Consolidated Financial Statements

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

For the Years ended March 31,
2021 and 2020
Together with Independent
Auditor’s Report

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As of March 31, 2021 and 2020

ASSETS

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Current Assets	2021	2020	2021
Cash and time deposits (Notes 1(r) , 2(d) and 5)	¥ 137,648	¥ 118,405	$ 1,243,320
Receivables			
Trade	233,956	282,368	2,113,233
Others	12,722	17,556	114,913
Less allowance for doubtful accounts	(1,500)	(1,185)	(13,549)
Merchandise and finished goods	5,925	4,714	53,518
Raw materials and supplies	4,232	5,505	38,226
Work in progress	55,287	46,166	499,386
Short-term loans	1,746	9,594	15,771
Others (Note 6)	29,051	32,704	262,406
Total current assets	479,067	515,827	4,327,224
Property, Plant and Equipment			
Land (Notes 2(c) and 2(d))	70,959	90,262	640,945
Buildings and structures (Note 2(d))	135,036	134,796	1,219,727
Machinery, equipment and vehicles (Note 2(d))	135,004	149,074	1,219,438
Lease assets	17,235	19,265	155,677
Construction in progress	2,337	4,616	21,109
	360,571	398,013	3,256,896
Less accumulated depreciation	(229,425)	(238,454)	(2,072,306)
Net property, plant and equipment	131,146	159,559	1,184,590
Intangible Assets			
Intangible assets	27,401	28,242	247,502
Investments and Other Assets			
Investment securities (Notes 2(a) , 2(d) and 8)	51,588	57,944	465,974
Long-term loans (Note 2(d))	39,963	41,038	360,970
Net defined benefit assets (Note 10)	8,327	6,500	75,215
Deferred tax assets (Note 12)	11,634	14,220	105,086
Others (Notes 2(a) and 2(d))	17,667	17,478	159,579
Less allowance for doubtful accounts	(343)	(428)	(3,098)
Total investments and other assets	128,836	136,752	1,163,726
Total assets	¥ 766,450	¥ 840,380	$ 6,923,042

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	**2021**	**2020**	**2021**
Short-term borrowings (Notes 2(e) and 18)	¥ 70,853	¥ 34,670	$ 639,987
Current portion of long-term indebtedness (Notes 2(d) , 2(f) and 19)	35,714	45,245	322,591
Lease obligations	3,001	5,394	27,107
Trade payables (Note 2(b))	215,208	238,242	1,943,889
Advances from customers	94,346	83,984	852,190
Accrued expenses	20,612	23,864	186,180
Accrued income taxes (Note 12)	6,490	7,803	58,622
Provision for losses on construction contracts (Note 1(l))	77,043	98,506	695,899
Provision for construction warranties (Note 1(k))	10,824	11,389	97,769
Provision for repairs (Note 1(m))	3,732	10,573	33,710
Asset retirement obligations	4	11	36
Others	21,418	22,075	193,461
Total current liabilities	559,245	581,756	5,051,441
Long-term Liabilities			
Long-term indebtedness (Notes 2(d), 2(f) and 19)	57,965	94,019	523,575
Lease obligations	7,405	7,789	66,886
Liability for severance and retirement benefits			
For directors and corporate auditors	20	24	181
Provision for business restructuring (Note 1(o))	1,880	3,375	16,981
Net defined benefit liabilities (Note 10)	8,053	11,685	72,740
Deferred tax liabilities			
On revaluation reserve for land (Notes 2(c) and 12)	12,244	17,030	110,595
Others (Note 12)	2,421	1,570	21,868
Asset retirement obligations	2,368	1,795	21,389
Others	18,948	15,981	171,150
Total long-term liabilities	111,304	153,268	1,005,365
Total liabilities	670,549	735,024	6,056,806
Net Assets (Note 17)			
Common stock			
Authorized - 150,000,000 shares			
Issued - 83,098,717 shares	44,385	44,385	400,912
Capital surplus	18,396	18,487	166,164
Retained earnings	(8,596)	(18,676)	(77,644)
Treasury stock	(4,696)	(4,726)	(42,417)
Net unrealized holding gains (losses) on securities (Note 8)	193	(30)	1,743
Unrealized losses on hedging derivatives	(9,175)	(10,275)	(82,874)
Revaluation reserve for land (Note 2(c))	27,609	37,708	249,381
Foreign currency translation adjustments	(5,930)	(1,815)	(53,563)
Remeasurements of defined benefit plans (Note 10)	5,322	(680)	48,072
Subscription rights to shares	151	176	1,363
Non-controlling interests	28,242	40,802	255,099
Total net assets	95,901	105,356	866,236
Total liabilities and net assets	¥ 766,450	¥ 840,380	$ 6,923,042

Consolidated Statements of Operations

For the Years Ended March 31, 2021 and 2020

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2021	2020	2021
Net Sales	¥ 663,835	¥ 786,478	$ 5,996,161
Cost of Sales (Note 3(a))	632,967	800,626	5,717,342
Gross Profit (loss)	30,868	(14,148)	278,819
Selling, General and Administrative Expenses (Note 3(a))	43,112	47,931	389,414
Operating loss	(12,244)	(62,079)	(110,595)
Other Income (Expenses)			
Interest and dividend income	4,776	7,052	43,140
Interest expenses	(2,786)	(3,143)	(25,165)
Commission expenses	(2,983)	(2,235)	(26,944)
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	3,316	2,274	29,952
Foreign currency exchange gains (losses)	479	(1,623)	4,327
Loss on valuation of derivatives	(138)	(806)	(1,246)
Gain on disposal of non-current assets	654	2,673	5,907
Gain on sales of investment securities (Note 8)	1,776	4,891	16,042
Gain on sales of subsidiaries and affiliates' stocks	2,335	4,716	21,091
Gain on liquidation of subsidiaries and affiliates	-	509	-
Insurance income	-	394	-
Compensation income	-	215	-
Reversal of provision for repairs	1,552	-	14,019
Loss on disposal of non-current assets	(1,038)	(361)	(9,376)
Loss on impairment of non-current assets (Note 3(b))	(2,382)	(1,045)	(21,516)
Loss on disaster	-	(765)	-
Loss on sales of investment securities (Note 8)	-	(736)	-
Loss on sales of subsidiaries and affiliates' stocks	(1,920)	(22,492)	(17,343)
Loss on valuation of investment securities	-	(725)	-
Loss on valuation of shares of subsidiaries and affiliates	-	(44)	-
Business restructuring cost	(1,204)	(3,375)	(10,875)
Loss on partial abolition of retirement benefit plan	-	(266)	-
Extraordinary repair expenses	-	(16,691)	-
Retirement benefit expenses	(818)	-	(7,389)
Loss on liquidation of subsidiaries and affiliates	(396)	-	(3,577)
Others, net	1,357	103	12,257
Total	2,580	(31,480)	23,304
Loss before income taxes	(9,664)	(93,559)	(87,291)
Income Taxes (Note 12)			
Current	3,252	6,681	29,374
Deferred	(4,687)	(5,210)	(42,336)
	(1,435)	1,470	(12,962)
Loss	(8,229)	(95,030)	(74,329)
Loss attributable to non-controlling interests	(8,364)	(8,820)	(75,548)
Profit (loss) attributable to owners of parent	¥ 135	¥ (86,210)	$ 1,219
Amounts Per Share of Common Stock (Notes 1(a) and 17)			
Earnings per share	¥ 1.67	¥ (1,066.47)	$ 0.015
Diluted earnings per share	¥ 1.67	¥ -	$ 0.015
Dividends, applicable to the year	¥ -	¥ -	$ -

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2021 and 2020

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2021	2020	2021
Loss	¥ (8,229)	¥ (95,030)	$ (74,329)
Other comprehensive income (Note 4)			
Net unrealized holding gains (losses) on securities	215	(3,974)	1,942
Unrealized gains (losses) on hedging derivatives	4,767	(1,236)	43,058
Foreign currency translation adjustments	(4,210)	(3,121)	(38,027)
Remeasurements of Defined Benefit Plans	5,964	1,578	53,870
Share of other comprehensive income of affiliates accounted for using equity method	(5,503)	(3,214)	(49,706)
Total	1,233	(9,967)	11,137
Comprehensive income	¥ (6,996)	¥ (104,997)	$ (63,192)
Comprehensive income attributable to owners of parent	¥ 3,345	¥ (94,562)	$ 30,214
Comprehensive income attributable to non-controlling interests	¥ (10,341)	¥ (10,435)	$ (93,406)

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2021 and 2020

	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, 2019	83,099	¥ 44,385	¥ 18,747	¥ 67,813	¥ (4,759)	¥ 3,366	¥ (6,066)	¥ 37,808	¥ 740	¥ (2,488)	¥ 206	¥ 120,488	¥ 280,240
Cumulative effects of changes in accounting policies				(452)									(452)
Restated balance		44,385	18,747	67,361	(4,759)	3,366	(6,066)	37,808	740	(2,488)	206	120,488	279,788
Loss attributable to owners of parent				(86,210)									(86,210)
Change of scope of equity method				73									73
Purchases of treasury stock					(6)								(6)
Disposal of treasury stock			(9)		39								30
Transfer from revaluation reserve for land				100									100
Change in treasury stock of parent arising from transactions with non-controlling shareholders			(251)										(251)
Net changes of items other than those in Shareholders' equity						(3,396)	(4,209)	(100)	(2,555)	1,808	(30)	(79,686)	(88,168)
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
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	(25)	(12,560)	(19,474)
Balance as of March 31, 2021	83,099	¥ 44,385	¥ 18,396	¥ (8,596)	¥ (4,696)	¥ 193	¥ (9,175)	¥ 27,609	¥ (5,930)	¥ 5,322	¥ 151	¥ 28,242	¥ 95,901

