilding obtains approval of relevant authorities under the competition law, and other conditions.

Independent auditor's report

To the Board of Directors of Mitsui E&S Holdings Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Mitsui E&S Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of 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.

Assessment of the appropriateness of management's judgment on whether there are material uncertainties related to the Group's ability to continue as a going concern

The key audit matter	How the matter was addressed in our audit
In connection with preparing the consolidated financial statements, management is responsible for assessing the entity's ability to continue as a going concern, and concluding on whether the going concern basis of accounting is appropriate. If material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern still exist despite management's plans to resolve or mitigate those events or conditions, the entity is required to provide adequate disclosures about such material uncertainties to the consolidated Financial Statements. Mitsui E&S Holdings Co., Ltd. and its consolidated subsidiaries (hereinafter, collectively referred to as the "Group") reported operating losses for the past four	The primary procedures we performed to assess management's judgment on whether there are material uncertainties related to the Group's ability to continue as a going concern, with the assistance of specialists with expertise in cash flow forecasts, included the following: **(1) Evaluation of management's plans** We assessed whether management's plans would resolve or mitigate events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, by analyzing the cash flow forecasts developed by management. Our analysis included assessing the the corroborative evidence of key assumptions underlying the cash flow forecasts by

consecutive fiscal years, including an operating loss of ¥10,030 million for the current fiscal year, due mainly to losses on large overseas EPC projects. As described in the Note 1 “Significant Accounting and Reporting Policies, (u)Significant Accounting Estimates 1) Estimating total construction cost for provision for losses on construction contracts” to the consolidated financial statements, the Group recognized a provision of ¥58,430 million for losses on construction contracts related to civil engineering and construction of a thermal power plant in the Republic of Indonesia hereinafter, the “Construction"), at the end of the current fiscal year in its consolidated statement of financial position. Management of the Group projected negative cash flows from the Construction as the work progresses in the next fiscal year. Accordingly, events or conditions that may cast significant doubt about the Group's ability to continue as a going concern existed at the end of the current fiscal year.

Management has prepared the "Mitsui E&S Group business restructuring plan" as counter-measures to resolve those events or conditions, and is striving to improve the financial strength and profitability of the Group by downsizing or disposing of unprofitable businesses, selling assets and reducing fixed costs, among others. Management has also requested financial institutions to maintain current loan agreements as well as to provide an additional credit facility. Management has concluded that by implementing the above counter-measures the Group has sufficient liquidity available to meet its obligations as they become due for the twelve months from the end of the current fiscal year, and that no disclosure of material uncertainties around the going concern assumption was necessary in the consolidated financial statements.

In assessing whether there are material uncertainties related to the Group’s ability to continue as a going concern, management considered the cash flow forecasts it developed for the period through March 31, 2023, which assumed the following two points:

- the Construction would not make additional losses; and
- financial institutions would accept the request to maintain current loan agreements as well as to provide an additional credit facility.

Considering the current fiscal year, while there are no additional losses from the Construction, and that the financial institutions are compliant to existing and new loan requests, these assumptions still involves uncertainty and had a significant effect on management's judgment on whether there are material uncertainties related to the Group’s ability to continue as a going concern.

We, therefore, determined that our assessment of the appropriateness of management’s judgment on whether there are material uncertainties related to the Group’s ability to continue as a going concern was one of the most significant matters in our audit of the consolidated

performing the following procedures:

- Related to the assumption that the Construction would not make additional losses,
  - compared the contract and specification document with detail costs sheets in the execution budget, and traced the estimated cost for each work step to the supporting cost accumulation schedules;
  - evaluated the latest execution budget by assessing whether it reflected the effect of any variances between the previous execution budget and actual costs; and
  - inquired of the project manager regarding the progress of the Construction, inspected the report for process management and observed the Construction site.
- Related to the assumption that financial institutions would accept the request to maintain current loan agreements as well as to provide an additional credit facility,
  - inquired of management and the CFO regarding the status of negotiation with financial institutions;
  - inspected the related loan agreements and the minutes of meetings of the board of directors; and
  - inquired of personnel responsible for the credit department of the financial institutions regarding their policy for supporting the Group.