	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, 2020	$ 400,912	$ 166,986	$ (168,693)	$ (42,688)	$ (271)	$ (92,810)	$ 340,601	$ (16,394)	$ (6,142)	$ 1,589	$ 368,548	$ 951,638
Profit attributable to owners of parent			1,219									1,219
Change of scope of consolidation			(1,797)									(1,797)
Change of scope of equity method			407									407
Purchases of treasury stock				(27)								(27)
Disposal of treasury stock		(72)		298								226
Transfer from revaluation reserve for land			91,220									91,220
Change in treasury stock of parent arising from transactions with non-controlling shareholders		(750)										(750)
Net changes of items other than those in Shareholders' equity					2,014	9,936	(91,220)	(37,169)	54,214	(226)	(113,449)	(175,900)
Balance as of March 31, 2021	$ 400,912	$ 166,164	$ (77,644)	$ (42,417)	$ 1,743	$ (82,874)	$ 249,381	$ (53,563)	$ 48,072	$ 1,363	$ 255,099	$ 866,236

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2021 and 2020

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Cash Flows from Operating Activities :	2021	2020	2021
Loss before income taxes	¥ (9,664)	¥ (93,559)	$ (87,291)
Adjustments to reconcile Loss before income taxes to net cash provided by (used in) operating activities			
Depreciation and amortization	12,745	15,390	115,121
Loss on impairment of non-current assets	2,382	1,045	21,516
Amortization of goodwill	1,099	1,054	9,927
Increase of allowance for doubtful accounts	260	46	2,348
Increase in net defined benefit liablities	3,128	2,589	28,254
Decrease (increase) in net defined benefit assets	1,059	(1,872)	9,565
Increase (decrease) in provision for losses on construction contracts	(20,789)	37,553	(187,779)
Increase (decrease) in provision for repairs	(6,842)	10,568	(61,801)
Interest and dividend income	(4,776)	(7,052)	(43,140)
Interest expenses	2,786	3,143	25,165
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	(3,316)	(2,274)	(29,952)
Foreign currency exchange gain, net	(5,811)	(1,532)	(52,489)
Gain on sales of investment securities, net	(1,776)	(4,155)	(16,042)
Loss (gain) on sales of subsidiaries and affiliates’ stocks	(415)	17,776	(3,748)
Loss on valuation of investment securities	-	725	-
Loss (gain) on liquidation of subsidiaries and affiliates	396	(509)	3,577
Loss (gain) on disposal of non-current assets, net	384	(2,312)	3,469
Loss on disaster	-	765	-
Insurance income	-	(394)	-
Changes in assets and liabilities :			
Decrease (increase) in			
Trade receivables	45,608	(79,230)	411,959
Inventories	(10,173)	(4,994)	(91,889)
Other assets	(5,891)	2,078	(53,211)
Increase (decrease) in			
Trade payables	(10,787)	64,210	(97,435)
Other liabilities	6,889	5,823	62,226
Others, net	(91)	4,134	(822)
Sub-total	(3,595)	(30,984)	(32,472)
Interest and dividend received	13,506	8,941	121,994
Interest paid	(2,851)	(3,172)	(25,752)
Payments for loss on disaster	-	(765)	-
Proceeds from insurance income	-	394	-
Income taxes refund	418	-	3,776
Income taxes paid	-	(11,627)	-
Net cash provided by (used in) operating activities	¥ 7,478	¥ (37,213)	$ 67,546

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Cash Flows from Investing Activities :	2021	2020	2021
Net decrease in time deposits	627	519	5,664
Capital expenditure	(12,720)	(15,627)	(114,894)
Proceeds from sales of non-current assets	18,402	5,303	166,218
Purchases of investment securities	(1)	(5)	(9)
Proceeds from sales of investment securities	3,022	14,112	27,297
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,260	39,507	29,446
Purchase of shares of subsidiaries and affiliates	(563)	(51)	(5,085)
Proceeds from sales of shares of subsidiaries and affiliates	74	1,638	668
Payments for investments in capital of subsidiaries and affiliates	(675)	(530)	(6,097)
Disbursements of loans receivable	(18,085)	(16,217)	(163,355)
Collection of loans receivable	29,171	53,792	263,490
Others, net	(1,397)	1,684	(12,619)
Net cash provided by (used in) investing activities	¥ 21,115	¥ 84,125	$ 190,724
Cash Flows from Financing Activities :			
Net increase in short-term borrowings	40,918	31,231	369,596
Proceeds from long-term borrowings	1,300	2,337	11,742
Repayments of long-term borrowings	(41,100)	(44,196)	(371,240)
Repayments of lease obligations	(3,746)	(3,005)	(33,836)
Proceeds from sales and leasebacks	1,408	-	12,718
Repayments on bonds	(5,000)	(10,000)	(45,163)
Dividends paid to non-controlling interests	(1,375)	(3,044)	(12,420)
Others, net	781	(148)	7,055
Net cash provided by (used in) financing activities	¥ (6,814)	¥ (26,825)	$ (61,548)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,984)	(772)	(26,954)
Net increase in Cash and Cash Equivalents	18,795	19,315	169,768
Decrease due to changes in scope of consolidation	(4)	(32)	(36)
Cash and Cash Equivalents at Beginning of Year	116,691	97,408	1,054,024
Cash and Cash Equivalents at End of Year (Notes 1(r) and 5)	¥ 135,482	¥ 116,691	$ 1,223,756

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, 2021, which was ¥110.71 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 with available fair market values are stated at fair market value. The fair market value is calculated using mainly the average price of securities one month before 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 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.

(p) 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)".

(q) Revenue Recognition

Revenue and costs associated with construction contracts

1) Construction of its certainty of achievement on the progressed portion until the fiscal year end can be recognized:
   The percentage-of-completion method
   (The progress of work is mainly measured by the percentage of cost method)
2) Construction other than above:
   The completed-contract method

Revenues and costs of sales on finance lease transactions are recognized when lease payments are received.

(r) 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.

(s) 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)
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).

(t) 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 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.

Of the total amount of ¥77,043 million ($695,899 thousand) in the provision for losses on construction contracts recorded for March 31, 2021, the major component was ¥67,652 million ($611,074 thousand) for a provision for losses on construction contracts for a thermal power station civil engineering and construction work for the Indonesian government.

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. 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

Of the total amount of ¥9,631 million ($86,993 thousand) in goodwill recorded for March 31, 2021, the major component was ¥8,371 million ($75,612 thousand) in goodwill related to the ship engineering business, which was recognized when German subsidiary MES Germany Beteiligungs GmbH acquired equity in TGE Marine AG.

MES Germany Beteiligungs GmbH applies 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) Recognition of revenue based on the percentage-of-completion method

As stated in “1. Significant Accounting and Reporting Policies, (q) Revenue Recognition, Revenue and costs associated with construction contracts” in the notes to consolidated financial statements, the Group applies the percentage-of-completion method for the Group’s construction to that for which the outcome of the completed portion was deemed certain as of March 31, 2021.

For the consolidated financial statements for the fiscal year under review, the Group recorded ¥378,555 million ($3,419,339 thousand) for construction revenue, using the percentage of completion, which is calculated according to the progress of construction, taking the percentage of the estimated total cost of construction that has been expended to date as of March 31, 2021.

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.

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

(Accounting Standard for Revenue Recognition etc.)

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1) Outline:

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 for the IASB and Topic 606 for the FASB) in May 2014. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 and Topic 606 is effective for fiscal years beginning after December 15, 2017. Given these circumstances, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them with the implementation guidance thereon.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to set such accounting standards by adopting basic principles of IFRS 15 as a starting point, from the viewpoint of comparability among financial statements, which is one of benefits of ensuring consistency with IFRS 15, and to additionally provide for alternative accounting treatments to the extent that it would not impair comparability, if there is an item to be taken into consideration in practices that have been conducted in Japan.

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2022.

3) Impact of application of the accounting standards:

The impacts of the application of the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition" on the Group's consolidated financial statements are currently being evaluated.

(Accounting Standard for Fair Value Measurement etc.)

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1) Outline:

In light of the situation in which the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) established detailed guidance on fair value measurement with almost the same content (IFRS 13 "Fair Value Measurement" in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 "Fair Value Measurement" in the U.S. GAAP), the ASBJ has worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and published "Accounting Standard for Fair Value Measurement" and others.

The basic policy of the ASBJ in developing accounting standards for fair value measurement is thought to incorporate basically all the provisions of IFRS 13 from the viewpoint of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not impaired largely.

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2022.

3) Impact of application of the accounting standards:

The impacts of the application of the standards and guidances such as "Accounting Standard for Fair Value Measurement" on the Group's consolidated financial statements have not yet been determined at this stage.

(v) Reclassifications

Certain reclassifications have been made in the financial statement of the previous fiscal year to conform to the classification used in this fiscal year.
These reclassifications had no effect on previously reported profit or net assets.

(w) Changes in Presentation

Consolidated Statements of Cash Flows

"Cash dividends", which was presented individually in "Cash Flows from Financing Activities" in the year ended March 31, 2020, has been included in "Others, net" from the year ended March 31, 2021 since its materiality in amount has decreased. Consolidated financial statements for the year ended March 31, 2020 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, 2020, ¥(2) million previously presented in "Cash dividends" under "Cash Flows from Financing Activities" has been reclassified as "Others, net".

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.

(x) Additional information

(Transfer of business of consolidated subsidiary)

The Company and Mitsubishi Heavy Industries, Ltd. (“MHI”) entered into memorandum of understanding on June 12, 2020 on the commencement of discussions regarding the transfer of the naval ship business (hereinafter the “Target business”) of a consolidated subsidiary of the Company Mitsui E&S Shipbuilding Co., Ltd. (“MES-S”). Afterward, discussions and negotiations on the details had proceeded. Then on March 29, 2021, the Company resolved to succeed the Target business to a stock company (hereinafter the “New Company”) that the Company newly established by conducting an absorption-type company split (hereinafter the “Company split”) and transfer all of the shares of the New Company to MHI on the effective date of the Company split (hereinafter the “Transfer”; the Company Split and the Transfer hereinafter collectively referred to as the “Transaction”).

1. Schedule for the Transaction

1) Date of entering into the agreement	March 29, 2021
2) Date of establishment of the New Company	April 12, 2021
3) Date of entering into the Company Split agreement	Mid-August 2021 (planned)
4) General Meeting of Shareholders to approve the Company Split agreement *MES-S and the New Company	Mid-August 2021 (planned)
5) Effective date of the Company Split	October 1, 2021 (planned)
6) Date of implementing the share transfer	October 1, 2021 (planned)

2. Outline of the Company Split

1) Form of the Company Split

This will be a company split where MES-S is the company undergoing the Company Split, and the New Company will be the succeeding company of the Company Split.

2) Overview of the business operations to be split

i) Description of splitting business

The splitting 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.

ii) Business results of splitting business (financial results of Target business for the year ended March 31, 2020)

Net sales	: ¥37,540 million ($339,084 thousand)

iii) Items and book values of assets and liabilities related to splitting business (as of March 31, 2020)

Current assets	: ¥18,670 million ($168,642 thousand)	Current liabilities	: ¥15,358 million ($138,718 thousand)
Non-current assets	: ¥2,042 million ($18,445 thousand)	Non-current liabilities	: ¥3,143 million ($28,392 thousand)
Total assets	: ¥20,712 million ($187,087 thousand)	Total liabilities	: ¥18,501 million ($167,110 thousand)

Note: As the above amounts are calculated based on the balance sheet as of March 31, 2020, the actual amounts for the Company Split will be adjusted to reflect increases and decreases occurring in the above amounts through to the effective date.

3. Outline of the Transfer

1) Overview of changing subsidiary

i) Name	MM Naval Ship Business Split Preparation Co., Ltd.
ii) Address	6-4 Tsukiji 5-chome, Chuo-ku, Tokyo
iii) Title and name of the representative	Mikihisa Suzuki, President and Representative Director
iv) Description of business	Design, manufacturing, construction, engineering, repair and maintenance services, construction and installation, etc. of naval ships and ships, other waterborne and underwater vehicles, and related equipment and devices, etc.
v) Capital stock	¥20 million ($181 thousand)
vi) Date of establishment	April 12, 2021

2) Number of shares transferred

i) Number of shares owned before the transfer	1,000 shares (ratio of voting rights ownership: 100.0%)
ii) Number of shares transferred	1,000 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%)

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

The spread of COVID-19 had a broad impact on the economy and corporate activities. The impact on the Group was extensions on product delivery schedules, a reduction in opportunities for orders, project delays, etc. Going forward, the Group expects people to gradually regain freedom of movement, and for economic activities to normalize, but it is difficult to estimate the timing of the recovery.

In light of such circumstances, the Group is assuming that the impact from COVID-19 might continue until the end of FY2021, and therefore uses accounting estimates. If the impact from COVID-19 exacerbates, or becomes prolonged, it could diminish our customers’ investment appetite, thereby causing a decline in demand and seriously impacting the financial position, business results and cash flow position of the Group.

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, 2021 and 2020 were ¥47,470 million ($428,778 thousand) and ¥52,898 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in other assets as of March 31, 2021 and 2020 were ¥9,829 million ($88,782 thousand) and ¥7,182 million, respectively.

(b) Contingent Liabilities

1) Contingent liabilities of the Group as of March 31, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2021	2020	2021
Guarantees of bank loans and other indebtedness	¥ 183,137	¥ 78,589	$ 1,654,205

2) Others

(i) Four companies, namely, MODEC MANAGEMENT SERVICES PTE. LTD., MODEC (GHANA) LTD., and MODEC PRODUCTION SERVICES GHANA JV LIMITED., consolidated subsidiaries of MODEC, Inc., and T.E.N. GHANA MV25 B.V., an affiliate accounted for using equity method of MODEC, Inc., underwent tax examinations for the years from 2012 to 2018 by the Ghana Revenue Authority, and although the companies received a document giving notice of additional levies in 2019, the tax examinations were recommenced in 2020, and in November 2020, the companies were once again issued with a document giving notice of additional levies. However, the Group believes that the four companies that received the indication have appropriately filed tax return in accordance with the local tax law, and has submitted written counterargument against the additional levies to the authorities. Therefore, impacts of this indication have not been reflected in the consolidated financial statements for the year ended March 31, 2021, and the Company recognizes that this will have no major impact on its operating results in the future.

(ii) 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, 2021, and the Company recognizes that this will have no major impact on its operating results in the future.

(c) 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 ¥30,712 million ($277,409 thousand) and ¥37,725 million as of March 31, 2021 and 2020, respectively.

(d) Pledged Assets

Assets pledged as collateral for long-term indebtedness as of March 31, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2021	2020	2021
Land	¥ 3,250	¥ 2,513	$ 29,356
Buildings and structures	1,433	497	12,944
Machinery, equipment and vehicles	6,544	9,332	59,109
Investment securities	638	638	5,763
Cash and time deposits	1,432	294	12,935
Long-term loans	1,913	1,077	17,279
Long-term deposits	-	1,449	-
Total	¥ 15,210	¥ 15,800	$ 137,386

Short-term borrowings and long-term indebtedness secured by the above pledged assets as of March 31, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2021	2020	2021
Short-term borrowings	¥ -	¥ 200	$ -
Long-term indebtedness	9,693	11,215	87,553
Total	¥ 9,693	¥ 11,415	$ 87,553

(e) Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Group as of March 31, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2021	2020	2021
Total overdraft facilities and lending commitments	¥ 122,724	¥ 112,000	$ 1,108,518
Less amounts currently executed	53,359	27,570	481,971
Unexecuted balance	¥ 69,365	¥ 84,430	$ 626,547

(f) 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, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U. S. Dollars (thousands)
	2021	2020	2021
Short-term borrowings	¥ 53,349	¥ 27,560	$ 481,881
Long-term borrowings	1,500	1,500	13,549
Total	¥ 54,849	¥ 29,060	$ 495,430

(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, 2021 and 2020 were ¥2,867 million ($25,896 thousand) and ¥2,754 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, 2021 and 2020 were comprised of the following.

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

2020

Location	: Oita City, Oita Prefecture etc.
Major use	: Idle assets
Asset category	: Land
Amount	: ¥12 million ($110 thousand)
Reason	: Decline in market value

Location	: Indonesia and Ichihara City, Chiba Prefecture etc.
Major use	: Business assets
Asset category	: Land, Building etc.
Amount	: ¥1,033 million ($9,492 thousand)
Reason	: Deterioration of business environment

(c) Details of Extraordinary repair expense are as follows:

FPSO Cidade do Rio de Janeiro MV14 (the "FPSO"), of which charter services were provided by MODEC, Inc. (company whose fiscal year ends in December), a consolidated subsidiary of the Company, off the coast of Brazil, discontinued the oil production, and removal from the mining area was being pursued. However, in the year ended March 31, 2020, cracks were found on the exterior of the FPSO's hull during the removal work.

As a result of consultations with the Brazilian Navy, the classification society and others, the Group has agreed to repair the cracks and remove naturally occurring radioactive materials, coral, etc. attached to the FPSO at a shipbuilding yard in Brazil in order to towing to a scrap-yard outside the country. Mainly because the cause for the cracks is under investigation, sharing of the repair expenses and related expenses with ESPADARTE MV14 B. V., which owns the FPSO, the amount of insurance claim, and others have not been determined. Therefore, in the year ended March 31, 2020, MODEC, Inc. and its consolidated subsidiaries MODEC INTERNATIONAL, INC. and MODEC SERVICOS DE PETROLEO DO BRASIL LTDA., must share almost all of the estimated expenses. Due to this event, the repair expenses and related expenses were recorded in Extraordinary repair expenses in the consolidated statements of operations for the year ended March 31, 2020.

4. Comprehensive Income

Each component of other comprehensive income for the years ended of March 31, 2021 and 2020 were the following:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2021	2020	2021
Net unrealized holding gains (losses) on securities:			
Amount of generation at this fiscal term	¥ 495	¥ (2,182)	$ 4,471
Amount of rearrangement adjustment	(176)	(4,574)	(1,590)
Before adjusting the tax effect	319	(6,756)	2,881
Tax effect	(104)	2,782	(939)
Net unrealized holding gains (losses) on securities	215	(3,974)	1,942
Unrealized gains (losses) on hedging derivatives:			
Amount of generation at this fiscal term	5,156	(2,194)	46,572
Amount of rearrangement adjustment	272	917	2,457
Before adjusting the tax effect	5,428	(1,277)	49,029
Tax effect	(661)	41	(5,971)
Unrealized gains (losses) on hedging derivatives	4,767	(1,236)	43,058
Foreign currency translation adjustments:			
Amount of generation at this fiscal term	(4,279)	(2,643)	(38,650)
Amount of rearrangement adjustment	69	(539)	623
Before adjusting the tax effect	(4,210)	(3,182)	(38,027)
Tax effect	-	61	-
Foreign currency translation adjustments	(4,210)	(3,121)	(38,027)
Remeasurements of Defined Benefit Plans:			
Amount of generation at this fiscal term	7,902	1,046	71,376
Amount of rearrangement adjustment	1,043	1,264	9,421
Before adjusting the tax effect	8,945	2,310	80,797
Tax effect	(2,981)	(732)	(26,927)
Remeasurements of Defined Benefit Plans	5,964	1,578	53,870
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount of generation at this fiscal term	(6,855)	(3,925)	(61,918)
Amount of rearrangement adjustment	1,352	711	12,212
Share of other comprehensive income of affiliates accounted for using equity method	(5,503)	(3,214)	(49,706)
Total	¥ 1,233	¥ (9,967)	$ 11,137