(2) Evaluation of the effect of uncertainties in the cash flow forecasts

We independently estimated a cash flow projection through March 31, 2023, by incorporating the effect of specific uncertainties into management’s cash flow forecasts, based on the results of the above procedures and our analysis on the causes of any variance between the cash flow forecasts and actual results for the past several years, including the current fiscal year, as well as the recent months in the subsequent fiscal year.

We then examined whether the level of cash balance projected at the end of each month based on our independent estimate was sufficient for the projected cash outflows for the following month considering the timing of cash receipts and payments for each item within the month.

financial statements for the current fiscal year, and accordingly, a key audit matter.	

Assessment of the reasonableness of the estimated total construction costs used to measure the provision for losses on contracts related to the civil engineering and construction of a thermal power plant in the Republic of Indonesia

The key audit matter	How the matter was addressed in our audit
As described in the Note 1 "Significant Accounting and Reporting Policies, (u) Significant Accounting Estimates 1) Estimating total construction cost for provision for losses on construction contracts" to the consolidated financial statements, Mitsui E&S Holdings Co., Ltd. and its consolidated subsidiaries (hereinafter, referred to as the "Group") recognized provisions of ¥59,608 million for losses on construction contracts, including a provision of ¥58,430 million related to the civil engineering and construction of a thermal power plant in the Republic of Indonesia ("the Construction") in the engineering business, which accounted for approximately 16.9% of total liabilities in the consolidated financial statement. The Group recognizes a provision for losses on construction contracts when it is probable that total expected construction and other costs exceed total expected revenue for each construction project and a reliable estimate can be made of the amounts. As the provision is calculated as an excess of total expected construction and other costs over total expected revenue reduced by any income or loss already recognized in profit or loss on the construction project, it is necessary to reasonably estimate the total construction costs. Due to the size and complexity of the execution budget of the Construction, the following management judgments, among others, had a significant effect on the estimated total construction costs: ● whether all necessary construction work steps were identified and the estimated cost for all steps were included in the execution budget; and ● whether changes in work steps due to changes in circumstances arising subsequent to the start of construction, such as severe marine conditions and the technical difficulty of the construction method required by the customer, are identified and reflected in the estimated total construction costs on a timely basis. We, therefore, determined that our assessment of the reasonableness of the estimated total construction costs used to measure the provision for losses on the Construction was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess the reasonableness of the estimated total construction costs used to measure the provision for losses on the Construction included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Group's internal controls over the process of developing an execution budget, with a particular focus on the following: ● Controls to ensure that the procedures to prepare the execution budget, including the method of accumulating work hours for each work step, using proper information and input data and incorporating risks where there are uncertainties, comply with the group policy; and ● Controls to reflect changes in circumstances arising subsequent to the start of construction to the execution budget on a timely basis. **(2) Assessment of the reasonableness of the estimated total construction costs** We assessed the reasonableness of key assumptions underlying the execution budget of the Construction which formed the basis for estimating the total construction costs, by inquiring of management and personnel responsible for the Construction regarding their judgment, rationales for marine conditions, the technical difficulty of the construction method required by the customer and the change of situation after start of work. In addition, we also performed the following procedures, among others: ● confirmed that all work steps necessary to complete the construction were included in detail cost sheets by comparing the contract, purchase orders and specification document with the detail cost sheets in the execution budget; ● traced the estimated cost for each work step to the supporting cost accumulation schedules; ● confirmed that the latest execution budget reflected the effect of any variances between the previous execution budget and actual costs; ● inquired of the project manager regarding the progress of the Construction and his judgment on whether the execution budget should be revised considering the current status of the execution

<table>
<tr><td></td><td>budget, inspected the report for process management, and also observed the Construction site; and