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, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2021	2020	2021
Cash and time deposits	¥ 137,648	¥ 118,405	$ 1,243,320
Time deposits with maturities exceeding 3 months	(2,166)	(1,714)	(19,564)
Cash and cash equivalents	¥ 135,482	¥ 116,691	$ 1,223,756

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

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)	U. S. Dollars (thousands)
Current assets	¥ 1,329	$ 12,004
Non-current assets	2,830	25,562
Current liabilities	(1,234)	(11,146)
Non-current liabilities	(59)	(533)
Non-controlling interests	(854)	(7,714)
Others	(138)	(1,246)
Expenses for sales of shares	118	1,066
Profit on sales of subsidiaries and affiliates' stocks	2,290	20,685
Sales prices of shares	4,282	38,678
Expenses for sales of shares	(118)	(1,066)
Cash and cash equivalents	(812)	(7,334)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ 3,352	$ 30,277

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 proceeds from the sale of shares were as follows:

	Japanese Yen (millions)	U.S.Dollars (thousands)
Current assets	¥ 12,972	$ 117,171
Non-current assets	6,421	57,998
Current liabilities	(14,094)	(127,306)
Non-current liabilities	(1,975)	(17,839)
Investment accounts after the sales of shares	(795)	(7,180)
Others	183	1,653
Expenses for sales of shares	208	1,879
Loss on sales of subsidiaries and affiliates' stocks	(1,920)	(17,343)
Sales prices of shares	1,000	9,033
Expenses for sales of shares	(208)	(1,879)
Cash and cash equivalents	(884)	(7,985)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ (92)	$ (831)

2020:

Breakdown of assets and liabilities of Showa Aircraft Industry Co. , Ltd. and its 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 proceeds from the sale of shares were as follows:

	Japanese Yen (millions)
Current assets	¥ 14,412
Non-current assets	148,049
Current liabilities	(9,253)
Non-current liabilities	(61,484)
Treasury stock	(379)
Others	563
Non-controlling interests	(32,251)
Expenses for sales of shares	213
Loss on sales of subsidiaries and affiliates' stocks	(21,692)
Sales prices of shares	38,178
Special dividends	6,649
Expenses for sales of shares	(213)
Cash and cash equivalents	(4,859)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ 39,755

Breakdown of assets and liabilities of Mitsui E&S Plant Engineering Inc. 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	¥ 10,951
Non-current assets	1,423
Current liabilities	(9,505)
Non-current liabilities	(271)
Others	(18)
Expenses for sales of shares	268
Profit on sales of subsidiaries and affiliates' stocks	3,652
Sales prices of shares	6,500
Expenses for sales of shares	(268)
Cash and cash equivalents	(6,093)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ 139

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.

6. Leases

(a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2021	2020	2021
Due within one year	¥ 2,280	¥ 2,111	$ 20,594
Due after one year	14,535	3,454	131,289
Total	¥ 16,815	¥ 5,565	$ 151,883

(b) Lessor

i) Unexpired lease receivables of operating lease transactions as of March 31, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2021	2020	2021
Due within one year	¥ 16	¥ 1,050	$ 145
Due after one year	123	6,053	1,111
Total	¥ 139	¥ 7,103	$ 1,256

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 charter project of FPSO or 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. Certain Subsidiaries reduce their balance of loan receivables by arranging project finance or through cooperation with business partners such as general trading companies.

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, 2021 and 2020 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.

2021	Japanese Yen (millions) Book value	Fair value	Difference
(1) Cash and time deposits	¥ 137,648	¥ 137,648	¥ -
(2) Trade receivables	233,956		
Less allowance for doubtful accounts [*1]	(1,247)		
	232,709	232,708	(1)
(3) Short-term loans	1,746		
Less allowance for doubtful accounts [*1]	(1)		
	1,745	1,745	-
(4) Investment securities			
Available-for-sale securities	1,805	1,805	-
(5) Long-term loans	39,963		
Less allowance for doubtful accounts [*1]	(139)		
	39,824	43,733	3,909
Total assets	¥ 413,731	¥ 417,639	¥ 3,908
(1) Trade payables	¥ 215,208	¥ 215,208	¥ -
(2) Short-term borrowings	70,853	70,853	-
(3) Current portion of long-term borrowings	20,714	20,672	(42)
(4) Current portion of bonds	15,000	15,018	18
(5) Accrued income taxes	6,490	6,490	-
(6) Bonds	20,000	20,046	46
(7) Long-term borrowings	37,965	37,670	(295)
Total liabilities	¥ 386,230	¥ 385,957	¥ (273)
Derivative transactions [*2]			
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	¥ -

2020	Japanese Yen (millions) Book value		Fair value		Difference	
(1) Cash and time deposits	¥	118,405	¥	118,405	¥	-
(2) Trade receivables		282,368				
Less allowance for doubtful accounts *1		(858)				
		281,510		281,511		1
(3) Short-term loans		9,594				
Less allowance for doubtful accounts *1		(1)				
		9,593		9,593		-
(4) Investment securities						
Available-for-sale securities		2,002		2,002		-
(5) Long-term loans		41,038				
Less allowance for doubtful accounts *1		(2)				
		41,036		42,894		1,858
Total assets	¥	452,546	¥	454,405	¥	1,859
(1) Trade payables	¥	238,242	¥	238,242	¥	-
(2) Short-term borrowings		34,670		34,670		-
(3) Current portion of long-term borrowings		40,245		40,312		67
(4) Current portion of bonds		5,000		5,003		3
(5) Accrued income taxes		7,803		7,803		-
(6) Bonds		35,000		35,073		73
(7) Long-term borrowings		59,019		59,613		594
Total liabilities	¥	419,979	¥	420,716	¥	737
Derivative transactions *2						
i. Derivative transactions for which hedge accounting has not been applied	¥	1,547	¥	1,547	¥	-
ii. Derivative transactions for which hedge accounting has been applied		(1,475)		(1,475)		-
Total derivative transactions	¥	72	¥	72	¥	-

2021	U.S. Dollars (thousands) Book value		Fair value		Difference	
(1) Cash and time deposits	$	1,243,320	$	1,243,320	$	-
(2) Trade receivables		2,113,233				
Less allowance for doubtful accounts *1		(11,264)				
		2,101,969		2,101,960		(9)
(3) Short-term loans		15,771				-
Less allowance for doubtful accounts *1		(9)				
		15,762		15,762		-
(4) Investment securities						
Available-for-sale securities		16,304		16,304		-
(5) Long-term loans		360,970				
Less allowance for doubtful accounts *1		(1,255)				
		359,715		395,023		35,308
Total assets	$	3,737,070	$	3,772,369	$	35,299
(1) Trade payables	$	1,943,888	$	1,943,888	$	-
(2) Short-term borrowings		639,988		639,988		-
(3) Current portion of long-term borrowings		187,102		186,723		(379)
(4) Current portion of bonds		135,489		135,652		163
(5) Accrued income taxes		58,622		58,622		-
(6) Bonds		180,652		181,067		415
(7) Long-term borrowings		342,923		340,258		(2,665)
Total liabilities	$	3,488,664	$	3,486,198	$	(2,466)
Derivative transactions *2						
i. Derivative transactions for which hedge accounting has not been applied	$	4,950	$	4,950	$	-
ii. Derivative transactions for which hedge accounting has been applied		14,515		14,515		-
Total derivative transactions	$	19,465	$	19,465	$	-

*1 Allowance for doubtful accounts is deducted from each account.

*2 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.

(note 1) Articles concerning calculation method of fair value, marketable securities and derivative transactions.

Assets

(1) Cash and time deposits, (3) Short-term loans

Fair value of these accounts is stated at the book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.

(2) Trade receivables

Fair value of these accounts is stated at the present value discounted over the maturity term of each receivable divided into certain classified term.

(4) Investment securities

Fair value of these accounts is based on available market price.

(Please see “8. Investment Securities”.)

(5) Long-term loans

Fair value of these accounts is stated at the present value using future cash flows discounted by the premium added rate on the appropriate index like yield on government bonds.

Liabilities

(1) Trade payables, (5) Accrued income taxes

Fair value of these accounts is stated at book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.

(2) Short-term borrowings, (3) Current portion of long-term borrowings, (7) Long-term borrowings

Fair value of borrowings at fixed interest rates is calculated using the total amount of the principal and interest discounted by the interest rate on condition that the borrowing is newly executed at the date of fair value evaluation.

Fair value of borrowings at variable interest rates is stated at balance sheet amounts because variable interest rates reflects the latest market conditions and the Company’s credit standings is considered to be almost same as when funds were borrowed, so fair value is considered to be close to the balance sheet amounts.

Some borrowings at variable interest rates are subjected to exceptional treatment of interest swaps or batch treatment of interest rate and currency swaps that fulfill special treatment requirements. Those fair values are calculated using the total amount of the principal and interest as accounted for as a single item with those swaps, discounted by the reasonably estimated interest rates which would be applied if a similar borrowing were executed.

(4) Current portion of bonds, (6) Bonds

These fair values consist of both the fair value based on fair market value for bonds that have market prices, and the present value that has been discounted using an interest rate for which a credit spread has been added to a risk-free interest rate over the remaining term of each bond for bonds without market prices.

Derivative transactions

Please refer to “9. Derivative Transactions.”

(note 2) Financial instruments in which the fair value is considered to be extremely difficult to recognize are as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	Book value		Book value
	2021	2020	2021
(1) Unlisted equity securities	¥ 49,782	¥ 55,658	$ 449,661
(2) Trust property	-	284	-
Total	¥ 49,782	¥ 55,942	$ 449,661

As to these financial instruments, there is no available fair market price and it is considered to cost a great deal to estimate future cash flows. So these financial instruments are not included in investment securities because it is considered to be extremely difficult to recognize fair value.

(note 3) The expected redemption amount of monetary credit and securities with maturity after the fiscal years ended March 31, 2021 and 2020 were as follows.

2021	Japanese Yen (millions)			
	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

2020	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 118,349	¥ -	¥ -	¥ -
Trade receivables	281,999	369	-	-
Short-term loans	9,594	-	-	-
Long-term loans	-	2,968	15,373	22,697
Total	¥ 409,942	¥ 3,337	¥ 15,373	¥ 22,697

2021	U.S. Dollars (thousands)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 1,242,851	$ -	$ -	$ -
Trade receivables	2,112,158	1,075	-	-
Short-term loans	15,771	-	-	-
Long-term loans	-	79,406	79,803	201,761
Total	$ 3,370,780	$ 80,481	$ 79,803	$ 201,761

(note 4) The expected redemption amount of bonds and borrowings after the fiscal years ended March 31, 2021 and 2020 were as follows.

2021	Japanese Yen (millions)					
	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
Total	¥ 106,567	¥ 28,992	¥ 15,801	¥ 2,940	¥ 2,093	¥ 8,139

2020	Japanese Yen (millions)					
	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	¥ 34,670	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	5,000	15,000	15,000	5,000	-	-
Long-term borrowings	40,245	21,011	14,099	10,839	2,973	10,097
Total	¥ 79,915	¥ 36,011	¥ 29,099	¥ 15,839	¥ 2,973	¥ 10,097

2021	U.S. Dollars (thousands)					
	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	$ 639,988	$ -	$ -	$ -	$ -	$ -
Bonds	135,489	135,489	45,163	-	-	-
Long-term borrowings	187,102	126,384	97,561	26,556	18,905	73,517
Total	$ 962,579	$ 261,873	$ 142,724	$ 26,556	$ 18,905	$ 73,517

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, 2021 and 2020:

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

2020	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 497	¥ 1,123	¥ 626
Sub Total	497	1,123	626
Securities with book values not exceeding acquisition costs:			
Equity securities	1,849	879	(970)
Sub Total	1,849	879	(970)
Total	¥ 2,346	¥ 2,002	¥ (344)

2021	U. S. Dollars (thousands)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	$ 4,354	$ 12,619	$ 8,265
Sub Total	4,354	12,619	8,265
Securities with book values not exceeding acquisition costs:			
Equity securities	6,260	3,685	(2,575)
Sub Total	6,260	3,685	(2,575)
Total	$ 10,614	$ 16,304	$ 5,690

(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, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2021	2020	2021
Proceeds from sales of available-for-sale securities			
Securities	¥ 3,023	¥ 14,112	$ 27,306
Realized gains on sales of available-for-sale securities			
Securities	¥ 1,776	¥ 4,891	$ 16,042
Realized losses on sales of available-for-sale securities			
Securities	¥ 5	¥ 736	$ 45

(c) Securities for which impairment loss was recognized

For the year ended March 31, 2020, loss on impairment of ¥725 million ($6,662 thousand) for available-for-sale securities was recognized.

For the year ended March 31, 2021, loss on impairment of ¥2 million ($18 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, 2021 and 2020 were as follows:

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

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

2020	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	¥	955	¥	-	¥	29	¥	29
STG Pounds		317		-		(3)		(3)
Euro		6,240		-		(85)		(85)
Japanese Yen		284		-		(2)		(2)
Swiss Franc		2,515		-		(10)		(10)
Chinese Yuan		631		-		2		2
Singapore Dollars		753		-		(2)		(2)
Norwegian Krone		56		-		(0)		(0)
Brazilian Real		1,429		-		54		54
Canadian Dollar		184		-		62		62
Mexican Peso		4,378		601		(45)		(45)
To sell U.S. Dollars		1,722		-		(27)		(27)
Currency swap								
To receive Japanese Yen, pay U.S. Dollars		14,800		4,788		1,574		1,574
	¥	34,264	¥	5,839	¥	1,547	¥	1,547

2021	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	$ 4,074	$ -	$ 9	$ 9
STG Pounds	1,951	-	18	18
Euro	51,956	-	(1,156)	(1,156)
Swiss Franc	2,836	-	(18)	(18)
Chinese Yuan	3,450	-	144	144
Singapore Dollars	867	-	(668)	(668)
Brazilian Real	30,241	-	190	190
Mexican Peso	117	-	0	0
To sell U.S. Dollars	19,122	-	433	433
Currency option contract				
Buying ; Call option	2,376	-	199	199
Selling ; Put option	9,114	-	(488)	(488)
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	43,248	15,139	6,287	6,287
	$ 169,352	$ 15,139	$ 4,950	$ 4,950

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

2021	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
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 [*2]: To receive float, pay fix	Long-term borrowings	17,582	13,878	-
		¥ 22,283	¥ 15,639	¥ (74)

2020	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	¥ 4,857	¥ 2,550	¥ 665
Euro		11,328	136	(137)
STG Pounds		3,731	625	68
Indonesian Rupiah		12,379	-	(1,720)
Singapore Dollars		1,810	-	1
Norwegian Krone		728	-	10
Japanese Yen		610	-	(10)
Swiss Franc		2,432	-	24
Brazilian Real		1,846	-	(34)
Canadian Dollar		859	-	(54)
Mexican Peso		4,378	600	62
To sell U.S. Dollars	Trade receivables	19,157	-	137
STG Pounds		7,509	4,320	(223)
Euro		30	-	(0)
Swedish Krona		23	-	(0)
Alternative method *1				
Currency related derivatives				
Forward contracts				
To sell U.S. Dollars	Loan receivables	330	-	7
		¥ 72,007	¥ 8,231	¥ (1,204)
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	¥ 14,587	¥ 4,747	¥ (271)
Exceptional treatment *2: To receive float, pay fix	Long-term borrowings	23,904	17,746	-
		¥ 38,491	¥ 22,493	¥ (271)

2021	Hedged items	U.S. Dollars (thousands) Contract amount Total	Due after one year	Fair value
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	$ 36,094	$ 18,679	$ 5,654
Euro		73,607	5,293	5,934
STG Pounds		15,085	3,279	307
Indonesian Rupiah		179,722	-	8,915
Singapore Dollars		4,706	108	163
Brazilian Real		30,241	-	(3,206)
Mexican Peso		117	-	(0)
To sell U.S. Dollars	Trade receivables	55,803	-	(741)
STG Pounds		60,997	31,199	(1,490)
Euro		18,589	-	(352)
Swedish Krona		226	-	(0)
		$ 475,187	$ 58,558	$ 15,184
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	$ 42,462	$ 15,906	$ (668)
Exceptional treatment *2: To receive float, pay fix	Long-term borrowings	158,812	125,355	-
		$ 201,274	$ 141,261	$ (668)

*1 When certain conditions are met, translation of foreign currency receivables is based on yen amount fixed by forward contract. The fair value is included in that of the hedged items (trade payables or loan receivables), which is shown in “7. Financial Instruments”.

*2 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, 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. Some of those domestic Subsidiaries have changed the said calculation from “simplified method” to “standard method” due to the increase of the number of employee.

(b) Breakdown of information concerning severance and retirement benefits

i) Movements of severance and retirement benefit obligation:	Japanese Yen (millions)				U.S.Dollars (thousands)	
	2021		2020		2021	
Balance at beginning of year	¥	42,338	¥	49,687	$	382,422
Current service costs		2,457		2,183		22,193
Interest costs		235		209		2,123
Actuarial differences on pension plan obligation		194		1,060		1,752
Benefits paid		(4,845)		(2,888)		(43,763)
Changes in the scope of consolidation		(2,556)		(7,424)		(23,087)
Effects of the change from simplified method to standard method		818		-		7,389
Others		(410)		(489)		(3,703)
Balance at end of year	¥	38,231	¥	42,338	$	345,326

ii) Movements of pension assets:	Japanese Yen (millions)				U.S.Dollars (thousands)	
	2021		2020		2021	
Balance at beginning of year	¥	37,152	¥	37,316	$	335,579
Expected return on pension assets		15		19		136
Actuarial differences on pension assets		7,954		3,220		71,845
Contribution to pension plans		99		106		894
Benefits paid		(4,379)		(1,571)		(39,554)
Changes in the scope of consolidation		(446)		(2,025)		(4,028)
Return of retirement benefit trust		(1,800)		-		(16,258)
Others		(90)		87		(813)
Balance at end of year	¥	38,505	¥	37,152	$	347,801

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)	
	2021		2020		2021	
Retirement benefit obligation (funded non-contributory)	¥	35,334	¥	39,891	$	319,158
Less fair value of pension assets		(38,505)		(37,152)		(347,801)
Retirement benefit obligation (Unfunded termination and retirement allowance plan)		2,897		2,447		26,168
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥	(274)	¥	5,186	$	(2,475)
Defined benefit liabilities		8,053		11,685		72,740
Defined benefit assets		(8,327)		(6,499)		(75,215)
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥	(274)	¥	5,186	$	(2,475)

iv) Severance and retirement benefit expenses:	Japanese Yen (millions)				U.S.Dollars (thousands)	
	2021		2020		2021	
Current service costs	¥	2,457	¥	2,183	$	22,193
Interest costs		235		209		2,123
Expected return on pension assets		(14)		(19)		(127)
Amortization of actuarial differences		409		543		3,694
Amortization of prior service costs		35		8		316
Effects of the change from simplified method to standard method		818		-		7,389
Others		212		(171)		1,915
Severance and retirement benefit expenses	¥	4,152	¥	2,753	$	37,503