● inspected weekly status reports for the Construction and then assessed the judgment to update the execution budget to reflect changes in circumstances arising subsequent to the start of construction, by inquiring of the project manager and personnel including those responsible for the administration division and the accounting division and evaluating the consistency of their respective responses.</td></tr>
<tr><td colspan="2">Assessment of the reasonableness of the estimated future cash flows used in the impairment testing on goodwill at MES Germany Beteiligungs GmbH</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As described in the note 1 "Significant Accounting and Reporting Policies, (u) Significant Accounting Estimates, 2)Valuation of goodwill" to the consolidated financial statements, Mitsui E&S Holdings Co., Ltd. and its consolidated subsidiaries (hereinafter, referred to as the "Group") recognized goodwill of ¥7,996 million in the consolidated statement of financial position, including goodwill of ¥7,977 million allocated to the engineering business within the ship segment which arose when MES Germany Beteiligungs GmbH (hereinafter, referred to as “MES Germany”), a consolidated subsidiary in the ship segment of the Group located in Germany, acquired control of TGE Marine AG.

MES Germany prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and performs an impairment test on a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated at least annually, in addition to when there is an impairment indicator. When the recoverable amount of a CGU is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less cost of disposal.

In the current fiscal year, MES Germany used the value in use as the recoverable amount in the impairment testing. The future cash flows used to measure the value in use were estimated based on the mid-term business plan of the engineering business within the ship segment prepared by management of MES Germany (hereinafter, referred to as "the mid-term business plan"). Key assumptions underlying the mid-term business plan, such as the prospects for future growth rate of the gas-carrier market in which its engineering business operates as well as mid-term sales forecasts, involved management judgment. Accordingly, management’s judgment thereon had a significant effect on the estimated future cash flows.</td><td>In order to assess the reasonableness of the estimated future cash flows related to the measurement of the recoverable amount used in the impairment testing on the CGU that included goodwill allocated to the engineering business within the ship segment operated by MES Germany, we requested the auditors of MES Germany, a consolidated subsidiary, to perform an audit. Then we evaluated the report of the auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others:

(1) Internal control testing

Evaluation of the effectiveness of the design and operation of internal controls at MES Germany in relation to the measurement of value in use in impairment tests of CGU, including goodwill, with a focus on the internal approval process for future cash flows created reflecting uncertainties as risks based on the mid-term business plan.

(2) Assessment of the reasonableness of the estimated value in use

Inquiring of management and the general manager of MES Germany regarding key assumptions underlying its mid-term business plan which formed the basis for estimating the future cash flows, as well as assessment of the reasonableness of key assumptions by performing the following procedures:

● comparison of the growth rate of the gas-carrier market with relevant market data published by external organizations;

● assessment of the mid-term business plan by comparing it with the latest planned orders and actual orders;

● comparison of the future cash flows estimated by management of MES Germany with those independently estimated by incorporating the effect</td></tr>
</table>

In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use required a high degree of expertise in valuation. We, therefore, determined that our assessment of the reasonableness of the estimated future cash flows related to the measurement of the recoverable amount used in the impairment testing on the CGU that included goodwill allocated to the engineering business within the ship segment operated by MES Germany was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	of specific uncertainties into the mid-term business plan, after considering the results of the evaluation of the reasonableness of key assumptions as well as the assessment of the past business plan including the causes of variances with actual results; and ● The following procedures by involving valuation specialists within the network firms of the auditors who assisted in the evaluation of the discount rate: - assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and accounting standards; and - comparison of the discount rates adopted by management of MES Germany with those independently estimated by the valuation specialists.

Other Information

The other information comprises the information included in the Consolidated Financial Statements 2022, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 Corporate Auditors and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Makoto Yamada
Designated Engagement Partner
Certified Public Accountant

Fumitaka Otani
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 5, 2022

Notes to the Reader of Independent Auditor’s Report:

This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

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