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

	Japanese Yen (millions)				U.S.Dollars (thousands)	
	2021		2020		2021	
Prior service costs	¥	35	¥	34	$	316
Actuarial differences		9,071		2,526		81,935
Others		(161)		(250)		(1,454)
Total	¥	8,945	¥	2,310	$	80,797

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

	Japanese Yen (millions)				U.S.Dollars (thousands)	
	2021		2020		2021	
Unrecognized prior service costs	¥	74	¥	108	$	669
Unrecognized actuarial differences		(8,924)		148		(80,607)
Others		1,420		1,262		12,826
Total	¥	(7,430)	¥	1,518	$	(67,112)

vii) The major categories of pension assets:

	Percentage of composition	
	2021	2020
Bonds	3%	4%
Securities	37%	43%
Cash and deposits	56%	30%
Others	4%	23%
Total	100%	100%

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

	2021	2020
Discount rate	0.1% -1.0%	0.0% - 0.8%
Expected rate of return on pension plan assets	Not applicable	Not applicable
Expected rate of pay raises	Primarily 0.9% - 2.4%	Primarily 1.6% - 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)	
	2021		2020		2021	
Contribution paid to the defined contribution pension plan	¥	356	¥	90	$	3,216

11. Stock options

(a) The stock options outstanding at March 31, 2021 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	It continues in the position of Director, Executive officer or Deputy director until on date of vested (June 30, 2016 or March 31, 2016) after on date of grant (August 21, 2015).	It continues in the position of Director or Deputy director until on date of vested (June 30, 2015 or March 31, 2015) after on date of grant (August 22, 2014).
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	It continues in the position of Director or Deputy director until on date of vested (June 30, 2014) after on date of grant (August 23, 2013).
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, 2021 are as follows:

	FY2015 Stock option	FY2014 Stock option	FY2013 Stock option
Non-vested:			
Outstanding at March 31, 2020	-	-	-
Granted	-	-	-
Forfeited	-	-	-
Vested	-	-	-
Outstanding of non-vested at March 31, 2021	-	-	-
Vested:			
Outstanding at March 31, 2020	42,500	28,800	34,100
Vested	-	-	-
Exercised	5,100	2,400	7,800
Forfeited	-	-	-
Outstanding of non-vested at March 31, 2021	37,400	26,400	26,300
Exercise price - Yen (U.S. Dollars)	¥ 1 ($0.009)	¥ 1 ($0.009)	¥ 1 ($0.009)
Average share price at exercise - Yen (U.S. Dollars)	¥ 488 ($4.408)	¥ 429 ($3.875)	¥ 468 ($4.227)
Fair value price at grant date - Yen (U.S. Dollars)	¥ 1,690 ($15.265)	¥ 1,910 ($17.252)	¥ 1,440 ($13.007)

(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, 2021 and 2020.

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, 2021 and 2020 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, 2021 and 2020 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2021	2020	2021
Deferred tax assets:			
Net defined benefit liabilities	¥ 4,176	¥ 8,941	$ 37,720
Elimination of intercompany profit of non-current assets	2,352	2,323	21,245
Tax loss carryforwards	47,912	33,401	432,770
Loss on revaluation of inventories	385	410	3,477
Accrued expenses	2,259	2,341	20,405
Provision for construction warranties	1,860	2,059	16,801
Allowance for doubtful accounts	1,985	392	17,930
Provision for losses on construction contracts	24,958	31,172	225,436
Loss on impairment of non-current assets	6,525	8,760	58,938
Loss on valuation of marketable and investment securities	253	288	2,285
Provision for repairs	1,287	3,296	11,625
Difference arising from trust for employees' retirement benefit	7,230	6,958	65,306
Difference on application of percentage-of-completion method	3,934	3,688	35,534
Investments in subsidiaries and affiliates	8,259	11,534	74,600
Others	16,559	11,120	149,571
Gross deferred tax assets	129,934	126,683	1,173,643
Valuation allowance for tax loss carryforwards	(44,447)	(32,184)	(401,472)
Valuation allowance for the total of deductible temporary differences, etc.	(67,658)	(72,312)	(611,128)
Less valuation allowance	(112,106)	(104,495)	(1,012,610)
Total deferred tax assets	¥ 17,828	¥ 22,188	$ 161,033
Deferred tax liabilities:			
Net unrealized holding gains on securities	(208)	(112)	(1,879)
Accelerated depreciation on non-current assets	-	(137)	-
Reserve for advanced depreciation of non-current assets	(646)	(698)	(5,835)
Gain on contribution of securities to trust for employees' retirement benefit	(821)	(1,386)	(7,416)
Difference arising on percentage-of-completion	(612)	(360)	(5,528)
Undistributed earnings of foreign subsidiaries	(456)	(364)	(4,119)
Unrealized gain on assets and liabilities of consolidated subsidiaries	(2,057)	(2,055)	(18,580)
Others	(3,815)	(4,426)	(34,459)
Total deferred tax liabilities	¥ (8,615)	¥ (9,538)	$ (77,816)
Net deferred tax assets	¥ 9,213	¥ 12,650	$ 83,217

(note 1) Changes in presentation:

"Difference on application of percentage-of-completion method" which was included in "Others" under Gross deferred tax assets in the year ended March 31, 2020, has been presented individually from the year ended March 31, 2021 since its materiality in amount has increased. Note to the significant components of deferred tax assets and liabilities as of March 31, 2020 has been reclassified in order to reflect this change in presentation. As a result, ¥14,808 million previously presented in "Others" under "Deferred tax assets" has been reclassified as ¥3,688 million in "Difference on application of percentage-of-completion method" and as ¥11,120 million in "Others".

(note 2) Increase in valuation allowance of ¥7,610 million ($68,738 thousand) is mainly attributable to the valuation allowance for tax loss carryforwards.

For the year ended March 31, 2021 and 2020, tax loss carryforwards and corresponding deferred tax assets by expiration date were the following:

	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

	Japanese Yen (millions)						
2020	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)	¥ 973	¥ 379	¥ 104	¥ 101	¥ 105	¥ 31,738	¥ 33,401
Less valuation allowance	¥ (65)	¥ (335)	¥ (58)	¥ (53)	¥ (75)	¥ (31,598)	¥ (32,184)
Deferred tax assets	¥ 908	¥ 44	¥ 46	¥ 48	¥ 31	¥ 140	¥ 1,218

	U.S.Dollars (thousands)						
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)	$ 16,195	$ 4,209	$ 677	$ 1,138	$ 1,472	$ 409,078	$ 432,770
Less valuation allowance	$ -	$ (63)	$ (199)	$ (677)	$ (1,445)	$ (399,088)	$ (401,472)
Deferred tax assets	$ 16,195	$ 4,146	$ 479	$ 461	$ 27	$ 9,990	$ 31,298

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

13. Business Combination

Business divestiture

(Transfer of shares of Green Power Ichihara Co., Ltd. and Junkan Shigen Co., Ltd.)

1. Overview of business divestiture

1) Name of the successor entity

TAKEEI CORPORATION

2) Description of divested businesses

Consolidated subsidiary:	Green Power Ichihara Co., Ltd.	Biomass power generation business
Affiliate accounted for using equity method:	Junkan Shigen Co., Ltd.	Power generation fuel storage/sale business

3) Main reason for business divestiture

The Company incurred additional losses on large overseas civil engineering and construction works for coal fired power generation in the Engineering business and as a result, net assets have been impaired significantly. It is necessary to expand and promptly implement measures to recover its own capital and secure fund, and the Company is striving to add projects to sell assets and businesses and accelerate the implementation. As one of measures to this end, the Company has decided to transfer the equity interests in Green Power Ichihara Co., Ltd and Junkan Shigen Co., Ltd..

4) Date of business divestiture

April 30, 2020 (deemed date of transfer, April 1, 2020)

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: ¥2,335 million ($21,091 thousands)

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

	Japanese Yen (millions)	U.S.Dollars (thousands)
Current assets	¥ 1,329	$ 12,004
Non-current assets	2,830	25,562
Total assets	¥ 4,159	$ 37,566
Current liabilities	¥ 1,234	$ 11,146
Long-term liabilities	59	533
Total liabilities	¥ 1,293	$ 11,679

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 transfer date of the divestiture was deemed to have taken place at the beginning of the fiscal year under review, the profit or loss attributable to the divestiture is not included in the consolidated financial statements for the fiscal year under review.

(Transfer of shares of Mitsui E&S Steel Structures Engineering Co., Ltd.)

The Company transferred 70% of shares of Mitsui E&S Steel Structures Engineering Co., Ltd. (Effective on October 1, 2020 the subsidiary changed its corporate name to Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd.; "MSE"), a subsidiary of the Company to Sumitomo Mitsui Construction Co., Ltd. ("SMC") as of October 1, 2020.

In conjunction with this share transfer, MSE and DPS Bridge works Co., Ltd. ("DPS"), a subsidiary of MSE, are no longer consolidated subsidiaries of the Company.

1. Overview of business divestiture

1) Name of the successor entity

Sumitomo Mitsui Construction Co., Ltd.

2) Description of divested businesses

Bridge business, bridge maintenance business, coast business, and others

3) Main reason for business divestiture

The Company announced the Business Revival Plan in May 2019, reviewed a part of the plan in November 2019, and has been pushing forward the reform of business structure.

As for the social infrastructure business (bridge, bridge maintenance and coast businesses), the Company integrated related businesses of the Group under the control of MSE as of April 1,2020, and explored possibilities of collaboration and alliance with partners from synergy can be expected.

Under this situation, the Company entered into the share transfer agreement, judging that having track records, experience and know-how held by SMC in the social infrastructure field utilized for the business operation of MSE and DPS leads to growth and strengthened competitiveness of both companies, and consequently contributes to increase in each company's corporate value.

4) Date of business divestiture

October 1, 2020

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

Loss on sales of subsidiaries and affiliates' stocks: ¥1,920 million ($17,343 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	¥	12,972	$	117,171
Non-current assets		6,421		57,998
Total assets	¥	19,393	$	175,169
Current liabilities	¥	14,094	$	127,306
Long-term liabilities		1,975		17,839
Total liabilities	¥	16,069	$	145,145

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 : ¥ 10,763 million ($ 97,218 thousand)

Operating income : ¥ 731 million ($ 6,603 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, Wakayama 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.

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

	U.S. Dollars (thousands)							
	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	$	140,059	$	(4,634)	$	135,416	$	89,061
Idle assets (Land)		9,313		(72)		9,250		10,794
Total	$	149,372	$	(4,706)	$	144,666	$	99,855

(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/ $11,580 thousand), and the decrease in rental properties is mainly due to sales of rental properties (¥1,535 million/ $13,865 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.

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)

Usage	U.S. Dollars (thousands)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	$ 5,817	$ 2,087	$ 3,730	$ (3,080)
Idle assets (Land)	-	-	-	(135)
Total	$ 5,817	$ 2,087	$ 3,730	$ (3,215)

(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).

2020

Usage	Japanese Yen (millions)			
	Book value			Fair value
	Beginning balance as of April 1, 2019	Increase (Decrease)	Ending balance as of March 31, 2020	As of March 31, 2020
Facilities for lease	¥ 105,249	¥ (89,743)	¥ 15,506	¥ 10,177
Idle assets (Land)	9,593	(8,562)	1,031	1,393
Total	¥ 114,842	¥ (98,305)	¥ 16,537	¥ 11,570

(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 new acquisitions (¥1,378 million), and the decrease in rental properties is mainly due to depreciation (¥1,090 million) and deconsolidation of certain subsidiaries (¥98,492 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.

2020

Usage	Japanese Yen (millions)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	¥ 6,007	¥ 3,062	¥ 2,945	¥ 1
Idle assets (Land)	-	-	-	(38)
Total	¥ 6,007	¥ 3,062	¥ 2,945	¥ (37)

(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 gain/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. 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, steel structures

Ocean Development: FPSOs (floating production storage offloading vessels)

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

Engineering: renewable energy power generation plants, power generation business, overseas civil works, waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

(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 almost same as the method stated in "Significant Accounting and Reporting Policies." Operating income and loss in Reportable Segment is based on the one in Consolidated Statements of Operations.
Inter segment profit and transfer are based on the market price.

(c) Changes in Reportable Segments

The Company has been pushing the reform of business structure under the Business Revival Plan, which was announced in May 2019 and partly reviewed in November 2019.
As part of this reform, jurisdiction over Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. (formerly Mitsui E&S Steel Structures Engineering Co., Ltd.) and DPS Bridge Works Co., Ltd., both were previously classified as "Machinery" and carries on Bridge business, has been changed since this fiscal year, and the said two companies belong to "Others".
Comparative segment information for the previous fiscal year has been restated to reflect the 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, 2021 and 2020 were as follows:

	Japanese Yen (millions)								
2021	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 92,395	¥ 309,950	¥ 159,049	¥ 38,426	¥ 599,820	¥ 64,015	¥ 663,835	¥ -	¥ 663,835
Inter segment	5,551	-	4,320	380	10,251	9,021	19,272	(19,272)	-
Total	¥ 97,946	¥ 309,950	¥ 163,369	¥ 38,806	¥ 610,071	¥ 73,036	¥ 683,107	¥ (19,272)	¥ 663,835
Operating income (loss)	¥ (2,021)	¥ (21,783)	¥ 9,820	¥ 287	¥ (13,697)	¥ 1,453	¥ (12,244)	¥ -	¥ (12,244)
Assets	¥ 95,162	¥ 330,738	¥ 170,921	¥ 41,595	¥ 638,416	¥ 45,010	¥ 683,426	¥ 83,024	¥ 766,450
Depreciation and amortization	¥ 3,313	¥ 3,294	¥ 4,464	¥ 206	¥ 11,277	¥ 852	¥ 12,129	¥ 616	¥ 12,745
Amortization of goodwill	¥ 797	¥ 247	¥ -	¥ -	¥ 1,044	¥ 55	¥ 1,099	¥ -	¥ 1,099
Year-end balance of goodwill	¥ 8,371	¥ 1,227	¥ -	¥ -	¥ 9,598	¥ 33	¥ 9,631	¥ -	¥ 9,631
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	¥ 2,068	¥ 5,171	¥ 8,243	¥ (7,750)	¥ 7,732	¥ (10,245)	¥ (2,513)	¥ 588	¥ (1,925)

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Information and communication equipment related business, Systems development, Infrastructure related business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of ¥83,024 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 ¥87,767 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 include increase in assets related to the administration divisions. ¥(7,817) million and ¥(11,443) million are included in “Engineering” and “Others”, respectively, due to the impact of exclusion from consolidation.

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

	Japanese Yen (millions)								
2020	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 115,112	¥ 332,898	¥ 172,294	¥ 69,622	¥ 689,926	¥ 96,552	¥ 786,478	¥ -	¥ 786,478
Inter segment	4,464	-	7,108	781	12,353	10,345	22,698	(22,698)	-
Total	¥ 119,576	¥ 332,898	¥ 179,402	¥ 70,403	¥ 702,279	¥ 106,897	¥ 809,176	¥ (22,698)	¥ 786,478
Operating income (loss)	¥ (2,860)	¥ (4,920)	¥ 11,914	¥ (71,424)	¥ (67,290)	¥ 5,211	¥ (62,079)	¥ -	¥ (62,079)
Assets	¥ 108,235	¥ 358,763	¥ 178,248	¥ 43,384	¥ 688,630	¥ 54,750	¥ 743,380	¥ 97,000	¥ 840,380
Depreciation and amortization	¥ 3,223	¥ 3,266	¥ 4,336	¥ 618	¥ 11,443	¥ 3,337	¥ 14,780	¥ 610	¥ 15,390
Amortization of goodwill	¥ 734	¥ 256	¥ -	¥ 11	¥ 1,001	¥ 53	¥ 1,054	¥ -	¥ 1,054
Year-end balance of goodwill	¥ 8,444	¥ 1,521	¥ -	¥ -	¥ 9,965	¥ 96	¥ 10,061	¥ -	¥ 10,061
Loss on impairment of non-current assets	¥ 431	¥ -	¥ 598	¥ 4	¥ 1,033	¥ 7	¥ 1,040	¥ 5	¥ 1,045
Increase in property, plant and equipment and intangible assets	¥ 4,323	¥ 7,499	¥ 7,013	¥ 806	¥ 19,641	¥ (82,236)	¥ (62,595)	¥ 160	¥ (62,435)

(note 1) “Others” is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Information and communication equipment related business, Transport equipment related business, Systems development, Real estate lease business, Infrastructure related business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of ¥97,000 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 ¥104,877 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥610 million recorded for depreciation and amortization include depreciation for property, plant and equipment, and amortization for intangible assets related to the administration divisions of ¥620 million.

(3) Adjustments of ¥5 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of ¥160 million recorded for increase in property, plant and equipment and intangible assets include increase in assets related to administration divisions. ¥(1,879) million and ¥(85,214) million are included in “Engineering” and “Others”, respectively, due to the impact of exclusion from consolidation.

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

	U.S. Dollars (thousands)								
2021	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	$ 834,568	$ 2,799,657	$ 1,436,627	$ 347,087	$ 5,417,939	$ 578,222	$ 5,996,161	$ -	$ 5,996,161
Inter segment	50,140	-	39,021	3,432	92,593	81,483	174,076	(174,076)	-
Total	$ 884,708	$ 2,799,657	$ 1,475,648	$ 350,519	$ 5,510,532	$ 659,705	$ 6,170,237	$ (174,076)	$ 5,996,161
Operating income (loss)	$ (18,255)	$ (196,757)	$ 88,700	$ 2,592	$ (123,720)	$ 13,125	$ (110,595)	$ -	$ (110,595)
Assets	$ 859,561	$ 2,987,427	$ 1,543,862	$ 375,711	$ 5,766,561	$ 406,558	$ 6,173,119	$ 749,923	$ 6,923,042
Depreciation and amortization	$ 29,925	$ 29,753	$ 40,322	$ 1,861	$ 101,861	$ 7,696	$ 109,557	$ 5,564	$ 115,121
Amortization of goodwill	$ 7,199	$ 2,231	$ -	$ -	$ 9,430	$ 497	$ 9,927	$ -	$ 9,927
Year-end balance of goodwill	$ 75,612	$ 11,083	$ -	$ -	$ 86,695	$ 298	$ 86,993	$ -	$ 86,993
Loss on impairment of non-current assets	$ 10,903	$ -	$ 1,996	$ 18	$ 12,917	$ 8,599	$ 21,516	$ -	$ 21,516

2021	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
	U.S. Dollars (thousands)								
Increase in property, plant and equipment and intangible assets	$ 18,679	$ 46,708	$ 74,456	$ (70,003)	$ 69,840	$ (92,539)	$ (22,699)	$ 5,311	$ (17,388)

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Information and communication equipment related business, Systems development, Infrastructure related business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of $749,923 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 $792,765 thousand that are not allocated to any Reportable Segment.

(2) Adjustments of $5,564 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 $5,311 thousand recorded for increase in property, plant and equipment and intangible assets include increase in assets related to the administration divisions. $(70,608) thousand and $(103,360) thousand are included in "Engineering" and "Others", respectively, due to the impact of exclusion from consolidation.

(note 3) 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

2021	Japan	Brazil	Africa	Others	Total
	Japanese Yen (millions)				
Net sales	¥ 232,503	¥ 184,805	¥ 87,043	¥ 159,484	¥ 663,835

2020	Japan	Brazil	Africa	Others	Total
	Japanese Yen (millions)				
Net sales	¥ 313,832	¥ 215,619	¥ 81,439	¥ 175,588	¥ 786,478

2021	Japan	Brazil	Africa	Others	Total
	U.S. Dollars (thousands)				
Net sales	$ 2,100,108	$ 1,669,271	$ 786,225	$ 1,440,557	$ 5,996,161

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

2) Property, plant and equipment

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

2020	Japan	Others	Total
	Japanese Yen (millions)		
Property, plant and equipment	¥ 140,538	¥ 19,021	¥ 159,559

2021	Japan	Others	Total
	U.S. Dollars (thousands)		
Property, plant and equipment	$ 1,057,628	$ 126,962	$ 1,184,590

(g) Information by major customer

Information by major customer for the fiscal years ended March 31, 2021 and 2020 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]

2021

Not applicable.

2020

Not applicable.

16. Related Party Transactions

Transactions between the Subsidiaries and related parties for the fiscal years ended March 31, 2021 and 2020 were as follows:

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 MV34 B.V.	Construction of FPSO	38,632	348,948
AREA1 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 MV34 B.V.	Advance payment	308	2,782

2020:

Affiliate of the Company	Contents of transactions	Japanese Yen (millions)
TARTARUGA MV29 B.V.	The equipment capital lending	¥ 40,098
SEPIA MV30 B.V.	Construction of FPSO	67,496
SEPIA MV30 B.V.	Guarantee Obligation	27,076
LIBRA MV31 B.V.	Construction of FPSO	68,392
LIBRA MV31 B.V.	Guarantee Obligation	20,635
BUZIOS5 MV32 B.V.	Construction of FPSO	32,789
AREA1 MV34 B.V.	Guarantee Obligation	15,281

2020:

Affiliate of the Company	Account title	Japanese Yen (millions)
SEPIA MV30 B.V.	Receivables	¥ 34,597
LIBRA MV31 B.V.	Receivables	44,566
BUZIOS5 MV32 B.V.	Receivables	30,815

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. The transaction amount and outstanding balance at the year-end do not include sales tax.
2. Policies for determining terms and conditions are as follows:
   (1) FPSO/FSO construction and operation trade are deliberately 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.
   (3) Guarantee Obligation is deliberately determined in consideration by each project plan.
   A charge for guarantee obligation, which was determined by considering ordinary cases of charges for guarantee obligations, has been received for the aforementioned Guarantee Obligation.

17. Net Assets and Per Share Data

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.

18. 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, 2021 is 2.48%.

19. Long-Term Indebtedness

Long-term indebtedness as of March 31, 2021 and 2020 were summarized below:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2021	2020	2021
Secured by mortgages on plant and equipment-			
loans from Japanese banks due on various dates through 2026	¥ 9,693	¥ 11,214	$ 87,553
Unsecured or non-guaranteed-			
0.62% bonds, due September 14, 2020	-	5,000	-
0.46% bonds, due September 15, 2021	10,000	10,000	90,326
1.03% bonds, due December 10, 2021	5,000	5,000	45,163
1.01% bonds, due September 14, 2022	5,000	5,000	45,163
0.62% bonds, due December 15, 2022	10,000	10,000	90,326
0.70% bonds, due September 15, 2023	5,000	5,000	45,163
loans from banks, insurance companies and trading companies due on various dates through 2028	48,986	88,050	442,472
	93,679	139,264	846,166
Less: Current portion included in current liabilities	(35,714)	(45,245)	(322,591)
	¥ 57,965	¥ 94,019	$ 523,575

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

Year ended March 31,	Japanese Yen (millions)	U.S. Dollars (thousands)
2022	¥ 35,714	$ 322,591
2023	28,992	261,873
2024	15,801	142,724
2025	2,940	26,556
2026 and thereafter	10,232	92,422
	¥ 93,679	$ 846,166

20. Subsequent events

(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. ("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.

1) Overview of transferred subsidiary

i) Name	Mitsui E&S Environment engineering Co., Ltd. (Effective April 1, 2021, the subsidiary changed its corporate name to JFE Environment Technology Co., Ltd.)
ii) Address	6-1 Nakase 2-chome, Mihama-ku, Chiba
iii) Title and name of the representative	Yoshiyuki Sakiyama, President and Representative Director
iv) Description of business	Design, procurement, and construction, and operations management and maintenance of various environmental facilities
v) Capital stock	¥450 million ($4,065 thousand)
vi) Date of establishment	October 1985

2) Number of shares transferred and amount of consideration

i) Number of shares owned before the transfer	7,107 shares (ratio of voting rights ownership: 100.0%)
ii) Number of shares transferred	7,107 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) Name of reportable segment in which the consolidated subsidiary was included

Engineering

(Partial transfer of shares of consolidated subsidiary)

On July 31, 2020, the Company and TSUNEISHI SHIPBUILDING Co., Ltd. ("Tsuneishi Shipbuilding") entered into a Memorandum of Understanding to begin discussions on the partial transfer of shares of Mitsui E&S Shipbuilding Co., Ltd. ("MES-S"), a consolidated subsidiary of the Company that owns the commercial vessel business, excluding the naval ship business, and a part of subsidiaries. Afterward, discussions and negotiations on the details had proceeded, and upon reaching agreement, the Company and Tsuneishi Shipbuilding entered into a share transfer agreement on April 23, 2021.

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

1) Overview of transferred subsidiary

i) Name:	Mitsui E&S Shipbuilding Co., Ltd.
ii) Address:	6-4 Tsukiji 2-chome, Chuo-ku, Tokyo
iii) Title and name of the representative	Isamu Funatsu, President and Representative Director
iv) Description of business	Design, manufacturing, construction, engineering, repair and maintenance services, construction and installation, etc. of ships, naval ships, air-cushion vehicles, and related equipment and devices, etc.
v) Capital stock	¥100 million ($903 thousand)
vi) Date of establishment	May 2017

2) Number of shares transferred and amount of consideration

i) Number of shares owned before the transfer	50,600 shares (ratio of voting rights ownership: 100.0%)
ii) Number of shares transferred	24,794 shares (ratio of voting rights ownership: 49.0%)
iii) Number of shares owned after the transfer	25,806 shares (ratio of voting rights ownership: 51.0%)

Note 1: The number of shares and number of voting rights stated above may change in the future due to capital policy, etc. of MES-S. However, the ratio of voting rights ownership stated above will not change.

3) Name of reportable segment in which the consolidated subsidiary is included

Ship

KPMG

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, 2021 and 2020, 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, 2021 and 2020, 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 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. Mitsui E&S holdings Co., Ltd. and its consolidated subsidiaries (hereinafter, collectively referred to as the “Group") reported operating losses for the past three consecutive fiscal years, including an operating loss of	The primary audit 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 reasonableness of key

¥12,243 million for the current fiscal year, due mainly to losses on large overseas EPC projects. As described in the note for "Significant accounting estimates" to the consolidated financial statements, the Group recognized a provision of ¥67,652 million for losses on construction contracts related to an on-going overseas EPC project, the civil engineering and construction of a thermal power plant in 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, 2022, which assumed that:

- 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.

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

assumptions underlying the cash flow forecasts by 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, 2022, 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.

Assessment of the reasonableness of the estimated total construct costs used to measure the provision for losses on contracts related to the civil engineering and construction of a thermal power plant in Indonesia	
The key audit matter	**How the matter was addressed in our audit**
As described in the note for "Significant accounting estimates" to the consolidated financial statements, Mitsui E&S holdings Co., Ltd. and its consolidated subsidiaries (hereinafter, referred to as the "Group") recognized provisions of ¥77,043 million for losses on construction contracts, including a provision of ¥67,652 million related to the civil engineering and construction of a thermal power plant in Indonesia ("the Construction") in the engineering business, which accounted for approximately 10.1% 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 construct 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 audit 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 and rationales for marine conditions and the technical difficulty of the construction method required by the customer, as well as by performing 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 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.

Assessment of the reasonableness of the estimated future cash flows used in the impairment testing on goodwill at MES Germany Beteiligungs GmbH

The key audit matter	How the matter was addressed in our audit
As described in the note for "Significant accounting estimates" to the consolidated financial statements, Mitsui E&S holdings Co., Ltd. and its consolidated subsidiaries (hereinafter, referred to as the "Group") recognized goodwill of ¥9,631 million in the consolidated statement of financial position, including goodwill of ¥8,731 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 (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.	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 component auditors of MES Germany, a consolidated subsidiary, to perform an audit. Then we evaluated the report of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others: **(1) Internal control testing** Testing of the design and operating effectiveness of certain of MES Germany’s internal controls relevant to measuring the value in use used in the impairment testing on a CGU to which goodwill is allocated, with a particular focus on controls to ensure that the impairment testing on goodwill, such as using proper information and input data and incorporating risks where there are uncertainties, complies with the group policy. **(2) Assessment of the reasonableness of the estimated value in use** Inquiry 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: ● compared the growth rate of the gas-carrier market with relevant market data published by external organizations; ● assessed the mid-term business plan by comparing it with the latest planned orders and actual orders;

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.	● compared the future cash flows estimated by management of MES Germany with those independently estimated by incorporating the effect 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 ● Performed the following procedures by involving valuation specialists within the network firms of the component 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 the requirements of accounting standards; and - comparison of the discount rates adopted by management of MES Germany with those independently estimated.

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, 2021 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.

Yoshihide Takehisa
Designated Engagement Partner
Certified Public Accountant

Makoto Yamada
Designated Engagement Partner
Certified Public Accountant

Yoshiaki Takeda
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 6, 2021

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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